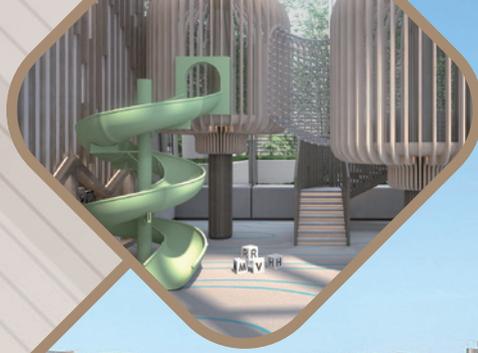




鷹君集團有限公司
Great Eagle
Holdings Limited

Incorporated in Bermuda with limited liability (Stock Code: 41)
於百慕達註冊成立之有限公司 (股份代號: 41)



INTERIM REPORT 2019 中期報告



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CORPORATE INFORMATION

DIRECTORS

LO Ka Shui (*Chairman and Managing Director*)
 LO TO Lee Kwan[#]
 CHENG Hoi Chuen, Vincent*
 WONG Yue Chim, Richard*
 LEE Pui Ling, Angelina*
 LEE Siu Kwong, Ambrose*
 POON Ka Yeung, Larry*
 LO Hong Sui, Antony
 LAW Wai Duen
 LO Hong Sui, Vincent[#]
 LO Ying Sui[#]
 LO Chun Him, Alexander
 KAN Tak Kwong (*General Manager*)
 CHU Shik Pui

[#] Non-executive Directors

* Independent Non-executive Directors

AUDIT COMMITTEE

CHENG Hoi Chuen, Vincent (*Chairman*)
 WONG Yue Chim, Richard
 LEE Pui Ling, Angelina
 LEE Siu Kwong, Ambrose
 POON Ka Yeung, Larry

REMUNERATION COMMITTEE

LEE Pui Ling, Angelina (*Chairwoman*)
 CHENG Hoi Chuen, Vincent
 WONG Yue Chim, Richard
 LEE Siu Kwong, Ambrose
 POON Ka Yeung, Larry

NOMINATION COMMITTEE

WONG Yue Chim, Richard (*Chairman*)
 CHENG Hoi Chuen, Vincent
 LEE Pui Ling, Angelina
 LEE Siu Kwong, Ambrose
 POON Ka Yeung, Larry

FINANCE COMMITTEE

LO Ka Shui (*Chairman*)
 KAN Tak Kwong
 LO Chun Him, Alexander
 CHU Shik Pui

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Appleby
 Clifford Chance
 Mayer Brown
 Orrick, Herrington & Sutcliffe LLP
 Pillsbury Winthrop Shaw Pittman LLP
 Reed Smith Richards Butler
 Shartsis Friese LLP

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
 Citibank, N.A.
 Hang Seng Bank Limited
 Mizuho Bank, Limited
 The Hongkong and Shanghai
 Banking Corporation Limited

REGISTERED OFFICE

Victoria Place, 5th Floor
 31 Victoria Street
 Hamilton HM 10
 Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor, Hopewell Centre
 183 Queen's Road East
 Wanchai, Hong Kong
 Email: hkinfo@computershare.com.hk

WEBSITE

www.GreatEagle.com.hk

STOCK CODE

41

DIVIDEND NOTICE AND KEY DATES

INTERIM DIVIDEND

The Board of Directors of the Company has resolved to declare an interim dividend of HK33 cents per share (2018: HK33 cents per share) for the six months ended 30 June 2019 (the “**2019 Interim Dividend**”), payable on 17 October 2019 to the Shareholders whose names appear on the Registers of Members of the Company on Tuesday, 8 October 2019.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Monday, 30 September 2019 to Tuesday, 8 October 2019, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2019 Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration not later than 4:30 p.m. on Friday, 27 September 2019.

KEY DATES

2019 Interim Results Announcement	:	30 August 2019
Ex-dividend Date	:	26 September 2019
Closure of Registers of Members	:	30 September 2019 – 8 October 2019 <i>(both days inclusive)</i>
Record Date for 2019 Interim Dividend	:	8 October 2019
Payment of 2019 Interim Dividend	:	17 October 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	HK\$ million	HK\$ million	
Key Financials on Income Statement			
Based on core business¹			
Revenue based on core business	3,211.7	3,145.7	2.1%
Core profit after tax attributable to equity holders	820.5	906.9	- 9.5%
Core profit after tax attributable to equity holders (per share)	HK\$1.17	HK\$1.30	
Based on statutory accounting principles²			
Revenue based on statutory accounting principles	4,697.2	4,967.7	- 5.4%
Statutory profit attributable to equity holders	2,159.2	3,487.8	- 38.1%
Interim Dividend (per share)	HK\$0.33	HK\$0.33	

¹ On the basis of core business, figures excluded fair value changes relating to the Group's investment properties and financial assets, and were based on attributable distribution income from Champion REIT, Langham Hospitality Investments and Langham Hospitality Investments Limited ("LHI") and the U.S. Real Estate Fund ("U.S. Fund"), as well as realised gains and losses on financial assets. The management's discussion and analysis 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	
	June 2019	December 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	1.4%	1.0%
Book value (per share)	HK\$116.7	HK\$113.7
Based on statutory accounting principles²		
Net gearing ³	19.6%	20.7%
Book value (per share)	HK\$102.4	HK\$99.3

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 6.

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 66.10%, 63.14% and 49.97% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of June 2019.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Six months ended 30 June		Change
	2019	2018	
	HK\$ million	HK\$ million	
Revenue from core business			
Hotels Division	2,023.4	2,060.5	- 1.8%
Gross Rental Income	112.0	114.3	- 2.0%
Management Fee Income from Champion REIT	220.6	190.1	16.0%
Distribution Income from Champion REIT [^]	516.9	480.8	7.5%
Distribution Income from LHI [^]	116.6	118.0	- 1.2%
Other operations	222.2	182.0	22.1%
Total Revenue	3,211.7	3,145.7	2.1%
Hotel EBITDA	304.4	357.9	- 14.9%
Net Rental Income	87.1	90.1	- 3.3%
Management Fee Income from Champion REIT	220.6	190.1	16.0%
Distribution Income from Champion REIT [^]	516.9	480.8	7.5%
Distribution Income from LHI [^]	116.6	118.0	- 1.2%
Operating income from other operations	72.4	53.8	34.6%
Operating Income from core business	1,318.0	1,290.7	2.1%
Depreciation	(145.8)	(115.4)	26.3%
Administrative and other expenses	(279.8)	(214.3)	30.6%
Other income	4.5	59.4	- 92.4%
Interest income	81.3	60.1	35.3%
Finance costs	(86.5)	(86.6)	- 0.1%
Share of results of joint ventures	(17.0)	(7.3)	132.9%
Share of results of associates	0.4	0.4	-
Core profit before tax	875.1	987.0	- 11.3%
Income taxes	(53.7)	(81.3)	- 33.9%
Core profit after tax	821.4	905.7	- 9.3%
Non-controlling interest	(0.9)	1.2	n.m.
Core profit attributable to equity holders	820.5	906.9	- 9.5%

[^] Under the Group's statutory profit, interim 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

30 June 2019

	Assets HK\$ million	Liabilities HK\$ million	Net Assets HK\$ million
Great Eagle operations	38,046	11,064	26,982
Champion REIT	58,109	11,824	46,285
LHI	12,838	4,749	8,089
U.S. Fund	726	294	432
	109,719	27,931	81,788

31 December 2018

	Assets HK\$ million	Liabilities HK\$ million	Net Assets 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
U.S. Fund	1,135	695	440
	107,124	27,727	79,397

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Six months ended 30 June		Change
	2019	2018	
	HK\$ million	HK\$ million	
Revenue based on statutory accounting principles			
Hotels Division	2,833.6	2,821.5	0.4%
Gross Rental Income	112.0	114.3	- 2.0%
Other operations (including management fee income from Champion REIT)	442.8	372.1	19.0%
Gross Rental Income – Champion REIT	1,552.9	1,444.8	7.5%
Gross Rental Income – LHI	295.5	284.6	3.8%
Gross Revenue – U.S. Fund	35.2	452.7	- 92.2%
Elimination on Intragroup transactions	(574.8)	(522.3)	10.1%
Consolidated Total Revenue	4,697.2	4,967.7	- 5.4%
Hotel EBITDA	304.4	357.9	- 14.9%
Net Rental Income	87.1	90.1	- 3.3%
Operating income from other operations	293.0	243.9	20.1%
Net Rental Income – Champion REIT	1,111.1	1,035.5	7.3%
Net Rental Income – LHI	277.3	271.0	2.3%
Net Operating (Loss) Income – U.S. Fund	(7.3)	44.8	- 116.3%
Elimination on Intragroup transactions	(22.9)	(6.3)	263.5%
Consolidated Operating Income	2,042.7	2,036.9	0.3%
Depreciation	(385.4)	(359.9)	7.1%
Fair value changes on investment properties	2,500.2	4,244.0	- 41.1%
Fair value changes on derivative financial instruments	(90.8)	0.9	n.m.
Fair value changes on financial assets at fair value through profit or loss	27.7	(8.0)	n.m.
Administrative and other expenses	(298.1)	(237.6)	25.5%
Other income (including interest income)	106.2	121.8	- 12.8%
Finance costs	(432.8)	(384.8)	12.5%
Share of results of joint ventures	(17.0)	(7.3)	132.9%
Share of results of associates	0.4	0.4	–
Statutory profit before tax	3,453.1	5,406.4	- 36.1%
Income taxes	(223.1)	(246.5)	- 9.5%
Statutory profit after tax	3,230.0	5,159.9	- 37.4%
Non-controlling interest	9.4	(55.2)	- 117.0%
Non-controlling unitholders of Champion REIT	(1,080.2)	(1,616.9)	- 33.2%
Statutory profit attributable to equity holders	2,159.2	3,487.8	- 38.1%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In spite of a slowdown in the global economy amid rising trade tensions and political uncertainties, the Group has successfully launched ONTOLO, our 723-units luxury residential development project in Pak Shek Kok, Hong Kong. The launch, which took place at a time of large-scale protests across Hong Kong, managed to receive an overwhelmingly positive market response. The 362-rolled out units were a number of times oversubscribed and achieved almost a complete sell out. Nonetheless, majority of sale proceeds is expected to be received after the handover from July 2020 onwards and profit of the project will only be booked after the handover.

Furthermore, as mentioned in last year's annual results, a joint venture of the Group was exploring other means of exiting our investment in the Dalian mixed-use development project, as housing demand in the area remained weak and substantial capital injection will be required to develop Phase II of the project. After lengthy negotiations, the joint venture has successfully disposed of all the remaining units along with Phase II of the project to an independent third party in July 2019. Gain on sale attributable to the Group will be booked in two stages, with approximately HK\$70 million targeted in the second half of 2019, and the remaining profit of approximately HK\$180 million targeted for 2020 only upon receipt of residual amount. In terms of acquisition, we have acquired a small car park site in front of our existing site in Seattle for US\$7.5 million in June 2019. This site will serve as auxiliary car parking facilities of our upcoming project.

As for the first half of 2019, revenue based on core business of the Group reached HK\$3,211.7 million, and was 2.1% higher than that of last year (1H 2018: HK\$3,145.7 million). The increase was a result of a

9.9% increase in income from Champion REIT, which comprised distribution and management fee income during the period. Core operating income increased by 2.1% to HK\$1,318.0 million in the first half of the year, as higher income from Champion REIT had more than offset the decreases in EBITDA of the Hotels Division, net rental income and distribution from LHI. The decline in EBITDA of the Hotels Division was mainly due to a loss incurred by The Langham, Boston, as the hotel closed for a major renovation since April 2019. To a lesser extent, a loss incurred by our recently opened property in Washington D.C. also contributed to the decline in Hotels Division's EBITDA. In the first half of 2019, there was an increase in operating income from other operations, which was primarily due to improved operating income from our trading division.

Other income of the Group declined by 92.4% to HK\$4.5 million in the first half of 2019, which was due to a high base for comparison as 2018 interim results included a HK\$43.0 million income from the sale of historical tax credit related to The Chicago property. Administrative and other expenses rose by 30.6% to HK\$279.8 million in the first half of 2019 (1H 2018: HK\$214.3 million), the increase was mainly attributable to the write-off of fixed assets related to The Langham, Boston, which is undergoing major renovation works.

As sale of individual residential units at the Dalian project was put on hold in preparation for a project sale, this has resulted in increased loss incurred for the Dalian development project in the first half of 2019. Hence, share of losses of joint ventures rose by 132.9% to HK\$17.0 million in the first half period.

Profit attributable to equity holders dropped by 9.5% to HK\$820.5 million in the first half of 2019 (1H 2018: HK\$906.9 million).

BUSINESS REVIEW

Breakdown of Operating Income	Six months ended 30 June		
	2019	2018	Change
	HK\$ million	HK\$ million	
1. Hotels EBITDA	304.4	357.9	- 14.9%
2. Income from Champion REIT	737.5	670.9	9.9%
3. Distribution Income from LHI	116.6	118.0	- 1.2%
4. Net Rental Income from investment properties	87.1	90.1	- 3.3%
5. Operating Income from other operations	72.4	53.8	34.6%
Operating Income from core business	1,318.0	1,290.7	2.1%

1. HOTELS DIVISION

Hotels Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018
	Europe							
The Langham, London	380	380	72.9%	74.1%	356	336	260	249
North America								
The Langham, Boston [#]	317	317	59.2%	74.7%	233	290	138	217
The Langham Huntington, Pasadena	379	379	68.3%	72.2%	285	278	195	201
The Langham, Chicago	316	316	73.1%	70.1%	383	377	280	265
The Langham, New York, Fifth Avenue	234	234	81.1%	79.0%	523	509	424	402
Eaton, Washington D.C.*	209	-	53.3%	-	272	-	145	-
Chelsea Hotel, Toronto	1,590	1,590	75.9%	79.2%	168	161	128	128
Australia / New Zealand								
The Langham, Melbourne	388	388	86.5%	87.4%	311	314	269	274
The Langham, Sydney	96	98	81.5%	82.3%	458	454	373	374
Cordis, Auckland	402	406	85.1%	77.5%	225	244	191	189
China								
The Langham, Shanghai, Xintiandi	356	356	78.9%	81.1%	1,614	1,671	1,273	1,355
Cordis, Shanghai, Hongqiao	394	394	59.5%	49.8%	921	890	548	443

* Soft-opened in August 2018

Closed for renovation from April 2019

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		Change
	2019 HK\$ million	2018 HK\$ million	
Hotel Revenue			
Europe	281.0	283.6	- 0.9%
North America	1,038.1	1,027.1	1.1%
Australia / New Zealand	366.1	402.5	- 9.0%
China	252.0	259.7	- 3.0%
Others (including hotel management fee income)	86.2	87.6	- 1.6%
Total Hotel Revenue	2,023.4	2,060.5	- 1.8%
Hotel EBITDA			
Europe	56.4	49.3	14.4%
North America	69.3	128.5	- 46.1%
Australia / New Zealand	52.5	62.8	- 16.4%
China	73.5	67.4	9.1%
Others (including hotel management fee income)	52.7	49.9	5.6%
Total Hotel EBITDA	304.4	357.9	- 14.9%

Revenue of the Hotels Division, which comprised twelve hotels and other Hotels Division related business such as hotel management fee income, dropped by 1.8% to HK\$2,023.4 million during the first half of 2019. EBITDA of the Hotels Division recorded a much larger decline of 14.9% to HK\$304.4 million.

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

EUROPE

The Langham, London

The hotel witnessed a 4% growth in room revenue and a 6% increase in average room rate during the first half of 2019, as the hotel was able to capture retail and group business during the period. Revenue from food and beverage (“F&B”) rose by 6%, driven by increased business in the restaurants, whereas banqueting business was soft during the period.

