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

(Stock Code: 41)

# 2019 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of Great Eagle Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019 as follows:

| | Six months ended 30 June | | |
|---|---|---|---|
| | 2019<br>*HK$ million* | 2018<br>*HK$ million* | Change |
| ***Key Financials on Income Statement*** | | | |
| **Based on core business**[1] | | | |
| 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 principles**[2] | | | |
| 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 principles[2]** | | |
| 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 4.

[2]As for the Group's balance sheet prepared under the statutory accounting principles, the entire debts of Champion REIT, LHI and the U.S. Fund were consolidated in aggregate. However, the Group only owns a 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.

**Core Profit - Financial Figures based on core business**

| | Six months ended 30 June | | |
|---|---|---|---|
| | 2019 | 2018 | |
| | *HK$ million* | *HK$ million* | Change |
| **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.

**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** | **Liabilities** | **Net Assets** |
|---|---|---|---|
| | ***HK$ million*** | ***HK$ million*** | ***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 | Liabilities | Net Assets |
|---|---|---|---|
| | *HK$ million* | *HK$ million* | *HK$ million* |
| Great Eagle operations | 36,890 | 10,671 | 26,219 |
| Champion REIT | 56,283 | 11,700 | 44,583 |
| LHI | 12,816 | 4,661 | 8,155 |
| 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 | | |
|---|---|---|---|
| | **2019** *HK$ million* | **2018** *HK$ million* | **Change** |
| **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%** |

## 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 | |
| | *HK$ million* | *HK$ million* | Change |
| 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

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | |
| | ***HK$ million*** | ***HK$ million*** | **Change** |
| **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.

***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.

***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 | | |
| --