NORTH AMERICA

The Langham, Boston

The hotel was closed since April 2019 in preparation for major renovation works. All 317 guests rooms, the club lounge and public areas will undergo renovations and it is scheduled to complete in the second half of 2020. As a result of the closure, the hotel generated a loss in the first half of 2019.

The Langham Huntington, Pasadena

The hotel continued to face challenging market conditions given a lack of citywide events and reduced meeting group business. Nonetheless, the hotel still managed to capture some high yielding corporate and retail business during the first half of 2019, which resulted in a slight improvement in average room rate but occupancy declined during the period. Revenue from F&B rose by 7% in the first half of 2019, attributable to improved catering business.

MANAGEMENT DISCUSSION AND ANALYSIS

The Langham, Chicago

After receiving multiple prestigious accolades in the lodging industry thanks to its luxurious product and services offering, the hotel has firmly established itself as one of the most luxurious hotel in Chicago and demonstrated steadily improving performance. Average room rate rose by 2% with a 3.0 percentage points increase in occupancy during the first half of 2019. Revenue from F&B rose by 11% in the first half of 2019 due to improved catering business from corporate meetings and events.

The Langham, New York, Fifth Avenue

After the completion of the refurbishment in 2017, the hotel demonstrated good performance in the first half of 2019 as its operations continue to ramp up. Room revenue increased by 5% due to improvement in both room rate and occupancy. The hotel enjoyed a good market mix of retail, corporate and group business. Revenue from F&B rose by 6% in the first half of 2019 on improved catering business.

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 generated a loss in the first half of 2019 even as operations continue to ramp up after its opening in August 2018.

Chelsea Hotel, Toronto

Demand for hotel rooms was weak amid a reduction in convention activities in the city in the first half of 2019. Therefore, the hotel focused on

securing high-yielding retail business during the period, which resulted in a 4% uplift in average room rate, but occupancy for the hotel dropped by 3.3 percentage points in the first half of 2019. Revenue from F&B dropped by 3% in the first half of the year due to weaker restaurant business.

In order to ensure the highest and best use of this site, the Group has submitted a development proposal to redevelop this site into a mixed-use project with a 400-key hotel, two residential towers and other commercial space which would more than double the existing aggregate gross floor area. After lengthy negotiations with City Planning, the Group secured the Entitlement Rights per our development application at the end of 2018. The Group will submit a Site Permit application to the City Planning in the second half of 2019 and we expect to receive Construction Permit approval in two to three years' time after our application submission. The Group is presently soliciting proposals from well-established Toronto property developers to explore potential joint-venture options that would reduce our market exposure while leveraging off local market expertise.

AUSTRALIA / NEW ZEALAND***The Langham, Melbourne***

Performance of the hotel was held back by a planned renovation originally commenced in late 2018, which was subsequently put on hold due to severe escalation in renovation cost. This has affected the hotel's ability to secure larger group business and events for the first quarter of 2019. Nonetheless, the hotel strategically targeted at retail leisure during the period, which helped to minimize the impact of lost group business. During the first half of 2019, its average room rate declined by 1% and its occupancy dropped by 0.9 percentage point. Revenue from F&B declined by 11% on reduced catering business.

MANAGEMENT DISCUSSION AND ANALYSIS

The Langham, Sydney

Given a slowdown in the hotel market in Sydney, the hotel strategically focused on high-yielding retail business during the period, which helped lifted average room rate of the hotel in the first half of 2019. However, occupancy dropped by 0.8 percentage point on weaker overall demand for hotel rooms. Revenue from F&B was affected by the refurbishment of the all day dining restaurant, which has been closed and is expected to re-open in the third quarter of 2019.

Cordis, Auckland

Given soft market conditions in the first half of 2019, the hotel witnessed reduced demand from both the leisure and group segments. As a result, the hotel has focused on increasing occupancy, but average room rates declined during the period. F&B revenue performed well, increased by 8% over last year mainly supported by the all day dining restaurant.

In order to maximise the plot ratio of the site for the Cordis, Auckland, the Group applied for the construction of an additional 244 rooms on the site, which was subsequently approved by the local planning department. Construction commenced in March 2019 and is scheduled to complete ahead of the 2021 Auckland APEC summit.

CHINA***The Langham, Shanghai, Xintiandi***

Challenging market conditions has led to a decline in room revenue for the hotel in the first half of 2019. Demand for rooms was weak across all travellers segments as compared with the same period last year, especially from the corporate and leisure segment. Hence, both occupancy and average rates declined in the first half of 2019. Revenue from F&B was supported by improved banquet business from corporate events, which offset softer restaurants business during the period.

Cordis, Shanghai, Hongqiao

After all the facilities at the hotel became fully operational last year, the hotel continued to build momentum in increasing its revenue and was gradually gaining market share during the first half of 2019. As a result, there was good improvement in occupancy, which increased by 9.7 percentage points in the first half of 2019, while average room rate rose by 3% during the period. Revenue from F&B rose by 19% in the first half of 2019 due to improved restaurants business. The Chinese restaurant was awarded with 2 diamonds by Black Pearl restaurant guide in January 2019.

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 the first half of 2019, resulted from stronger performance of the managed hotels, where operations have mostly ramped up.

HOTEL MANAGEMENT BUSINESS

As at the end of June 2019, there were nine hotels with approximately 2,600 rooms in our management portfolio.

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 the first half of 2019 increased by 9.9% to HK\$737.5 million. Distribution income rose 7.5% to HK\$516.9 million, as the REIT declared a 6.5% increase in distribution per unit

and our holdings in the REIT has been increased from 65.76% as at the end of June 2018 to 66.10% as at the end of June 2019. Given the increase in the net property income of Champion REIT, together with increased agency leasing commission income in the first half of 2019, overall management fee income from Champion REIT increased by 16.0% to HK\$220.6 million in the first half of 2019.

	Six months ended 30 June		Change
	2019 HK\$ million	2018 HK\$ million	
Attributable distribution income	516.9	480.8	7.5%
Management fee income	220.6	190.1	16.0%
Total income from Champion REIT	737.5	670.9	9.9%

The following text was extracted from the 2019 interim results announcement of Champion REIT relating to the performance of the REIT's properties.

Three Garden Road

Three Garden Road continued to sustain solid rental income growth in 2019, which went up 9.9% to HK\$738 million (1H 2018: HK\$672 million), primarily due to positive rental reversion. The passing rents of the property further increased to HK\$105.35 per sq. ft. (based on lettable area) as at 30 June 2019, compared with HK\$98.61 per sq. ft. (based on lettable area) as at 31 December 2018. Market rental for leasing transactions concluded this year have remained stable generally. Occupancy maintained at high level of 95.8% as at 30 June 2019. Net property operating expenses rose HK\$7 million mainly caused by higher rental commission and property and lease management services fees as a result of higher proportion of lease turnover in 2019. Net property income maintained a stable growth of 9.7% to HK\$666 million (1H 2018: HK\$607 million).

Langham Place Office Tower

For the first half of 2019, total rental income went up 10.8% to HK\$185 million (1H 2018: HK\$167 million). The growth was mainly attributable to positive rental reversion with passing rents rising to HK\$44.73 per sq. ft. (based on gross floor area) as at 30 June 2019. Targeting a different clientele, the lifestyle positioning has given the property added resilience to cope with new supplies emerging in decentralized districts. Occupancy stood at a high level of 98.8% as at 30 June 2019. Total net property operating expenses increased by HK\$3 million mainly due to increase in rental commission on higher proportion of lease turnover. Net property income rose 9.8% to HK\$170 million (1H 2018: HK\$155 million).

Langham Place Mall

Total rental income from the Mall went up 2.8% to HK\$477 million (1H 2018: HK\$464 million), mainly driven by the growth in base rents from overall positive rental reversion. The lackluster retail sales has caused the turnover rents to recede to HK\$90 million (1H 2018: HK\$94 million). Turnover rent contributed to 20% of retail rental income. The average passing base rents improved slightly to HK\$186.55 per sq. ft. (based on lettable floor area)

MANAGEMENT DISCUSSION AND ANALYSIS

as at 30 June 2019, compared with HK\$184.28 per sq. ft. (based on lettable floor area) as at 31 December 2018. The Mall maintained fully let as at 30 June 2019. Net property operating expenses increased by 2.2% to HK\$50 million, mainly attributable to higher rental commission and more subdivision works. Net property income grew 2.8% to HK\$427 million, compared with HK\$415 million last year.

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. 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 the first half of 2019, LHI declared a 3.3% decline in distribution per share stapled unit as higher interest payments reduced its income available for distribution. However, as our holdings in LHI has been increased from 62.48% as at the end of June 2018 to 63.14% as at the end of June 2019, our share of distribution income received from LHI only declined by 1.2% to HK\$116.6 million for the first half of 2019.

	Six months ended 30 June		
	2019	2018	
	HK\$ million	HK\$ million	Change
Attributable distribution income	116.6	118.0	- 1.2%

Performances of the Hong Kong hotels below were extracted from the 2019 interim 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\$)	
	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018
	The Langham, Hong Kong	498	498	90.0%	90.6%	2,169	2,270	1,952
Cordis, Hong Kong	667	666	94.4%	95.2%	1,737	1,749	1,640	1,666
Eaton HK	465	376	86.6%	90.3%	1,063	1,025	920	925

The Langham, Hong Kong

For The Langham, Hong Kong, as there were signs of weakening demand for rooms from the high yielding long haul and corporate segments during the first half of 2019, the Hotel Manager upheld its conscious decision to increase the share of high yielding leisure travellers from Mainland China and

other Asian markets during the period. Hence, the Hotel witnessed a growth of 5.4% and 2.9% in arrivals from Mainland China and other Asian countries respectively in the first half of 2019, but arrivals from all other geographic regions declined. F&B revenue for the Hotel rose by 1.8% year-on-year in the first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Cordis, Hong Kong

At Cordis, Hong Kong, the hotel also targeted arrivals from Mainland China in the first half of 2019, as the market was still showing growth during the period. Therefore, the hotel witnessed a 5.6% growth in arrivals from Mainland China in the first half of 2019. Except for arrivals from U.S., which grew by 2.6% in the first half of 2019, arrivals for all other geographic regions declined in the first half of 2019. Revenue from F&B also witnessed growth of 4.7% year-on-year in the first half of 2019. The increase was due to improved banqueting business during the period and majority of restaurants showed better pickup.

Eaton HK

Eaton HK's performance was supported by the completion of large-scale renovation at the end of 2018. As compared with The Langham, Hong Kong and Cordis, Hong Kong, Eaton HK witnessed the highest increase in arrivals from the Mainland China market, which grew 39.1% year-on-year in the first half of 2019. In addition to an increase in the number of renovated rooms, the pricing and positioning of the hotel towards independent travellers also helped brought in more arrivals from other geographic regions including the U.S., Europe and other Asian countries. Revenue from F&B at the Eaton HK, rose by 115.5% year-on-year in first half of 2019, which was attributable to reopening of the majority of its F&B outlets after the renovation.

4. RENTAL INCOME FROM INVESTMENT PROPERTIES

	Six months ended 30 June		Change
	2019 HK\$ million	2018 HK\$ million	
Gross rental income			
Great Eagle Centre	69.2	71.0	- 2.5%
Eaton Residence Apartments	26.8	27.7	- 3.2%
Others	16.0	15.6	2.6%
	112.0	114.3	- 2.0%
Net rental income			
Great Eagle Centre	67.6	69.6	- 2.9%
Eaton Residence Apartments	16.7	18.2	- 8.2%
Others	2.8	2.3	21.7%
	87.1	90.1	- 3.3%

MANAGEMENT DISCUSSION AND ANALYSIS

Great Eagle Centre

	As at the end of		Change
	June 2019	June 2018	
Office (on lettable area)			
Occupancy	89.6%	100.0%	- 10.4ppt
Average passing rent	HK\$69.9	HK\$68.1	2.6%
Retail (on lettable area)			
Occupancy	99.4%	99.4%	–
Average passing rent	HK\$102.8	HK\$99.7	3.1%

The occupancy of the Great Eagle Centre dropped from 100.0% as at the end of June 2018 to 89.6% as at the end of June 2019, as a majority of the increase in available area are reserved for the Group's inhouse expansion, which will be occupied by the Group in the second half of 2019. Otherwise, occupancy of the Great Eagle Centre would be stable as at the end of June 2019. Meanwhile, as spot rents at the Great Eagle Centre rose to mid to high- HK\$70s per sq. ft. as at the end of June 2019, this has resulted in a 2.6% growth in average passing rent, which increased

from HK\$68.1 per sq. ft. on lettable area as at the end of June 2018 to HK\$69.9 per sq. ft. as at the end of June 2019.

Overall gross rental income for the Great Eagle Centre, which included retail rental income and other income, dropped by 2.5% to HK\$69.2 million in the first half of 2019, which was mainly attributable to the absence of rental income after the expiry of leases on office space reserved for our inhouse expansion. Net rental income dropped by 2.9% to HK\$67.6 million.

Eaton Residence Apartments

	Six months ended 30 June		Change
	2019	2018	
(on gross floor area)			
Occupancy	79.8%	86.1%	- 6.3ppt
Average net passing rent	HK\$33.1	HK\$32.3	2.5%

Reduced demand from the corporate segment has led to lower occupancy of the portfolio, which dropped from 86.1% in the first half of 2018 to 79.8% in the first half of 2019. While both the Wanchai Gap Road and Village Road property witnessed improved demand from the leisure segment, the improvement was not enough to

offset the decline in demand at the Blue Pool Road property. As a result of lower occupancy, gross rental income dropped by 3.2% year-on-year to HK\$26.8 million in the first half of the 2019, and net rental income dropped by 8.2% year-on-year to HK\$16.7 million for the first half of 2019.

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 income or distribution from securities portfolio or other investments.

In the first half of 2019, operating income from other business operations rose by 34.6% to HK\$72.4 million (1H 2018: HK\$53.8 million), the increase was primarily due to improved income in our trading division.

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 June 2019, 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. The progress of projects 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. The project was completed in December 2017 and was highly acclaimed by Wallpaper Magazine as an embodiment of Californian modernism. Out of 100 units, 90 units were sold and delivered to buyers by the end of June 2019. 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. While the Fund received offers from institutional buyers for an en-bloc sale of the project in late 2018, the sale failed to come through after a severe fire broke out in the area. Notwithstanding, the interest from buyers is currently low and the Fund is not actively marketing the project in the meantime. A loss is expected from this investment on disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

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, it took advantage of a strong office market in Seattle, and disposed of the property for US\$151 million in December 2018 with closing of the sale in January 2019. However, the Fund has decided not to make a distribution in order to retain liquidity in case of difficulty in loan refinancing in relation to the Fund's other development projects.

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 units. The total development cost, including the payment of HK\$2,412 million for the site, is expected to be approximately HK\$7,000 million.

In terms of development progress, all towers were topped-out in November 2018 and fitting out works are currently being carried out. The project is expected to complete in early 2020 with handover of the sold units beginning from July of 2020 onwards. The presale permit was approved in June 2019 and the first batch of the project for pre-sale was launched in July 2019. Our first launch has been well received and accumulated sales have reached approximately half of our total unit count as at the end of August 2019. As the sales of the apartments will be recognised upon the handover to the buyers, such sales and profits on the pre-sales of these units were not booked in our income statement in 2019.

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. 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\$1,112 million as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Phase I development was completed by the end of 2018 with 60% of the apartments sold by the end of 2018. Development on Phase II of the development was put on hold, as housing demand remained lacklustre. As described in our 2018's annual results, the Group was considering other options that would allow the joint venture to recoup its invested capital in Phase II of the project. After months of negotiations with a potential buyer, the Group successfully entered into a sale agreement with a third party in July 2019 in respect of all the remaining unsold units of Phase I together with the site for Phase II of the project. Gain on sale attributable to the Group will be booked in two stages, with approximately HK\$70 million targeted in the second half of 2019, and remaining profit of approximately HK\$180 million targeted for 2020 only upon receipt of residual amount.

JAPAN

Tokyo Hotel Redevelopment Project



Artistic rendering only

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. Planning application has been submitted to the local government, and the contractor tender process has commenced in May 2019 with construction expected to commence in 2020.

UNITED STATES

San Francisco Hotel Development Project, 1125 Market Street



Artistic rendering only

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.

MANAGEMENT DISCUSSION AND ANALYSIS

San Francisco Hotel Redevelopment Projects, 555 Howard Street

Artistic rendering only

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.

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. Assuming entitlement amendments are in place by the end of 2019, construction could commence by the second half of 2020.

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. Design on the project is progressing well and assuming the revised development proposal, which will increase the current plot ratio of the project, is approved in 2019, we expect development entitlement can be obtained in 2020.

FINANCIAL REVIEW**DEBT**

On statutory reporting basis, after consolidating the results of Champion REIT, LHI and the U.S. Fund, the consolidated net debts of the Group as of 30 June 2019 was HK\$20,919 million, an decrease of HK\$937 million compared to that as of 31 December 2018. The decrease in net debts was mainly due to cash generated from operations, proceeds from disposal of an investment property in U.S., and offset by additional loans drawn for a development project in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2019 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK\$71,711 million, representing an increase of HK\$2,358 million compared to the value of HK\$69,353 million as of 31 December 2018. The increase was mainly attributable to profit for the period, increase in share premium from additional shares issued under employee share option scheme, exchange gain from translating foreign entities and investment valuation surplus from equity stock during the period.

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 66.10%, 63.14% 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 30 June 2019 was 19.6%. 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 / (Cash) at 30 June 2019	On Consolidated Basis HK\$ million	On Core Balance Sheet Basis HK\$ million
Great Eagle	1,133	1,133
Champion REIT	13,254	–
LHI	6,919	–
U.S. Fund	(387)	–
Net debts	20,919	1,133
Net debts attributable to Shareholders of the Group	14,069	1,133
Equity Attributable to Shareholders of the Group	71,711	81,788
Net Gearing ratio [^]	19.6%	1.4%

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

MANAGEMENT DISCUSSION AND ANALYSIS

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\$30,781 million as of 30 June 2019. Bank loans amounted to HK\$17,658 million were secured by way of legal charges over certain of the Group's assets and business undertakings.

Outstanding gross debts⁽¹⁾⁽²⁾	Floating rate debts HK\$ million	Fixed rate debts HK\$ million	Utilised Facilities HK\$ million
Bank loans	15,094	10,125 ⁽⁵⁾	25,219 ⁽³⁾
Medium Term Notes	843	4,719 ⁽⁴⁾	5,562
Total	15,937	14,844	30,781
%	51.8%	48.2%	100%

- (1) All amounts are stated at face value.
- (2) All debt facilities were denominated in Hong Kong Dollars except for (3) and (4) below.
- (3) Equivalence of HK\$5,141 million loans were 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 have been swapped to fixed rate debts. As at 30 June 2019, the Group had outstanding interest rate swap contracts with notional amount HK\$8,378 million to manage the interest rate exposure. The Group also entered into cross currency swaps with notional amount equivalent to HK\$1,747 million in total, to mitigate exposure to fluctuations in exchange rate and interest rate of Japanese YEN.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 30 June 2019, our cash, bank deposits and undrawn loan facilities amounted to a total of HK\$15,986 million. The majority of our loan facilities are secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding gross debts (including medium term notes) as of 30 June 2019:

Within 1 year	27.4%
More than 1 year but not exceeding 2 years	20.0%
More than 2 years but not exceeding 5 years	47.1%
More than 5 years	5.5%

FINANCE COST

The net consolidated finance cost during the period was HK\$366 million in which HK\$35 million was capitalised to property development projects. Overall interest cover at the reporting date was 4.9 times.

PLEDGE OF ASSETS

At 30 June 2019, properties of the Group with a total carrying value of approximately HK\$42,614 million (31 December 2018: HK\$67,594 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2019, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK\$10,116 million (31 December 2018: HK\$8,374 million) of which HK\$1,526 million (31 December 2018: HK\$150 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). Subsequent to the end of the reporting period, the joint venture of the Group completed the disposal of its PRC subsidiary, which owns a development project in Dalian, at a consideration of RMB 1,649 million.

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

OUTLOOK

Amid ongoing large-scale violent protests in Hong Kong in recent months, the outlook for the Group's businesses in Hong Kong in the second half of 2019 is not good, as these intensified protests have already seriously dented both consumer and business confidence in Hong Kong. In addition, the combined negative effects of a slowdown in global economic growth and escalated trade tensions will place downward pressure on the performance of our global hotel businesses in the remainder of 2019. Hence, we must stay vigilant and be ready to respond to further deterioration in our businesses in the remainder of 2019.

For LHI, the lag effect of the recent protests will affect our hotel's businesses at least over the second half of 2019. In fact, all three hotels have witnessed substantially lower RevPARs in July and August of 2019. Furthermore, unless the protests in Hong Kong come to complete halt soon, we expect the pace of hotel room bookings to deteriorate materially in the months ahead.

As for the Hotels Division, given macroeconomic outlook is now more uncertain than usual, this will negatively affect global travel demand, and we expect there will be increased pressure on EBITDA of the overseas hotels in the second half of the year as trading conditions are expected to deteriorate. Furthermore, the lack of revenue contribution from The Langham, Boston throughout the second half of 2019 will also hold back revenue of the Hotels Division in the second half of 2019.

For Champion REIT, the leasing strategy for Three Garden Road would focus on maintaining high occupancy. Given the considerable gap between passing rents and market rents, positive rental reversion of the property should continue. Similarly, Langham Place Office should also stand to gain from positive rental reversion with the gradual consolidation of its lifestyle positioning. However, the outlook of Hong Kong retail market remains highly uncertain. RMB fluctuation and current social unrest have dampened retail sales and the stalled retail environment would significantly impact the rental income of Langham Place Mall for the rest of 2019, as seen in July and August 2019 preliminary figures.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the heightened geopolitical risks and potential headwinds in the medium term, the Group has secured a number of development projects in prior years in major world cities when asset values were at much more accommodating levels. As these projects complete, recurring income from these projects will enhance the growth of the Group's future earnings. In addition, the Group will also focus on redevelopment potentials of selected existing properties, including the potential redevelopment of our Toronto property, which is progressing well. Furthermore, with our strong balance sheet, this will enable us to comfortably add investments in the uncertain times ahead.

LO Ka Shui

Chairman and Managing Director

Hong Kong, 30 August 2019

DIRECTORS' BIOGRAPHICAL INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the Company subsequent to the publication of the 2018 Annual Report of the Company and up to the date of this Interim Report, are updated as follows:

Dr. LO Ka Shui **Chairman and Managing Director**

Dr. LO Ka Shui, aged 72, has been a member of the Board since 1980. He is the Chairman, Managing Director of the Company, the Chairman of the Finance Committee and is also a director of various subsidiaries of the Company. He is the Chairman and a Non-executive Director of the Manager of the publicly listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. He is also a Vice President of The Real Estate Developers Association of Hong Kong and a member of the Board of Trustees of The Hong Kong Centre for Economic Research. Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and the father of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is the father of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Madam LO TO Lee Kwan **Non-executive Director**

Madam LO TO Lee Kwan, aged 99, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the wife of Mr. Lo Ying Shek, the late former chairman of the Company, and is the co-founder of the Group. She was involved in the early stage development of the Group. She is the mother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and the grandma of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, she is the grandma of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

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

Mr. CHENG Hoi Chuen, Vincent, aged 71, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994 and is the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheng is an Independent Non-executive Director of Hui Xian Asset Management Limited (Manager of the publicly listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and CK Hutchison Holdings Limited. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Company Limited and a former Executive Director of HSBC Holdings plc. Mr. Cheng is also a former Independent Non-executive Director of China Minsheng Banking Corp., Ltd. and MTR Corporation Limited. Mr. Cheng is a Vice Patron of The Community Chest of Hong Kong and was a member of the Advisory Committee on Post-service Employment of Civil Servants. In 2008, Mr. Cheng was appointed a member of the National

DIRECTORS' BIOGRAPHICAL INFORMATION

Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science Degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

Professor WONG Yue Chim, Richard
Independent Non-executive Director

Professor WONG Yue Chim, Richard, aged 67, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1995 and is the Chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee of the Company. Professor Wong is Provost and Deputy Vice-Chancellor and Chair of Economics at The University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region. He is a member of Research Council of Our Hong Kong Foundation. Professor Wong is an Independent Non-executive Director of Pacific Century Premium Developments Limited and Sun Hung Kai Properties Limited, both of which are companies whose shares are listed on the Stock Exchange. During the past three years, he was an Independent Non-executive Director of Orient Overseas (International) Limited.

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

Mrs. LEE Pui Ling, Angelina, aged 70, was appointed as an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. She is a partner of the firm of solicitors, Woo, Kwan, Lee & Lo and is a fellow of the Institute of Chartered Accountants in England and Wales. Mrs. Lee was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a Non-executive Director of the Securities and Futures Commission and a Non-executive Director of the Mandatory Provident Fund Schemes Authority. She is a Non-executive Director of CK Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited, all of which are listed companies.

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

Mr. LEE Siu Kwong, Ambrose, aged 71, was appointed as an Independent Non-executive Director of the Company in January 2016 and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is currently an independent non-executive director of HSBC Bank (China) Company Limited and was a non-executive director of Digital Broadcasting Corporation Hong Kong Limited. Mr. Lee had served with the Hong Kong Government for 38 years and retired from it in 2012. He joined the Hong Kong Government as an Immigration Officer in 1974. He advanced through the ranks and in 1998, took charge of the Department as Director of Immigration. In 2002, Mr. Lee was appointed as Commissioner of the Independent Commission Against Corruption and one year later, he was appointed as Secretary for Security of the HKSAR Government. Throughout his

DIRECTORS' BIOGRAPHICAL INFORMATION

years of service, Mr. Lee developed ample experience in government administration, executive management, law enforcement and crisis management. Mr. Lee was a Hong Kong deputy to the 12th National People's Congress and a Vice Chairman of the Council of Lifeline Express Hong Kong Foundation. He was awarded the Gold Bauhinia Star in 2009 and the Hong Kong Immigration Service Medal for Distinguished Service in 1998. Mr. Lee graduated from The University of Hong Kong with a Bachelor Degree of Science in Electrical Engineering and had also pursued administrative development and senior executive studies at Tsinghua University, University of Oxford, Harvard University and INSEAD.

Professor POON Ka Yeung, Larry
Independent Non-executive Director

Professor POON Ka Yeung, Larry, aged 51, was appointed as an Independent Non-executive Director of the Company in March 2016. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He has been teaching marketing-related subjects for different Master Degree programs such as the Master's Degree in Science program, MBA program, EMBA program and Global Executive MBA program (OneMBA) of The Chinese University of Hong Kong. Since June 2008, he has been appointed as Adjunct Associate Professor in the Department of Marketing of The Chinese University of Hong Kong. Since June 2019, he has been appointed as a member of the External Advisory Group (EAG) of the MBA Strategic Plan of The Chinese University of Hong Kong. Professor Poon is an independent non-executive director of Shenzhen Neptunus Interlong Bio-Technique Company Limited. He has been appointed as an Honorary Institute Fellow of The Asia-Pacific Institute of Business of The Chinese University of Hong Kong since April 2002. He is also the Adviser of The Chinese Gold and Silver Exchange Society and an Independent Committee Member of the Registration Committee for the Practitioners' Registration Scheme of the Society.

He has been appointed as the Humanitarian Education Advisor of Hong Kong Red Cross since April 2019. He obtained his Bachelor's Degree in Mathematics with Minor in Economics and Marketing from The Chinese University of Hong Kong in 1989 and was further admitted to the MBA Degree by the University of Hull, United Kingdom in 1996.

Mr. LO Hong Sui, Antony
Executive Director

Mr. LO Hong Sui, Antony, aged 77, is an Executive Director and a director of various subsidiaries of the Company. He has been a Director of the Group since 1967. Mr. Lo has been actively involved in property development, construction and investment for decades. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, a younger brother of Madam Law Wai Duen, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Madam LAW Wai Duen
Executive Director

Madam LAW Wai Duen, aged 82, is an Executive Director and a director of various subsidiaries of the Company. She has been a Director of the Group since 1963. Madam Law graduated from The University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for decades. Madam Law is a daughter of Madam Lo To Lee Kwan, an elder sister of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and an aunt of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, she is an aunt of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

DIRECTORS' BIOGRAPHICAL INFORMATION

Mr. LO Hong Sui, Vincent
Non-executive Director

Mr. LO Hong Sui, Vincent, aged 71, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is principally engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of SOCAM Development Limited and Shui On Land Limited, both are listed on the Stock Exchange. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a member of the Board of Directors of Boao Forum for Asia, the President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He was awarded the Grand Bauhinia Medal (GBM) in 2017, the Gold Bauhinia Star in 1998 and was appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. Mr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Dr. Lo Ying Sui, a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Dr. LO Ying Sui
Non-executive Director

Dr. LO Ying Sui, aged 67, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine Degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. He is a son of Madam Lo To Lee Kwan, a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Mr. LO Chun Him, Alexander
Executive Director

Mr. LO Chun Him, Alexander, aged 34, joined the Group in 2010 and was appointed as an Executive Director of the Company in December 2015. He is also a member of the Finance Committee. Mr. Lo holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, Great Eagle (China) Investment Limited, The Great Eagle Development and Project Management Limited, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Pacific Eagle Holdings Corporation and Pacific Eagle China Orient (US) Real Estate GP, LLC. He is also a Non-executive Director of Langham Hospitality Investments Limited and LHIL Manager Limited (Manager of the publicly listed Langham Hospitality Investments). Prior to joining the Group, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of The Real Estate Developers Association of Hong Kong

DIRECTORS' BIOGRAPHICAL INFORMATION

and a member of the Management Committee of The Federation of Hong Kong Hotel Owners Limited. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Mr. Lo is a son of Dr. Lo Ka Shui, being a substantial shareholder, the Chairman and Managing Director of the Company. Also, he is a grandson of Madam Lo To Lee Kwan, a nephew of Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, and a younger brother of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Mr. KAN Tak Kwong
Executive Director and General Manager

Mr. KAN Tak Kwong, aged 67, has been a Director of the Group since 1988. He is an Executive Director, the General Manager and a member of the Finance Committee of the Company. Mr. Kan also holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, Great Eagle (China) Investment Limited, The Great Eagle Properties Management Company, Limited, Great Eagle Tokyo TMK, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Pacific Eagle Holdings Corporation and Pacific Eagle China Orient (US) Real Estate GP, LLC. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has decades of experience in finance, accounting, strategic development and corporate administration in the real estate, finance and construction industries.

Mr. CHU Shik Pui
Executive Director

Mr. CHU Shik Pui, aged 58, joined the Group in 1989 and was appointed as an Executive Director of the Company in December 2015. He is a member of the Finance Committee and also the Head of Tax and Investment primarily responsible for the Group's taxation, finance and investment matters. Mr. Chu is a fellow of The Chartered Association of Certified Accountants and an associate of The Hong Kong Institute of Certified Public Accountants. He is also a full member of the Society of Registered Financial Planners. Mr. Chu has 30 years' aggregated experience in taxation, finance, accounting, legal, and acquisition and investment.

GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Company is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost Shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of our Shareholders. The Board of Directors of the Company will from time to time monitor and review the Company's corporate governance practices in light of the regulatory requirements and the needs of the Company to underpin our engrained value of integrity and accountability. The CG Code has been amended and has come into effect on 1 January 2019 to strengthen transparency and accountability of the Nomination Committee and election of directors, promote board diversity and enhance transparency of dividend policy. In response, the Company has updated the terms of reference of the Nomination Committee, reviewed and formally adopted a board diversity policy, a nomination policy and a dividend policy, and made the relevant disclosures in the 2018 Annual Report of the Company.

Throughout the period under review, 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. Set out below are the details of the deviations from the code provisions:

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 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. Dr. Lo Ka Shui is the Executive Chairman and Managing Director of the Company. His interests in shares and underlying shares of the Company and associated corporations are set out in the section of Disclosure of Interests on pages 35, 37 and 38. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. Notwithstanding that Dr. Lo is not subject to retirement by rotation, he has disclosed his biographical details in accordance with Rule 13.74 of the Listing Rules in the circular to the Shareholders in relation to, among other things, the re-election of retiring Directors, for Shareholders' information.

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. Since she is relatively inactive in the Group's business in recent years, she has not participated in the 2019 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 POLICIES AND PROCEDURES

The Board of Directors assumes responsibility for leadership and control of the Group, and is collectively responsible for promoting the success of the Company. It plays a central supportive and supervisory role in the Company's corporate governance duties. The governance framework of the Company is constituted by the Statement of Corporate Governance Practice of the Company which is reviewed from time to time in light of the latest statutory requirements and governance practice. The Statement serves as an ongoing guidance for the Directors in performing and fulfilling their respective roles and obligations to the Company. The Board is also responsible for overseeing the management and operation of the Group and is ultimately accountable for the Group's activities, strategies and financial performance. The Company has put in place a comprehensive set of compliance policies and procedures, which set out the key processes, systems and measures to implement this corporate governance framework, including:

- Reporting and Monitoring Policy on Connected Transactions
- Schedule of Matters Reserved for the Board of Directors
- Policy on the Preservation and Prevention of Misuse of Inside Information
- Employee's Code of Conduct
- Code of Conduct regarding Securities Transactions by Directors and Relevant Employees
- Shareholder Communication Policy
- Social Media Policy

The Board is responsible for reviewing overall corporate governance arrangements to ensure that such arrangements remain appropriate to the needs of the Company.

GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

At Great Eagle, CSR is a concept whereby we would integrate social and environmental concerns in our business operations. Our commitment to this concept is long-standing as we believe that CSR could create long-term value for our stakeholders and improve the quality of life in our workplace, the local community as well as the world at large. Based on the above belief, we have crafted “Create Value, Improve Quality of Life” as our CSR vision.

WORKFORCE SUSTAINABILITY

We recognise the importance of workforce sustainability which is about retaining and attracting the right people to meet current and future business requirements. We offer competitive salaries to employees and discretionary bonuses are granted based on performance of the Group as well as the performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In line with our commitment to corporate social responsibility, staff wellness program (e.g. wellness festival, green workshop and mindfulness class), staff recreational activities as well as community involvement through volunteering projects are provided to employees.

There had been no material change to the number of employees and staff composition of the Group for the six months ended 30 June 2019.

As a Group, we value communication and team spirit, and make continuous effort to promote dialogue, teamwork and a healthy work-life balance. Social events have been organised regularly to promote communication and cohesion across departments, business units and levels of seniority throughout the Group. These activities include:

- (a) Senior staff meetings hosted by the Chairman, on recent business development of the Group;
- (b) Departmental meetings with light refreshments, which enable every employee to enjoy a casual conversation with the Chairman; and
- (c) Executives luncheons hosted by the Chairman and/or Executive Directors which facilitate ideas exchange among top management members of the Group in Hong Kong.

In addition, there is an iForum where employees could freely express themselves and share their ideas with others.

We believe that the provision of opportunities for training and development is an important component to attract and retain staff. Since 2012, the corporate culture of applying the best practices from “The 7 Habits of Highly Effective People” program and adopting innovative approaches at work is continuously cultivated. We raise staff awareness through different channels such as training programs, promotional items, forming a committee and leveraged on the intranet for staff to express their ideas. Since 2014, the Group has further promoted the innovation culture through establishing an on-line platform of the Great Eagle Innovation Portal to facilitate exchange

of innovative ideas among staff and business units/ departments. The Group has also developed external and in-house designed training programmes for supervisor, management and executive development, soft skills as well as technical skills training. Focusing on talent management through training and development, succession planning and mentoring program further strengthen the Group's organisational agility. The organisation strategies are sustainable due to staff involvement and management's support.

The Hotels Division provides a clear picture to every employee about the company direction, i.e. the expansion of the portfolio globally. In order to always pursuing excellence, the hotel management team believes that the strong culture of driving excellence is the vital factor. To cascade a consistent message across different brands and hotels, the Hotels Division senior management team delivered multiple sessions of management colleague briefings in the hotels to explain the overall business model, operations model, leadership model and brand strategies. These briefing sessions also included workshops to foster a culture that inspires everyone to take the initiative to do better every day. This shows the ownership of our vision from the top management to every manager that contributes to the success of the Group.

"First60 Certification" is the key programme to ensure all colleagues fully understood the philosophy and culture of the Group. At the same time, a series of knowledge and skills training is scheduled within the colleagues' first 60 days of employment. Apart from learning the standards and operational processes, colleagues also attend a 5-module customer service series named "Langham Guest is My Guest/ Cordis Guest is My Guest". A leadership module, "Leading the Taking Initiative Culture" is also a mandatory training session for all supervisors and managers, equipping them to create and sustain the culture of "taking initiative to pursue excellence".

Our Hotels Division continues to be acknowledged as "Manpower Developer 1st" in the Manpower Developer Scheme by the Employee Retraining Board from 2010 to 2020. Cordis Hong Kong is awarded by The Home Affairs Bureau and The Family Council as 2017/18 Family-Friendly Employers Award.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the six months ended 30 June 2019.

ADOPTION OF 2019 SHARE OPTION SCHEME AND TERMINATION OF OPERATION OF 2009 SHARE OPTION SCHEME

Since the share option scheme ("**2009 Share Option Scheme**") adopted by the Company on 27 May 2009 was due to expire on 26 May 2019, at the 2019 Annual General Meeting ordinary resolutions were proposed to approve the adoption of a new share option scheme ("**2019 Share Option Scheme**") and termination of the operation of the 2009 Share Option Scheme. The resolutions were approved by the Shareholders and the 2019 Share Option Scheme became effective for a period of 10 years commencing on 22 May 2019. A summary of the principal terms of the 2019 Share Option Scheme was set out in a circular to Shareholders dated 3 April 2019. Options granted during the life of the 2009 Share Option Scheme and remain unexpired prior to the expiry of the 2009 Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the expiry of the 2009 Share Option Scheme.

GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

REVIEW OF INTERIM RESULTS

The unaudited financial statements for the six months ended 30 June 2019 were prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA, and have been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

This interim report comprising the unaudited financial statements has been reviewed by the Audit Committee of the Company.

NEW SHARES ISSUED

As at 30 June 2019, the total number of issued shares of the Company was 700,598,038. During the period, a total of 1,951,000 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. Total funds raised therefrom amounted to HK\$61,148,930.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

PUBLIC FLOAT

Based on 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 as at 30 June 2019.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Total	Percentage of Issued Share Capital ⁽¹⁾
Lo Ka Shui	Beneficial Owner	Personal Interests	52,559,303 ⁽¹⁾		
	Interests of Controlled Corporations	Corporate Interests	78,798,292 ⁽²⁾		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848 ⁽³⁾		
	Founder of a Discretionary Trust	Trust Interests	60,788,762	424,976,205	60.66
Lo To Lee Kwan	Beneficial Owner	Personal Interests	1,099,099		
	Interests of Controlled Corporations	Corporate Interests	5,098,600 ⁽⁴⁾		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848 ⁽³⁾	239,027,547	34.12
Cheng Hoi Chuen, Vincent	Interests of Spouse	Family Interests	10,000	10,000	0.00
Wong Yue Chim, Richard	Beneficial Owner	Personal Interests	10,000	10,000	0.00
Lo Hong Sui, Antony	Beneficial Owner	Personal Interests	1,261,010 ⁽⁵⁾		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848 ⁽³⁾	234,090,858	33.41
Law Wai Duen	Beneficial Owner	Personal Interests	2,146,081 ⁽⁶⁾		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848 ⁽³⁾	234,975,929	33.54

DISCLOSURE OF INTERESTS

Name of Directors	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Total	Percentage of Issued Share Capital ⁽¹¹⁾
Lo Hong Sui, Vincent	Beneficial Owner	Personal Interests	293		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848 ⁽³⁾	232,830,141	33.23
Lo Ying Sui	Beneficial Owner	Personal Interests	1,500,000		
	Interests of Controlled Corporations	Corporate Interests	35,628,206 ⁽⁷⁾		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848 ⁽³⁾	269,958,054	38.53
Lo Chun Him, Alexander	Beneficial Owner	Personal Interests	833,000 ⁽⁸⁾	833,000	0.12
Kan Tak Kwong	Beneficial Owner	Personal Interests	4,409,164 ⁽⁹⁾	4,409,164	0.63
Chu Shik Pui	Beneficial Owner	Personal Interests	1,633,554 ⁽¹⁰⁾	1,633,554	0.23

Notes:

- (1) Among these interests, 1,386,000 were share options.
- (2) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies.
- (3) These 232,829,848 shares were owned by a discretionary trust of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui are among the discretionary beneficiaries.
- (4) These 5,098,600 shares were held by two companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies. Dr. Lo Ka Shui is a director of one of these companies.
- (5) Among these interests, 500,000 were share options.
- (6) Among these interests, 300,000 were share options.
- (7) These 35,628,206 shares were held by a company wholly-owned by Dr. Lo Ying Sui who is also a director of this company.
- (8) Among these interests, 808,000 were share options.
- (9) Among these interests, 1,880,000 were share options.
- (10) Among these interests, 1,350,000 were share options.
- (11) This percentage has been compiled based on 700,598,038 shares of the Company in issue as at 30 June 2019.

DISCLOSURE OF INTERESTS

Long positions in shares and underlying shares of associated corporations of the Company**Champion Real Estate Investment Trust (“Champion REIT”)**

Champion REIT (Stock Code: 2778), a Hong Kong collective investment scheme authorised under section 104 of SFO, is accounted for as a subsidiary of the Company. As at 30 June 2019, the Group owned 66.10% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the interests of the Directors or chief executives of the Company in Champion REIT as at 30 June 2019 are disclosed as follows:

Name of Directors	Total Number of Units/ Underlying Units Held	Percentage of Issued Units ⁽⁴⁾
Lo Ka Shui	21,694,000 ⁽¹⁾	0.37
Lo Ying Sui	239,000 ⁽²⁾	0.00
Chu Shik Pui	8,000 ⁽³⁾	0.00

Notes:

- (1) Among these 21,694,000 units:
 - (i) 2,579,000 units were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies; and
 - (ii) 19,115,000 units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) Dr. Lo Ying Sui had personal interests in 239,000 units of Champion REIT.
- (3) Mr. Chu Shik Pui had personal interests in 8,000 units of Champion REIT.
- (4) This percentage has been compiled based on 5,858,503,599 units of Champion REIT in issue as at 30 June 2019.

DISCLOSURE OF INTERESTS

Langham Hospitality Investments and Langham Hospitality Investments Limited (“LHI”)

LHI (Stock Code: 1270), the share stapled units (the “SSUs”) of which are listed on the Stock Exchange. As at 30 June 2019, the Group owned 63.14% interests in LHI and is therefore a subsidiary of the Company. The holdings of the Directors or chief executives of the Company in LHI as at 30 June 2019 are disclosed as follows:

Name of Directors	Total Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs ⁽⁶⁾
Lo Ka Shui	54,233,500 ⁽¹⁾	2.56
Lo To Lee Kwan	306,177 ⁽²⁾	0.01
Wong Yue Chim, Richard	150,000 ⁽³⁾	0.01
Law Wai Duen	280,000 ⁽⁴⁾	0.01
Lo Ying Sui	320,000 ⁽⁵⁾	0.02

Notes:

- (1) Among these 54,233,500 SSUs:
 - (i) 8,073,500 SSUs were held by Dr. Lo Ka Shui personally;
 - (ii) 2,060,000 SSUs were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies; and
 - (iii) 44,100,000 SSUs were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) These SSUs were held by two companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies. Dr. Lo Ka Shui is a director of one of these companies.
- (3) Professor Wong Yue Chim, Richard had personal interests in 150,000 SSUs of LHI.
- (4) Madam Law Wai Duen had personal interests in 280,000 SSUs of LHI.
- (5) Dr. Lo Ying Sui had personal interests in 320,000 SSUs of LHI.
- (6) This percentage has been compiled based on 2,121,762,141 SSUs of LHI in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives of the Company were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEME

In accordance with the 2009 Share Option Scheme which was adopted pursuant to an ordinary resolution passed on 27 May 2009, the Board of Directors may grant options to eligible employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Since the 2009 Share Option Scheme was due to expire on 26 May 2019, at the 2019 Annual General Meeting of the Company held on 22 May 2019, ordinary resolutions were proposed to approve the adoption of 2019 Share Option Scheme and termination of the operation of the 2009 Share Option Scheme. The resolutions were approved by the Shareholders and the 2019 Share Option Scheme became effective for a period of 10 years commencing on 22 May 2019. Options granted during the life of the 2009 Share Option Scheme and remain unexpired prior to the expiry of the 2009 Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the expiry of the 2009 Share Option Scheme.

During the six months ended 30 June 2019, no share options were granted under the 2019 Share Option Scheme and the details of the movements in the share options granted to the Company's employees (including Directors) under the 2009 Share Option Scheme during the six months ended 30 June 2019 are as follows:

Date of Grant ⁽¹⁾	Number of Share Options					Exercisable Period	Exercise Price Per Share (HK\$)
	Outstanding as at 01/01/2019	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/06/2019		
27/02/2014	729,000	–	(729,000)	–	–	28/02/2016–27/02/2019	26.05
11/03/2015	980,000	–	(11,000)	–	969,000	12/03/2017–11/03/2020	26.88
14/03/2016	1,758,000	–	(273,000)	–	1,485,000	15/03/2018–14/03/2021	25.70
14/03/2017	4,781,000	–	(938,000)	(52,000)	3,791,000	15/03/2019–14/03/2022	37.15
14/03/2018	4,927,000	–	–	(145,000)	4,782,000	15/03/2020–14/03/2023	42.40
08/05/2018	300,000	–	–	–	300,000	09/05/2020–08/05/2023	38.83
14/03/2019	–	5,673,000 ⁽²⁾	–	(114,000)	5,559,000	15/03/2021–14/03/2024	39.05
Total	13,475,000	5,673,000	(1,951,000)	(311,000)	16,886,000		

DISCLOSURE OF INTERESTS

Notes:

- (1) Share options were granted under the 2009 Share Option Scheme.
- (2) During the six months ended 30 June 2019, 2,026,000 share options were granted to the Directors of the Company and their Associates, while 3,647,000 share options were granted to eligible employees of the Group. Please refer to the announcement of the Company dated 14 March 2019 for details.
- (3) During the six months ended 30 June 2019, no share option was cancelled.
- (4) Consideration paid for each grant of share options was HK\$1.00.
- (5) The vesting period for the share options granted is 24 months from the date of grant.
- (6) The closing price of the shares of the Company immediately before the date of grant of 14 March 2019, i.e. 13 March 2019 was HK\$39.50.

On 14 March 2019, a total of 1,966,000 share options of the Company were granted to the following Executive Directors of the Company and according to the Company's share accounting policy, the following option value in respect of the aforesaid options are accounted for over the vesting period from 15 March 2019 to 14 March 2021 as non-cash emoluments of the respective Executive Directors:

Name of Executive Directors	Number of Options	Option Value* (HK\$)
Lo Ka Shui (<i>Chairman and Managing Director</i>)	698,000	4,355,520
Lo Hong Sui, Antony	100,000	624,000
Law Wai Duen	100,000	624,000
Lo Chun Him, Alexander	238,000	1,485,120
Kan Tak Kwong (<i>General Manager</i>)	450,000	2,808,000
Chu Shik Pui	380,000	2,371,200

- * Further details of the share options are set out in note 27 to the Condensed Consolidated Financial Statements on page 90 of this interim report.

DISCLOSURE OF INTERESTS

Details of the movements in the share options granted to Directors of the Company (some are also substantial shareholders) under the 2009 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules during the six months ended 30 June 2019 are as follows:

Directors	Date of Grant ⁽¹⁾	Number of Share Options					Outstanding as at 30/06/2019	Exercise Price Per Share (HK\$)	Weighted Average Closing Price Immediately Before the Date of Exercise (HK\$)
		Outstanding as at 01/01/2019	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/06/2019			
Lo Ka Shui	14/03/2017	670,000	–	(670,000)	–	–	37.15	37.71	
	14/03/2018	688,000	–	–	–	688,000	42.40	–	
	14/03/2019	–	698,000	–	–	698,000	39.05	–	
		1,358,000	698,000	(670,000)	–	1,386,000			
Lo Hong Sui, Antony	27/02/2014	100,000	–	(100,000)	–	–	26.05	37.71	
	11/03/2015	100,000	–	–	–	100,000	26.88	–	
	14/03/2016	100,000	–	–	–	100,000	25.70	–	
	14/03/2017	100,000	–	–	–	100,000	37.15	–	
	14/03/2018	100,000	–	–	–	100,000	42.40	–	
	14/03/2019	–	100,000	–	–	100,000	39.05	–	
		500,000	100,000	(100,000)	–	500,000			
Law Wai Duen	14/03/2017	100,000	–	–	–	100,000	37.15	–	
	14/03/2018	100,000	–	–	–	100,000	42.40	–	
	14/03/2019	–	100,000	–	–	100,000	39.05	–	
		200,000	100,000	–	–	300,000			
Lo Chun Him, Alexander	27/02/2014	20,000	–	(20,000)	–	–	26.05	37.71	
	11/03/2015	50,000	–	–	–	50,000	26.88	–	
	14/03/2016	100,000	–	–	–	100,000	25.70	–	
	14/03/2017	200,000	–	–	–	200,000	37.15	–	
	14/03/2018	220,000	–	–	–	220,000	42.40	–	
	14/03/2019	–	238,000	–	–	238,000	39.05	–	
		590,000	238,000	(20,000)	–	808,000			

DISCLOSURE OF INTERESTS

Directors	Date of Grant ⁽¹⁾	Number of Share Options				Outstanding as at 30/06/2019	Exercise Price Per Share (HK\$)	Weighted Average Closing Price Immediately Before the Date of Exercise (HK\$)
		Outstanding as at 01/01/2019	Grant during the period	Exercised during the period	Lapsed during the period			
Kan Tak Kwong	27/02/2014	300,000	–	(300,000)	–	–	26.05	37.71
	11/03/2015	310,000	–	–	–	310,000	26.88	–
	14/03/2016	310,000	–	–	–	310,000	25.70	–
	14/03/2017	380,000	–	–	–	380,000	37.15	–
	14/03/2018	430,000	–	–	–	430,000	42.40	–
	14/03/2019	–	450,000	–	–	450,000	39.05	–
		1,730,000	450,000	(300,000)	–	1,880,000		
Chu Shik Pui	27/02/2014	100,000	–	(100,000)	–	–	26.05	37.71
	11/03/2015	120,000	–	–	–	120,000	26.88	–
	14/03/2016	200,000	–	–	–	200,000	25.70	–
	14/03/2017	300,000	–	–	–	300,000	37.15	–
	14/03/2018	350,000	–	–	–	350,000	42.40	–
	14/03/2019	–	380,000	–	–	380,000	39.05	–
		1,070,000	380,000	(100,000)	–	1,350,000		
Associates of Directors of the Company ⁽⁶⁾	27/02/2014	110,000	–	(110,000)	–	–	26.05	37.71
	11/03/2015	170,000	–	–	–	170,000	26.88	–
	14/03/2016	152,000	–	–	–	152,000	25.70	–
	14/03/2017	230,000	–	–	–	230,000	37.15	–
	14/03/2018	40,000	–	–	–	40,000	42.40	–
	14/03/2019	–	60,000	–	–	60,000	39.05	–
		702,000	60,000	(110,000)	–	652,000		
Eligible Employees (other than Directors of the Company and their Associates)	27/02/2014	99,000	–	(99,000)	–	–	26.05	37.71
	11/03/2015	230,000	–	(11,000)	–	219,000	26.88	37.71
	14/03/2016	896,000	–	(273,000)	–	623,000	25.70	37.71
	14/03/2017	2,801,000	–	(268,000)	(52,000)	2,481,000	37.15	37.71
	14/03/2018	2,999,000	–	–	(145,000)	2,854,000	42.40	–
	08/05/2018	300,000	–	–	–	300,000	38.83	–
	14/03/2019	–	3,647,000	–	(114,000)	3,533,000	39.05	–
		7,325,000	3,647,000	(651,000)	(311,000)	10,010,000		

DISCLOSURE OF INTERESTS

Notes:

- (1) Share options were granted under the 2009 Share Option Scheme.
Share options granted on 27/02/2014 are exercisable during the period from 28/02/2016 to 27/02/2019.
Share options granted on 11/03/2015 are exercisable during the period from 12/03/2017 to 11/03/2020.
Share options granted on 14/03/2016 are exercisable during the period from 15/03/2018 to 14/03/2021.
Share options granted on 14/03/2017 are exercisable during the period from 15/03/2019 to 14/03/2022.
Share options granted on 14/03/2018 are exercisable during the period from 15/03/2020 to 14/03/2023.
Share options granted on 08/05/2018 are exercisable during the period from 09/05/2020 to 08/05/2023.
Share options granted on 14/03/2019 are exercisable during the period from 15/03/2021 to 14/03/2024.
- (2) During the six months ended 30 June 2019, no share option was cancelled.
- (3) Consideration paid for each grant of share options was HK\$1.00.
- (4) The vesting period for the share options granted is 24 months from the date of grant.
- (5) The closing price of the shares of the Company immediately before the date of grant of 14 March 2019, i.e. 13 March 2019 was HK\$39.50.
- (6) Being share options held by Mr. Lo Kai Shui, Ms. Lo Bo Lun, Katherine, Mr. Lo Chun Cheong and Mr. Lo Chun Lai, Andrew.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2019, the interests and short positions of persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

Long positions in shares of the Company

Name of Shareholders	Total Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital ⁽⁷⁾
HSBC International Trustee Limited	297,033,752 ⁽¹⁾	42.40
Powermax Agents Limited	172,704,109 ⁽²⁾	24.65
Surewit Finance Limited	41,454,452 ⁽³⁾	5.92
Eagle Guardian Limited	38,182,632 ⁽⁴⁾	5.45
Mind Reader Limited	36,447,386 ⁽⁵⁾	5.20
Adscan Holdings Limited	35,628,206 ⁽⁶⁾	5.09

DISCLOSURE OF INTERESTS

Notes:

- (1) The number of shares disclosed was based on the latest Disclosure of Interest Form (with the date of relevant event as at 31 December 2018) received from HSBC International Trustee Limited (“HITL”). According to the latest disclosures made by the Directors of the Company, as at 30 June 2019:
 - (i) 232,829,848 shares representing 33.23% of the issued share capital of the Company were held in the name of HITL as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, are among the discretionary beneficiaries.
 - (ii) 60,788,762 shares representing 8.68% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the founder.
- (2) Powermax Agents Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 172,704,109 shares held by it were among the shares referred to in Note (1)(i) above.
- (3) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 41,454,452 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is a director of this company.
- (4) Eagle Guardian Limited is a company wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of this company.
- (5) Mind Reader Limited is a company wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of this company.
- (6) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui, who is also a director of this company.
- (7) This percentage has been compiled based on 700,598,038 shares of the Company in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, no person (other than Directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 35 and 36) was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.**德勤****TO THE BOARD OF DIRECTORS OF GREAT EAGLE HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 97, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

30 August 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	4,697,213	4,967,731
Cost of goods and services		(2,654,532)	(2,930,794)
Operating profit before depreciation		2,042,681	2,036,937
Depreciation		(385,365)	(359,905)
Operating profit		1,657,316	1,677,032
Fair value changes on investment properties		2,500,153	4,244,070
Fair value changes on derivative financial instruments		(90,837)	887
Fair value changes on financial assets at fair value through profit or loss		27,682	(8,003)
Other income	5	106,205	121,832
Administrative and other expenses		(298,121)	(237,626)
Finance costs	6	(432,777)	(384,814)
Share of results of joint ventures		(16,958)	(7,297)
Share of results of associates		449	362
Profit before tax	7	3,453,112	5,406,443
Income taxes	8	(223,146)	(246,548)
Profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		3,229,966	5,159,895
Profit for the period attributable to:			
Owners of the Company		2,159,216	3,487,790
Non-controlling interests		(9,483)	55,180
Non-controlling unitholders of Champion REIT		2,149,733	3,542,970
		1,080,233	1,616,925
		3,229,966	5,159,895
Earnings per share:	10		
Basic		HK\$3.09	HK\$5.01
Diluted		HK\$3.08	HK\$4.99

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	3,229,966	5,159,895
Other comprehensive income (expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	38,413	(22,763)
Share of other comprehensive income (expense) of associates	1,781	(11,874)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	59,335	(42,911)
Share of other comprehensive expense of a joint venture	(561)	(10,981)
Cash flow hedges:		
Fair value adjustment on cross currency swaps and interest rate swaps designated as cash flow hedges	(2,494)	51,173
Reclassification of fair value adjustments to profit or loss	4,483	(4,325)
Other comprehensive income (expense) for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT	100,957	(41,681)
Total comprehensive income for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT	3,330,923	5,118,214
Total comprehensive income for the period attributable to:		
Owners of the Company	2,260,880	3,426,736
Non-controlling interests	(10,881)	58,508
	2,249,999	3,485,244
Non-controlling unitholders of Champion REIT	1,080,924	1,632,970
	3,330,923	5,118,214

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
	NOTES		
Non-current assets			
Investment properties	11	91,936,046	89,408,450
Property, plant and equipment	11	19,622,434	19,630,708
Interests in joint ventures	12	1,335,269	1,352,771
Interests in associates	13	66,831	68,755
Equity instruments at fair value through other comprehensive income	14	1,036,130	900,472
Notes and loan receivables	15	712,642	339,100
Derivative financial instruments	21, 22	29,371	66,322
		114,738,723	111,766,578
Current assets			
Stock of properties	16	5,291,573	4,685,334
Inventories		105,080	145,990
Debtors, deposits and prepayments	17	966,077	995,993
Notes and loan receivables	15	15,714	–
Financial assets at fair value through profit or loss	18	233,853	230,032
Derivative financial instruments	22	956	71
Tax recoverable		4,485	1,054
Restricted cash		169,520	170,798
Time deposits with original maturity over three months		200,000	702,833
Bank balances and cash		9,494,733	8,544,217
		16,481,991	15,476,322
Asset classified as held for sale	19	–	1,182,557
		16,481,991	16,658,879
Current liabilities			
Creditors, deposits and accruals	20	3,805,455	3,882,883
Derivative financial instruments	21	239	–
Lease liabilities		12,518	–
Provision for taxation		338,797	104,119
Distribution payable		265,109	271,748
Borrowings due within one year	23	8,215,324	4,981,198
Medium term notes	24	199,840	–
		12,837,282	9,239,948
Net current assets		3,644,709	7,418,931
Total assets less current liabilities		118,383,432	119,185,509

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		At 30 June 2019	At 31 December 2018
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current liabilities			
Derivative financial instruments	21, 22	161,502	99,969
Borrowings due after one year	23	16,900,887	20,643,663
Lease liabilities		23,606	–
Medium term notes	24	5,332,622	5,536,292
Deferred taxation		1,400,954	1,395,342
		23,819,571	27,675,266
NET ASSETS		94,563,861	91,510,243
Equity attributable to:			
Owners of the Company			
Share capital	25	350,299	349,324
Share premium and reserves		71,360,646	69,003,488
		71,710,945	69,352,812
Non-controlling interests		(619,826)	(547,961)
		71,091,119	68,804,851
Net assets attributable to non-controlling unitholders of Champion REIT		23,472,742	22,705,392
		94,563,861	91,510,243

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company													Amount attributable to non-controlling unitholders	Total	
	Share capital	Share premium	Investment revaluation reserve	Property revaluation reserve	Capital redemption reserve	Contributed surplus	Exchange translation reserve	Share option reserve	Hedging reserve	Other reserves	Retained profits	Sub-total	Non-controlling interests			Total of Champion REIT
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2017 (audited)	344,295	5,619,734	217,565	23,109	3,054	400,965	(446,770)	43,895	(4,064)	8,123,352	50,143,577	64,468,712	(346,792)	64,121,920	20,706,511	84,828,431
Adjustments on adoption of HKFRS 9	-	-	(168,080)	-	-	-	-	-	-	-	168,080	-	-	-	-	-
At 1 January 2018 (restated)	344,295	5,619,734	49,485	23,109	3,054	400,965	(446,770)	43,895	(4,064)	8,123,352	50,311,657	64,468,712	(346,792)	64,121,920	20,706,511	84,828,431
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,487,790	3,487,790	55,180	3,542,970	1,616,925	5,159,895
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(22,763)	-	-	-	-	-	-	-	-	(22,763)	-	(22,763)	-	(22,763)
Change in fair value of cash flow hedges	-	-	-	-	-	-	-	-	30,803	-	-	30,803	-	30,803	16,045	46,848
Exchange differences arising on translation of foreign operations	-	-	437	-	-	-	(46,408)	-	-	(268)	-	(46,239)	3,328	(42,911)	-	(42,911)
Share of other comprehensive expense of associates	-	-	(11,874)	-	-	-	-	-	-	-	-	(11,874)	-	(11,874)	-	(11,874)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	-	(10,981)	-	-	-	-	(10,981)	-	(10,981)	-	(10,981)
Total comprehensive income (expense) for the period	-	-	(34,200)	-	-	-	(57,389)	-	30,803	(268)	3,487,790	3,426,736	58,508	3,485,244	1,632,970	5,118,214
Transaction with non-controlling unitholders of Champion REIT: Distribution to non-controlling unitholders of Champion REIT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(250,302)	(250,302)
Transactions with owners:																
Dividend paid	-	-	-	-	-	-	-	-	-	-	(677,321)	(677,321)	-	(677,321)	-	(677,321)
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	-	-	(5,549)	-	-	-	-	-	-	-	5,549	-	-	-	-	-
Shares issued at premium	4,882	339,163	-	-	-	-	-	(12,797)	-	-	-	331,248	-	331,248	-	331,248
Share issue expenses	-	(28)	-	-	-	-	-	-	-	-	-	(28)	-	(28)	-	(28)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	14,077	-	-	-	14,077	-	14,077	-	14,077
Increase of interests in subsidiaries (note b)	-	-	-	-	-	-	-	-	-	1,911	-	1,911	18,308	20,219	(19,612)	607
Waiver of distribution from a subsidiary (note c)	-	-	-	-	-	-	-	-	-	-	(2,927)	(2,927)	2,927	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(87,424)	(87,424)	-	(87,424)
At 30 June 2018 (unaudited)	349,177	5,958,869	9,736	23,109	3,054	400,965	(504,159)	45,175	26,739	8,124,995	53,124,748	67,562,408	(354,473)	67,207,935	22,069,567	89,277,502

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company													Amount attributable to non-controlling unitholders		
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (note a)	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000	of Champion REIT HK\$'000	Total HK\$'000
At 31 December 2018 (audited)	349,324	5,967,374	(91,607)	23,109	3,054	400,965	(725,379)	60,710	(10,054)	8,158,132	55,217,184	69,352,812	(547,961)	68,804,851	22,705,392	91,510,243
Adjustment on adoption of HKFRS 16	-	-	-	-	-	-	-	-	-	-	2,862	2,862	-	2,862	-	2,862
At 1 January 2019 (restated)	349,324	5,967,374	(91,607)	23,109	3,054	400,965	(725,379)	60,710	(10,054)	8,158,132	55,220,046	69,355,674	(547,961)	68,807,713	22,705,392	91,513,105
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	2,159,216	2,159,216	(9,483)	2,149,733	1,080,233	3,229,966
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	38,413	-	-	-	-	-	-	-	-	38,413	-	38,413	-	38,413
Change in fair value of cash flow hedges	-	-	-	-	-	-	-	-	1,298	-	-	1,298	-	1,298	691	1,989
Exchange differences arising on translation of foreign operations	-	-	(75)	-	-	-	60,666	-	-	142	-	60,733	(1,398)	59,335	-	59,335
Share of other comprehensive income of associates	-	-	1,781	-	-	-	-	-	-	-	-	1,781	-	1,781	-	1,781
Share of other comprehensive expense of a joint venture	-	-	-	-	-	-	(561)	-	-	-	-	(561)	-	(561)	-	(561)
Total comprehensive income (expense) for the period	-	-	40,119	-	-	-	60,105	-	1,298	142	2,159,216	2,260,880	(10,881)	2,249,999	1,080,924	3,330,923
Transaction with non-controlling unitholders of Champion REIT: Distribution to non-controlling unitholders of Champion REIT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(265,108)	(265,108)
Transactions with owners:																
Transfer of loss on disposal of equity instruments at fair value through other comprehensive income	-	-	7,399	-	-	-	-	-	-	-	(7,399)	-	-	-	-	-
Shares issued at premium	975	71,917	-	-	-	-	-	(11,744)	-	-	-	61,148	-	61,148	-	61,148
Share issue expenses	-	(27)	-	-	-	-	-	-	-	-	-	(27)	-	(27)	-	(27)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	16,795	-	-	-	16,795	-	16,795	-	16,795
Increase of interests in subsidiaries (note b)	-	-	-	-	-	-	-	-	-	16,475	-	16,475	21,127	37,602	(48,466)	(10,864)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(82,111)	(82,111)	-	(82,111)
At 30 June 2019 (unaudited)	350,299	6,039,264	(44,089)	23,109	3,054	400,965	(665,274)	65,761	(8,756)	8,174,749	57,371,863	71,710,945	(619,826)	71,091,119	23,472,742	94,563,861

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Notes:

- (a) Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Group is available for distribution to shareholders.
- (b) It mainly represents the effect from the Group's increase in interests in Champion REIT and Langham (both defined in note 4) upon the settlement of management fees in units and purchase of units of Champion REIT and Langham from the market by the Group.
- (c) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, a subsidiary, has agreed to waive its entitlement to receive any distributions payable from its 50,000,000 share stapled units for 2018 in Langham. During the period ended 30 June 2018, distribution of HK\$2,927,000 was waived by the Group.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Cash generated from operations	1,308,086	1,966,206
Hong Kong Profits Tax paid	(6,366)	(6,240)
Other jurisdictions tax paid	(67,483)	(46,766)
Hong Kong Profits Tax refunded	–	33
Other jurisdictions tax refunded	89,798	–
Net cash from operating activities	1,324,035	1,913,233
Investing activities		
Additions of equity instruments at fair value through other comprehensive income	(106,877)	–
Additions of financial assets at fair value through profit or loss	–	(219,809)
Additions of interests in a joint venture	–	(10,482)
Additions of investment properties	(16,140)	(15,982)
Additions of property, plant and equipment	(364,721)	(496,058)
Additions of notes receivables	(392,624)	–
Withdrawal (placement) of restricted cash	1,027	(38,380)
Dividends received from associates	4,153	5,759
Interest received	87,065	63,146
Proceeds on disposal of asset classified as held for sale	1,179,839	–
Proceeds on disposal of equity instruments at fair value through other comprehensive income	8,290	12,718
Proceeds on redemption of notes receivable	–	23,503
Proceeds on disposal of property, plant and equipment	675	469
Placement of time deposits with original maturity over three months	–	(209,532)
Withdrawal of time deposits with original maturity over three months	502,833	919,302
Net cash from investing activities	903,520	34,654

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Financing activities		
Change of interests in subsidiaries	(10,864)	607
Bank loans origination fees	(51,850)	–
Distribution paid to non-controlling unitholders of Champion REIT	(271,825)	(250,933)
Distribution paid to non-controlling interests	(82,111)	(87,424)
Dividends paid to shareholders	–	(428,987)
Interest paid	(446,410)	(397,776)
Issue of shares	61,121	82,884
New bank loans raised	6,624,113	412,406
Proceeds from issuance of medium term notes	–	475,000
Repayments of bank loans	(7,103,131)	(570,698)
Repayments of leases liabilities	(6,779)	–
Transaction costs for issuance of medium term notes	–	(690)
Net cash used in financing activities	(1,287,736)	(765,611)
Net increase in cash and cash equivalents	939,819	1,182,276
Effect of foreign exchange rate changes	10,697	(35,556)
Cash and cash equivalents at 1 January	8,544,217	6,491,562
Cash and cash equivalents at 30 June	9,494,733	7,638,282

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases”**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee**Allocation of consideration to components of a contract**

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (continued)****2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)*****As a lessee*** (continued)**Right-of-use assets**

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (continued)****2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)*****As a lessee*** (continued)**Leasehold land and building**

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (continued)****2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)*****As a lessee*** (continued)**Lease liabilities** (continued)

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (continued)****2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)*****As a lessee*** (continued)**Lease modifications**

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

As a lessor**Allocation of consideration to components of a contract**

Effective on 1 January 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (continued)****2.1.2 Transition and summary of effects arising from initial application of HKFRS 16*****Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has recognised additional lease liabilities of HK\$42,285,000 and right-of-use assets of HK\$42,285,000 at 1 January 2019 by applying HKFRS 16.C8(b)(ii) transition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (continued)****2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)*****As a lessee*** (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 4.01% per annum.

	At 1 January 2019 HK\$’000
Operating lease commitments disclosed as at 31 December 2018	44,350
Difference for lease liabilities discounted at relevant incremental borrowing rates	(2,065)
Lease liabilities as at 1 January 2019	42,285
Analysed as	
Current	12,297
Non-current	29,988
	42,285

The carrying amount of right-of-use assets as at 1 January 2019 comprises right-of-use assets relating to operating leases recognised upon application of HKFRS 16 is HK\$42,285,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (continued)****2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)*****As a lessor***

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted for as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group’s condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term and the impact is not significant.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustments has no material financial impact on the condensed consolidated financial statements of the Group for the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.1 Impacts and changes in accounting policies on application of HKFRS 16 “Leases” (continued)****2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)*****As a lessor*** (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current assets			
Property, plant and equipment	19,630,708	42,285	19,672,993
Current liabilities			
Lease liabilities	–	12,297	12,297
Non-current liabilities			
Lease liabilities	–	29,988	29,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. 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).

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hotel income	2,798,574	2,788,560
Rental income from investment properties	1,476,768	1,432,811
Building management service income	166,186	155,114
Sales of properties	33,533	411,807
Sales of goods	129,310	91,647
Dividend income	13,313	11,056
Others	79,529	76,736
	4,697,213	4,967,731

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

Six months ended 30 June 2019

	Hotel operation HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Champion REIT HK\$'000 (unaudited)	Langham HK\$'000 (unaudited)	US Real Estate Fund HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Hotel income	2,833,600	-	-	-	2,833,600	-	294,817	-	(329,843)	2,798,574
Building management service income	-	12,994	-	-	12,994	153,192	-	-	-	166,186
Sales of properties	-	-	-	-	-	-	-	33,533	-	33,533
Sales of goods	-	-	-	129,310	129,310	-	-	-	-	129,310
Others	-	-	-	300,157	300,157	-	-	-	(220,628)	79,529
Revenue from contracts with customers	2,833,600	12,994	-	429,467	3,276,061	153,192	294,817	33,533	(550,471)	3,207,132
Rental income from investment properties	-	98,980	-	-	98,980	1,399,750	706	1,657	(24,325)	1,476,768
Dividend income	-	-	-	13,313	13,313	-	-	-	-	13,313
Total segment revenue	2,833,600	111,974	-	442,780	3,388,354	1,552,942	295,523	35,190	(574,796)	4,697,213

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE (CONTINUED)

Six months ended 30 June 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
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hotel income	2,821,542	-	-	-	2,821,542	-	284,596	-	(317,578)	2,788,560
Building management service income	-	12,952	-	-	12,952	142,162	-	-	-	155,114
Sales of properties	-	-	-	-	-	-	-	411,807	-	411,807
Sales of goods	-	-	-	92,298	92,298	-	-	-	(651)	91,647
Others	-	-	-	268,744	268,744	-	-	-	(192,008)	76,736
Revenue from contracts with customers	2,821,542	12,952	-	361,042	3,195,536	142,162	284,596	411,807	(510,237)	3,523,864
Rental income from investment properties	-	101,368	-	-	101,368	1,302,613	41	40,884	(12,095)	1,432,811
Dividend income	-	-	-	11,056	11,056	-	-	-	-	11,056
Total segment revenue	2,821,542	114,320	-	372,098	3,307,960	1,444,775	284,637	452,691	(522,332)	4,967,731

Disaggregation of revenue from contracts with customers:

– by source of revenue:

Six months ended 30 June 2019

	Revenue recognised at a point in time HK\$'000 (unaudited)	Revenue recognised overtime HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Hotel income			
– room revenue	-	1,647,652	1,647,652
– food & beverage revenue	971,492	-	971,492
– others	112,678	66,752	179,430
Building management service income	-	166,186	166,186
Sales of properties	33,533	-	33,533
Sales of goods	125,247	4,063	129,310
Others	-	79,529	79,529
Revenue from contracts with customers	1,242,950	1,964,182	3,207,132
Rental income from investment properties			1,476,768
Dividend income			13,313
			4,697,213

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers: (continued)

– by source of revenue: (continued)

Six months ended 30 June 2018

	Revenue recognised at a point in time HK\$'000 (unaudited)	Revenue recognised overtime HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Hotel income			
– room revenue	–	1,697,433	1,697,433
– food & beverage revenue	909,022	–	909,022
– others	112,653	69,452	182,105
Building management service income	–	155,114	155,114
Sales of properties	411,807	–	411,807
Sales of goods	88,036	3,611	91,647
Others	–	76,736	76,736
Revenue from contracts with customers	1,521,518	2,002,346	3,523,864
Rental income from investment properties			1,432,811
Dividend income			11,056
			4,967,731

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers: (continued)

– by geographical locations:

Six months ended 30 June 2019

	Revenue recognised at a point in time HK\$'000 (unaudited)	Revenue recognised overtime HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Hong Kong	481,938	718,209	1,200,147
The USA	341,905	462,236	804,141
Canada	49,546	217,890	267,436
The United Kingdom	98,269	182,752	281,021
Australia	80,738	142,077	222,815
New Zealand	68,307	74,981	143,288
The PRC	117,113	165,491	282,604
Others	5,134	546	5,680
Revenue from contracts with customers	1,242,950	1,964,182	3,207,132
Rental income from investment properties			1,476,768
Dividend income			13,313
			4,697,213

Six months ended 30 June 2018

	Revenue recognised at a point in time HK\$'000 (unaudited)	Revenue recognised overtime HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Hong Kong	382,532	704,659	1,087,191
The USA	686,314	471,985	1,158,299
Canada	53,798	226,890	280,688
The United Kingdom	97,249	186,304	283,553
Australia	96,436	158,712	255,148
New Zealand	67,833	79,498	147,331
The PRC	137,180	173,661	310,841
Others	176	637	813
Revenue from contracts with customers	1,521,518	2,002,346	3,523,864
Rental income from investment properties			1,432,811
Dividend income			11,056
			4,967,731

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. SEGMENT INFORMATION

Operating segments are identified on the basis of organisational structure and internal reports about components of the Group. Such internal reports are regularly reviewed by the chief operating decision maker (“CODM”) (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. Performance assessment is more specifically focused on the segment results of Pacific Eagle (US) Real Estate Fund, L.P. and its subsidiaries (collectively referred to as “US Real Estate Fund”) and each listed group, including Great Eagle Holdings Limited, Champion Real Estate Investment Trust (“Champion REIT”) and Langham Hospitality Investments and Langham Hospitality Investments Limited (“Langham”).

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	–	sales 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 financial information of Langham.
US Real Estate Fund	–	based on income from sale of properties and related expenses of the properties owned by the US Real Estate Fund.

Segment results of Champion REIT represent the published net property income less manager’s fee. Segment results of Langham represent revenue less property related expenses and services fees. Segment results of US Real Estate Fund represent revenue less fund related expenses. Segment results of other operating segments (hereinafter referred to as the “Great Eagle Operations”) represent the results of each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, Directors’ salaries, share of results of joint ventures, share of results of associates, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets at fair value through profit or loss (“FVTPL”), other income, finance costs and income taxes. The hotel operation segment result has been arrived at after reversing intra-group HKFRS 16 impact for its role as a lessee to the three hotel properties owned by Langham. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (CONTINUED)

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

Segment revenue and results**Six months ended 30 June 2019**

	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
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			(note 1)				(note 2)	(note 3)		
REVENUE										
External revenue	2,798,574	111,633	–	222,152	3,132,359	1,528,958	706	35,190	–	4,697,213
Inter-segment revenue	35,026	341	–	220,628	255,995	23,984	294,817	–	(574,796)	–
Total	2,833,600	111,974	–	442,780	3,388,354	1,552,942	295,523	35,190	(574,796)	4,697,213
Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.										
RESULTS										
Segment results	304,423	87,076	–	292,986	684,485	1,111,105	277,255	(7,244)	(22,920)	2,042,681
Depreciation					(293,810)	–	(112,371)	–	20,816	(385,365)
Operating profit after depreciation					390,675	1,111,105	164,884	(7,244)	(2,104)	1,657,316
Fair value changes on investment properties					44,911	2,455,700	–	(358)	(100)	2,500,153
Fair value changes on derivative financial instruments					(65,777)	(265)	(24,795)	–	–	(90,837)
Fair value changes on financial assets at FVTPL					27,682	–	–	–	–	27,682
Other income					4,473	–	–	–	(480)	3,993
Administrative and other expenses					(275,726)	(12,460)	(5,796)	(6,751)	2,612	(298,121)
Net finance costs					(5,189)	(218,053)	(100,221)	(8,595)	1,493	(330,565)
Share of results of joint ventures					(16,958)	–	–	–	–	(16,958)
Share of results of associates					449	–	–	–	–	449
Profit before tax					104,540	3,336,027	34,072	(22,948)	1,421	3,453,112
Income taxes					(53,775)	(149,500)	(19,938)	–	67	(223,146)
Profit for the period					50,765	3,186,527	14,134	(22,948)	1,488	3,229,966
Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(899)	(1,080,233)	(5,264)	15,646	–	(1,070,750)
Profit attributable to owners of the Company					49,866	2,106,294	8,870	(7,302)	1,488	2,159,216

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (CONTINUED)**Segment revenue and results (continued)**

Six months ended 30 June 2018

	Hotel operation	Property investment	Property development	Other operations	Sub-total	Champion REIT	Langham	US Real Estate Fund	Eliminations	Consolidated
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited) (note 1)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited) (note 2)	HK\$'000 (unaudited) (note 3)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
REVENUE										
External revenue	2,788,560	113,979	–	179,439	3,081,978	1,433,021	41	452,691	–	4,967,731
Inter-segment revenue	32,982	341	–	192,659	225,982	11,754	284,596	–	(522,332)	–
Total	2,821,542	114,320	–	372,098	3,307,960	1,444,775	284,637	452,691	(522,332)	4,967,731
Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.										
RESULTS										
Segment results	357,854	90,142	–	243,901	691,897	1,035,550	271,063	44,766	(6,339)	2,036,937
Depreciation					(264,415)	–	(95,171)	–	(319)	(359,905)
Operating profit after depreciation					427,482	1,035,550	175,892	44,766	(6,658)	1,677,032
Fair value changes on investment properties					220,231	4,033,138	–	(8,299)	(1,000)	4,244,070
Fair value changes on derivative financial instruments					(35,643)	–	36,530	–	–	887
Fair value changes on financial assets at FVTPL					(8,003)	–	–	–	–	(8,003)
Other income					50,153	–	–	1,203	(480)	50,876
Administrative and other expenses					(214,315)	(16,306)	(6,301)	(5,092)	4,388	(237,626)
Net finance costs					(26,466)	(187,034)	(86,325)	(14,033)	–	(313,858)
Share of results of joint ventures					(7,297)	–	–	–	–	(7,297)
Share of results of associates					362	–	–	–	–	362
Profit before tax					406,504	4,865,348	119,796	18,545	(3,750)	5,406,443
Income taxes					(80,573)	(143,021)	(23,021)	–	67	(246,548)
Profit for the period					325,931	4,722,327	96,775	18,545	(3,683)	5,159,895
Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					1,165	(1,616,925)	(36,362)	(19,983)	–	(1,672,105)
Profit attributable to owners of the Company					327,096	3,105,402	60,413	(1,438)	(3,683)	3,487,790

Notes:

- There were no revenue and segment result recognised during the period as the properties directly held were under development.
- The inter-segment revenue of Langham mainly includes the rental income of three hotel properties receivable from Great Eagle.
- During the period, income from sale of properties and rental income of HK\$33,533,000 (2018: HK\$411,807,000) and HK\$1,657,000 (2018: HK\$40,884,000), respectively, were recognised by the US Real Estate Fund.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (CONTINUED)**Segment assets and liabilities**

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

30 June 2019

	Assets HK\$'000 (unaudited)	Liabilities HK\$'000 (unaudited)	Net Assets HK\$'000 (unaudited)
Hotel operation (note a)	17,497,934	7,349,795	10,148,139
Property investment (note a)	6,739,483	94,688	6,644,795
Property development (note a)	6,161,926	2,668,011	3,493,915
Other operations (note a)	645,038	321,154	323,884
Unallocated	7,002,043	631,132	6,370,911
Great Eagle Operations (note b)	38,046,424	11,064,780	26,981,644
Champion REIT (note c)	58,108,958	11,823,651	46,285,307
Langham (note d)	12,837,970	4,748,051	8,089,919
US Real Estate Fund (note e)	725,351	293,631	431,720

31 December 2018

	Assets HK\$'000 (audited)	Liabilities HK\$'000 (audited)	Net Assets HK\$'000 (audited)
Hotel operation (note a)	17,406,087	7,844,359	9,561,728
Property investment (note a)	6,722,316	129,597	6,592,719
Property development (note a)	5,532,260	1,972,149	3,560,111
Other operations (note a)	486,987	188,221	298,766
Unallocated	6,742,327	536,094	6,206,233
Great Eagle Operations (note b)	36,889,977	10,670,420	26,219,557
Champion REIT (note c)	56,283,204	11,700,393	44,582,811
Langham (note d)	12,816,453	4,661,596	8,154,857
US Real Estate Fund (note e)	1,135,001	695,013	439,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (CONTINUED)**Segment assets and liabilities (continued)**

Notes:

- (a) The segment assets include primarily investment properties, property, plant and equipment, right-of-use assets, equity instruments at fair value through other comprehensive income ("FVTOCI"), asset classified as held for sale, stock of properties, inventories, notes and loan receivables, financial assets at FVTPL, time deposits with original maturity over three months, bank balances and cash and debtors, deposits and prepayments attributable to respective operating segments. The segment liabilities include primarily creditors, deposits and accruals, borrowings, lease liabilities, provision for taxation and deferred taxation attributable to respective operating segments.
- (b) Included in the assets and liabilities are bank deposit and restricted cash of HK\$7,255,492,000 (31 December 2018: HK\$7,407,660,000) and borrowings of HK\$8,387,661,000 (31 December 2018: HK\$8,184,065,000), representing net debt of HK\$1,132,169,000 as at 30 June 2019 (31 December 2018: HK\$776,405,000).
- (c) Assets and liabilities of Champion REIT are based on published financial information of Champion REIT, at the effective interest held by Great Eagle Holdings Limited, being 66.10% (31 December 2018: 65.99%), excluding the effective interest of the distribution payable attributable from Champion REIT of HK\$516,922,000 (31 December 2018: HK\$527,275,000).
- (d) Assets and liabilities of Langham are based on published financial information of Langham, at the effective interest held by Great Eagle Holdings Limited, being 63.14% (31 December 2018: 62.93%). It includes three hotel properties with appraised value of HK\$20,180,000,000 as at 30 June 2019 (31 December 2018: HK\$20,177,000,000). The three hotel properties are self-operated by Great Eagle and accordingly recognised as property, plant and equipment with corresponding carrying amount (at cost less accumulated depreciation) of HK\$4,039,469,000 (31 December 2018: HK\$4,077,599,000) in the Group's condensed consolidated statement of financial position.
- (e) Assets and liabilities of the US Real Estate Fund are based on results of the fund at the 49.97% (31 December 2018: 49.97%) interest held by Great Eagle Holdings Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Interest income on:		
Bank deposits	73,513	53,155
Financial assets at FVTPL	307	5,511
Notes and loan receivable	28,255	12,207
Others	137	83
	102,212	70,956
Recovery of bad debts	–	246
Income arising from historical tax credit	–	43,032
Sundry income	3,993	7,598
	106,205	121,832

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Interest on bank borrowings	330,670	303,329
Interest on medium term notes	96,983	80,117
Interest on lease liabilities	828	–
Other borrowing costs	39,429	33,569
	467,910	417,015
Less: amount capitalised (note)	(35,133)	(32,201)
	432,777	384,814

Note:

Interest were capitalised at an average annual rate of 1.57% (30 June 2018: 1.46%) to property development projects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	1,339,349	1,275,417
Share based payments (including Directors' emoluments)	16,795	14,077
	1,356,144	1,289,494
Depreciation	385,365	359,905
Recovery of bad debts	–	(246)
Share of tax of a joint venture (included in the share of results of joint ventures)	149	468
Share of (tax credit) tax of associates (included in the share of results of associates)	(6)	64
Dividend income from equity investments	(13,313)	(11,056)
Loss on disposal of property, plant and equipment (included in administrative and other expenses)	45,081	4,285
Net exchange loss (included in administrative and other expenses)	3,663	–
Net exchange gain (included in other income)	–	(680)

8. INCOME TAXES

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Current period:		
Hong Kong Profits Tax	171,569	164,276
Other jurisdictions	48,183	39,800
	219,752	204,076
(Over)underprovision in prior periods:		
Hong Kong Profits Tax	(92)	(98)
Other jurisdictions	(4,674)	2,419
	(4,766)	2,321
	214,986	206,397
Deferred tax:		
Current period	11,220	40,151
Overprovision in prior periods	(3,060)	–
	8,160	40,151
	223,146	246,548

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends paid:		
Final dividend of HK50 cents in respect of the financial year ended 31 December 2018 (2018: HK48 cents in respect of the financial year ended 31 December 2017) per ordinary share	–	331,748
Special final dividend of HK50 cents in respect of the financial year ended 31 December 2017 per ordinary share	–	345,573
	–	677,321
Dividends declared after the end of reporting period:		
Interim dividend of HK33 cents in respect of the six months ended 30 June 2019 (2018: HK33 cents in respect of the six months ended 30 June 2018) per ordinary share	231,197	230,457

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

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends		
Cash	–	83,414
Share alternative	–	248,334
	–	331,748

On 30 August 2019, the Directors have determined that an interim dividend of HK33 cents (2018: HK33 cents) per ordinary share will be paid to the shareholders of the Company whose names appear in the Register of Members on 8 October 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	2,159,216	3,487,790

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	699,734,126	696,668,458
Effect of dilutive potential shares:		
Share options	786,975	1,879,543
Weighted average number of shares for the purpose of diluted earnings per share	700,521,101	698,548,001

11. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT**Investment properties**

During the current interim period, the Group had additions to improvement work on investment properties at a cost of HK\$27,663,000 (six months ended 30 June 2018: HK\$15,982,000). In addition, investment properties with fair value of HK\$134,200,000 were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation during the six months ended 30 June 2018.

The fair value of the Group's investment properties of HK\$91,936,046,000 as at 30 June 2019 (31 December 2018: HK\$89,408,450,000) has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Colliers International (Hong Kong) Ltd. and Savills Valuation and Professional Services Limited.

Investment properties in the People's Republic of China ("PRC") – Knight Frank Petty Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Investment properties (continued)**

The valuations for certain investment properties were arrived at by using income capitalisation method which is determined based on the future cash flow of market rentals at market yield expected by property investors and applicable discount rates. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. The valuation of the remaining investment properties were arrived at by using direct comparison method, which is based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property. Additionally, in estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

Property, plant and equipment

During the current interim period, the Group had additions in relation to structural improvement work on hotel properties of HK\$60,464,000 (six months ended 30 June 2018: HK\$12,931,000) and hotel buildings under development of HK\$59,343,000 (six months ended 30 June 2018: HK\$21,886,000). The additions of other property, plant and equipment were HK\$223,871,000 (six months ended 30 June 2018: HK\$367,883,000). During the current interim period, the Group had disposals of other property, plant and equipment with carrying amount of HK\$45,756,000 (six months ended 30 June 2018: HK\$4,754,000).

During the six months ended 30 June 2018, the Group also acquired a freehold land in Tokyo, Japan amounting to HK\$30,437,000 for hotel development.

At 30 June 2019 and 2018, the Directors conducted an impairment assessment on hotel properties, no reversal or additional impairment loss was recognised for the six months ended 30 June 2019 and 2018.

12. INTERESTS IN JOINT VENTURES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Cost of investments in joint ventures	1,403,501	1,403,753
Share of post-acquisition results and other comprehensive income	(202,241)	(184,770)
	1,201,260	1,218,983
Amount due from a joint venture	134,009	133,788
	1,335,269	1,352,771

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. INTERESTS IN JOINT VENTURES (CONTINUED)

Details of the material interests in joint ventures are as follows:

Pursuant to a subscription and shareholders' agreement signed between an indirect wholly-owned subsidiary of the Company and an independent third party investor (the "Wealth Joy Investor") in February 2010, the relevant activities of Wealth Joy Holdings Limited ("Wealth Joy") that significantly affect the return of Wealth Joy, require unanimous consent from the Group and the Wealth Joy Investor, accordingly Wealth Joy is accounted for as a joint venture.

Wealth Joy and its subsidiaries are principally engaged in developing a parcel of land in Donggang area, Renmin Road East, which is the commercial and financial centre of Dalian, the PRC.

The Group's interests in joint ventures amounting to HK\$1,201,260,000 as at 30 June 2019 (31 December 2018: HK\$1,218,983,000) are accounted for using the equity method in these condensed consolidated financial statements.

In determining whether there exists any objective evidence of impairment of the Group's interests in joint ventures, the Directors have considered the fair value of the property under development and the forecasted cash flows arising from presold properties when the development is completed. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

13. INTERESTS IN ASSOCIATES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Cost of investment in associates	108	108
Share of post-acquisition profit and other comprehensive income, net of dividend received	66,723	68,647
	66,831	68,755

In determining whether there exists any objective evidence of impairment of the Group's interests in associates, the Directors consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of its associates. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Listed equity securities in Hong Kong	200,880	206,187
Listed equity securities outside Hong Kong	44,286	40,595
Unlisted equity securities in Hong Kong	110,404	10,427
Unlisted equity securities outside Hong Kong	680,560	643,263
	1,036,130	900,472

At the end of the reporting period, all the listed securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets.

15. NOTES AND LOAN RECEIVABLES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Notes receivables	639,925	250,171
Loan receivables	88,431	88,929
	728,356	339,100
Less: Amounts due within one year shown under current assets	(15,714)	–
Amounts due after one year	712,642	339,100

Notes receivables

At the end of the reporting period, the Group held unsecured bonds with principal amounts of HK\$639,925,000 (31 December 2018: HK\$250,171,000) denominated in United States dollars ("US\$") with nominal values ranging from US\$500,000 to US\$7,640,000 (31 December 2018: US\$1,000,000 to US\$7,640,000), bears interest at fixed interest rates ranging from 3.75% to 9.125% or variable interest rate of 3-month London Interbank Offered Rate plus 4.85% (31 December 2018: fixed interest rates ranging from 2.625% to 9.125%) per annum and has maturity dates ranging from May 2020 to November 2024 (31 December 2018: May 2020 to May 2024).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. NOTES AND LOAN RECEIVABLES (CONTINUED)**Loan receivables**

Pacific Miami Corporation, a wholly-owned subsidiary of the Company, entered into unsecured promissory notes from 2015 to 2017 with an investee classified as a joint venture for a loan receivable of US\$11,318,000 (equivalent to approximately HK\$88,431,000) (31 December 2018: US\$11,355,000 (equivalent to approximately HK\$88,929,000)), which bears interest at 18% per annum and has a maturity date on 31 December 2022.

16. STOCK OF PROPERTIES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Properties under development for sale	4,633,510	3,994,369
Properties held for sale	658,063	690,965
	5,291,573	4,685,334

Stock of properties mainly comprised of the following:

- (i) An apartment building in Malibu, Los Angeles, the USA with a consideration of US\$62,000,000 (equivalent to approximately HK\$480,522,000) acquired in 2015. The apartments are converted into condominiums for sale to customers.
- (ii) A site in Pine Street, San Francisco, the USA with a consideration of US\$21,000,000 (equivalent to approximately HK\$162,771,000) acquired in 2015. The development of residential properties is completed and available for sale to customers.
- (iii) A residential site in Pak Shek Kok, Tai Po at the land premium of HK\$2,412,000,000 acquired in 2014. The site is under development of luxury residential properties for sale.
- (iv) A site in Howard Street, San Francisco, the USA acquired in 2015.

The properties under development for sale with carrying amount of HK\$4,633,510,000 (31 December 2018: HK\$3,994,369,000) are expected to be completed more than twelve months from the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Trade debtors, net of allowance for doubtful debts	209,531	247,768
Deferred rent receivables	159,171	170,453
Retention money receivables	14,838	11,368
Other receivables	231,527	242,949
Deposits and prepayments	351,010	323,455
	966,077	995,993

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 hotels operations.

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

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Within 3 months	200,425	238,004
More than 3 months but within 6 months	4,038	3,626
Over 6 months	5,068	6,138
	209,531	247,768

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Equity linked notes designated at FVTPL	–	31,392
Listed equity securities held for trading	233,853	198,640
	233,853	230,032

At the end of the reporting period, all the listed equity securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets. At 31 December 2018, the Group had entered into equity linked notes with banks and are detailed as follows:

- (i) US\$ equity linked notes with nominal values of US\$500,000 had maturity period of nine months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.
- (ii) HK\$ equity linked notes with nominal values ranging from HK\$5,000,000 to HK\$8,000,000 had maturity period of four months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

19. ASSET CLASSIFIED AS HELD FOR SALE

On 10 December 2018, the Group entered into sales and purchase agreement to dispose of the investment property located in Seattle, the USA at a consideration of US\$151,000,000 (equivalent to approximately HK\$1,182,557,000). The transaction was completed in January 2019.

As at 31 December 2018, the Group had classified such investment property as asset held for sale which was separately presented in the consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. CREDITORS, DEPOSITS AND ACCRUALS

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Trade creditors	242,701	261,003
Deposits received	850,369	820,214
Customer deposits and other deferred revenue	302,420	245,370
Construction fee payable and retention money payable	377,690	372,292
Accruals, interest payable and other payables	2,032,275	2,184,004
	3,805,455	3,882,883

Included in the accruals is accrual of stamp duty based on the current stamp duty rate of 4.25% (31 December 2018: 4.25%) on the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Three Garden Road upon listing.

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

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

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Within 3 months	225,556	244,176
More than 3 months but within 6 months	3,983	5,149
Over 6 months	13,162	11,678
	242,701	261,003

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Interest rate swaps	10,340	74,946	26,923	36,255
Cross currency swaps	–	80,940	–	45,854
Foreign currency derivative contracts	98	239	71	–
	10,438	156,125	26,994	82,109
Less: Would be matured within one year shown under current assets/liabilities	–	(239)	(71)	–
Would be matured after one year	10,438	155,886	26,923	82,109

The Group entered into interest rate swaps with aggregate notional amount of HK\$4,000,000,000 (2018: HK\$4,000,000,000) to manage the exposure to the interest rate risk on the Group's floating-rate borrowings by swapping a proportion of those borrowings from floating rate of Hong Kong Interbank Offered Rate ("HIBOR") to fixed rate ranging from 1.035% to 2.545% (2018: 1.035% to 2.545%). The Group also entered into interest rate swaps and cross currency swaps to manage the exposure to the interest rates and floating rate loans denominated in other currencies. In addition, the Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements.

The fair values of foreign currency derivative contracts, interest rate swaps and cross currency swaps at the end of the reporting periods are provided by counterparty banks.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

22. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Non-current assets		
Cash flow hedges - interest rate swaps	18,933	35,268
Fair value hedge - interest rate swap	–	4,131
	18,933	39,399
Current asset		
Fair value hedge - interest rate swap	956	–
Non-current liability		
Cash flow hedges - cross currency swaps	5,616	17,860

As at 30 June 2019, the Group entered into cross currency swap contracts of a total notional amount of US\$386,400,000 (31 December 2018: US\$386,400,000) to minimise its exposure to fluctuation in foreign currency exchange rates and interest rate of the medium term notes, which is denominated in US\$, in respect of the principal and fixed rate interest payments. The cross currency swaps and the corresponding medium term notes have similar terms and the Directors considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

As at 30 June 2019, the Group also entered into interest rate swap contracts of a total notional amount of HK\$3,450,000,000 (31 December 2018: HK\$3,450,000,000) to minimise its exposure to fluctuations in interest rates of its variable interest bearing secured term loan. The interest rate swaps and the corresponding secured bank loan have similar terms and the Directors considered that the interest rate swaps were highly effective hedging instruments and qualified as cash flow hedges.

The fair values of the above derivatives are based on the valuations provided by the counterparty financial institutions and measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

23. BORROWINGS

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Term loans and revolving loans	25,218,772	25,705,849
Loan front-end fee	(102,561)	(80,988)
	25,116,211	25,624,861

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

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Within one year	8,215,324	4,981,198
More than one year but not exceeding two years	6,131,919	9,007,820
More than two years but not exceeding five years	10,768,968	10,731,431
More than five years	–	904,412
	25,116,211	25,624,861
Less: Amounts due within one year shown under current liabilities	(8,215,324)	(4,981,198)
Amounts due after one year	16,900,887	20,643,663

Borrowings amounting to HK\$17,658,192,000 (31 December 2018: HK\$23,957,644,000) were secured by way of legal charges over certain of the Group's assets and business undertakings.

All of the Group's borrowings are at floating rate. The effective interest rates (which approximate to contracted interest rates) range from 0.33% to 5.02% (31 December 2018: 0.33% to 5.08%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

24. MEDIUM TERM NOTES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Medium term notes	5,562,136	5,569,091
Origination fees	(29,674)	(32,799)
	5,532,462	5,536,292
Less: Amount due within one year shown under current liabilities	(199,840)	–
	5,332,622	5,536,292

The Group established a US\$1 billion guaranteed medium term notes programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating interest rates to be set upon issuance of notes and will be guaranteed by HSBC Institutional Trust Services (Asia) Limited, the trustee of Champion REIT, in its capacity as trustee.

As at 30 June 2019, the outstanding medium term notes comprised of the followings:

Notional amount	Maturity	Interest rate (p.a.)	Interest period
HK\$200,000,000	May 2020	2.85% ⁽ⁱ⁾	Annually
HK\$643,000,000	March 2022	3-month HIBOR plus 1.275%	Quarterly
US\$386,400,000	January 2023	3.75% ⁽ⁱⁱ⁾	Semi-annually
HK\$200,000,000	October 2024	2.75%	Annually
HK\$775,000,000	June 2025	2.85%	Annually
HK\$450,000,000	July 2025	4.00%	Semi-annually
HK\$275,000,000	April 2028	3.73%	Quarterly

- (i) The fixed rate of 2.85% per annum is swapped to floating rate at 1-month HIBOR plus 0.67% per annum by the use of an interest rate swap.
- (ii) The foreign currency rate and interest rate are fixed by the use of cross currency swaps.

The carrying amounts of the medium term notes approximate to their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

25. SHARE CAPITAL

	30 June 2019 (unaudited)		31 December 2018 (audited)	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Shares of HK\$0.50 each Balance brought forward and carried forward	1,200,000	600,000	1,200,000	600,000
Issued and fully paid:				
Shares of HK\$0.50 each Balance brought forward	698,647	349,324	688,590	344,295
Issued upon exercise of share options under the share option schemes	1,951	975	3,338	1,670
Issued as scrip dividends	–	–	6,719	3,359
Balance carried forward	700,598	350,299	698,647	349,324

During the year ended 31 December 2018, 6,719,000 shares of HK\$0.5 each in the Company were issued at HK\$36.96 per share as scrip dividends.

26. MAJOR NON-CASH TRANSACTION

As disclosed in note 25, during the year ended 31 December 2018, 6,719,000 shares of HK\$0.5 each in the Company were issued at HK\$39.96 per share as scrip dividends.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

27. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the period are as follows:

	Number of share options (unaudited)
Outstanding at 1 January 2019	13,475,000
Granted during the period	5,673,000
Exercised during the period	(1,951,000)
Lapsed during the period	(311,000)
Outstanding at 30 June 2019	16,886,000

5,673,000 share options were granted on 14 March 2019. The closing price of the Company's shares immediately before 14 March 2019, the date of grant, were HK\$39.50. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model were derived with the following significant assumptions:

Date of grant:	14 March 2019
Closing price per share as at the date of grant:	HK\$39.05
Exercise price:	HK\$39.05
Expected volatility (note a):	19.23%
Expected dividend yield (note b):	2.31%
Expected life from grant date:	5 years
Risk free interest rate (note c):	2.24%
Fair value per option:	HK\$6.24

Notes:

- (a) The expected volatility was based on 5-year historical volatility of the Company's shares.
- (b) The expected dividend yield was based on 5-year historical dividends of the Company.
- (c) Risk free interest rate approximated the yield of 5-year Exchange Fund Note on the date of grant.
- (d) The vesting period for the option grant is 24 months from the date of grant.

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Change in variables and assumptions may result in changes in the fair value of the options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

28. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2019, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in the condensed consolidated financial statements amounting to HK\$10,116,034,000 (31 December 2018: HK\$8,373,980,000) of which HK\$1,525,871,000 (31 December 2018: HK\$150,499,000) was contracted for.

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

29. CONNECTED AND RELATED PARTY DISCLOSURES

The Group had the following significant related party balances and transactions during the period. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties. Dr. Lo Ka Shui is the chairman and managing director of the Company. Transactions with the Group were disclosed as related party transactions.

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Transactions with related parties for the period		
Dr. Lo Ka Shui		
Management fee income	678	642
Mr. Lo Kai Shui		
Management fee income	–	116

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

29. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Transactions with related companies for the period		
SFK Construction Holdings Limited and its subsidiaries ¹		
Rental income	1,790	3,580
Building management fee income	295	567
Carpark income	42	127
Income from reinstatement work	143	–
Cleaning service charge	–	107
Agency fee income	–	76
SOCAM Development Limited and its subsidiaries ²		
Trading income	–	219
Shui On Land Limited and its subsidiaries ²		
Lease payment	899	895
Management fee expenses	1,841	1,774
Hotel income	127	129
Trading income	136	17
Shui Sing Holdings Limited and its subsidiaries ³		
Management fee income	132	132
Repair and maintenance income	189	186
Agency fee income	25	10
Haining Haixing Hotel Company Limited ⁵		
Hotel income	491	705
Healthy Seed Limited ⁴		
Rental income	134	201
Building management fee income	83	80
Management fee income	67	1,671
Repair and maintenance income	–	16
Oasis Rainbow Limited ⁵		
Procurement income	145	–
Transactions with a joint venture for the period		
Wealth Joy and its subsidiaries		
Supply procurement and consultancy services income	9,247	6,158

Transactions with related companies (other than Wealth Joy) are also connected transactions as defined in the chapter 14A of the Listing Rules.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

29. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Balances with a joint venture and related companies		
Amount due from a joint venture (included in debtors, deposits and prepayments) Wealth Joy and its subsidiaries	3,843	24,252
Amounts due from related companies (included in debtors, deposits and prepayments) SFK Construction Holdings Limited and its subsidiaries ¹ SOCAM Development Limited and its subsidiaries ² Shui On Land Limited and its subsidiaries ² Shui Sing Holdings Limited and its subsidiaries ³ Haining Haixing Hotel Company Limited ⁵ Oasis Rainbow Limited ⁵	229 175 1,827 36 117 44	– 613 1,773 40 315 87
	2,428	2,828
Amounts due from related parties (included in debtors, deposits and prepayments) Dr. Lo Ka Shui Mr. Lo Kai Shui	113 664	112 664
	777	776
Amounts due to related companies (included in creditors, deposits and accruals and lease liabilities) SFK Construction Holdings Limited and its subsidiaries ¹ Shui On Land Limited and its subsidiaries ² Healthy Seed Limited ⁴	1,203 5,251 147	1,203 269 146
	6,601	1,618

Balances with a joint venture and related companies are unsecured, interest-free and repayable on demand. Other than the above balance with a joint venture as at the end of the reporting period, the Group also has amount due from a joint venture as disclosed in note 12.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

29. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes:

- 1 Mr. Lo Kai Shui, being a controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company.
- 2 Mr. Lo Hong Sui, Vincent, being a director and controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company, and Mr. Lo Kai Shui.
- 3 Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, and Mr. Lo Kai Shui, are among the discretionary beneficiaries under a discretionary trust, being a substantial shareholder of this company, holding 33.23% (31 December 2018: 33.33%) interest of the Company.
- 4 Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of this company.
- 5 The company is also a connected party of the Company in which a director of a subsidiary has controlling interest.

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**Fair values of the Group's financial assets and financial liabilities that are measured at fair values on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)**Fair values of the Group's financial assets and financial liabilities that are measured at fair values on a recurring basis (continued)**

Financial assets/(liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2019 HK\$'000	31 December 2018 HK\$'000		
Listed equity securities classified as equity instruments at FVTOCI in the condensed consolidated statement of financial position.	245,166	246,782	Level 1	Quoted market bid prices in an active market.
Listed equity securities held for trading in the condensed consolidated statement of financial position.	233,853	198,640	Level 1	Quoted market bid prices in an active market.
Unlisted equity securities classified as equity instruments at FVTOCI in the condensed consolidated statement of financial position.	533,583	502,820	Level 1	Broker's quote which reflects the Group's share of fair value of the underlying investments which are publicly traded equity investments.
Foreign currency derivative contracts classified as derivative financial instruments in the condensed consolidated statement of financial position.	98 (239)	71	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position.	30,229 (74,946)	66,322 (36,255)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable forward interest rates at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position.	(86,556)	(63,714)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and interest rates (from observable forward exchange rates and interest rates at the end of the reporting period) and contracted forward rates discounted at a rate that reflects the credit risk of various counterparties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of the Group's financial assets and financial liabilities that are measured at fair values on a recurring basis (continued)

Financial assets/(liabilities)	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	30 June 2019 HK\$'000	31 December 2018 HK\$'000			
Unlisted equity securities classified as equity instruments at FVTOCI in the condensed consolidated statement of financial position.	257,381	150,870	Level 3	Market approach. It is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability.	Multiples of several comparable companies and risk adjustments for lack of marketability. (Note a)
Equity linked notes classified as financial assets at FVTPL in the condensed consolidated statement of financial position.	–	31,392	Level 3	Discounted cash flow. Future cash flows are estimated based on probability-adjusted share prices, contracted share prices and volatility discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices. (Note b)

Notes:

- (a) The higher the multiples, the higher the fair value of unlisted equity securities. The higher the risk adjustments, the lower the fair value of unlisted equity securities. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.
- (b) The higher the volatility, the higher the fair value of equity linked notes. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)**Reconciliation of Level 3 fair value measurements**

	Equity linked notes HK\$'000	Unlisted equity securities HK\$'000
As at 1 January 2019	31,392	150,870
Purchases	–	106,877
Redemption upon maturity	(31,747)	–
Change in fair value	355	(366)
As at 30 June 2019	–	257,381

The above change in fair value of equity linked notes is included in “fair value changes on financial assets at FVTPL” in the condensed consolidated income statement.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate to their fair values. They are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. EVENT AFTER THE END OF THE REPORTING PERIOD

In July 2019, a joint venture of the Group completed the disposal of its PRC subsidiary which owns a development project in Dalian, at a cash consideration of RMB1,649,000,000 (equivalent to approximately HK\$1,876,067,000).

GLOSSARY OF TERMS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

Term	Definition
"2009 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009
"2019 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 22 May 2019
"Bye-laws"	The bye-laws of the Company as may be amended from time to time
"CG Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Champion REIT"	Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorised under section 104 of SFO, in which the Group has an interest of approximately 66.10% as at 30 June 2019
"Code of Conduct for Securities Transactions"	Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company
"Company"	Great Eagle Holdings Limited
"CSR"	Corporate Social Responsibility
"EBITDA"	Earning before interest, taxes, depreciation and amortisation
"Group"	the Company and its subsidiaries
"HITL"	HSBC International Trustee Limited
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Langham" or "LHI"	Langham Hospitality Investments and Langham Hospitality Investments Limited (Stock Code: 1270), the share stapled units of which are listed on the Stock Exchange, in which the Group had an interest of approximately 63.14% as at 30 June 2019
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"RevPAR"	Revenue per available room
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of ordinary share(s) in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. Fund" or "U.S. Real Estate Fund"	Pacific Eagle (US) Real Estate Fund, L.P., in which the Group had an interest of approximately 49.97% as at 30 June 2019



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33rd Floor, Great Eagle Centre
23 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 23 號
鷹君中心 33 樓

Tel 電話 : 2827 3668 Fax 傳真 : 2827 5799

www.greateagle.com.hk

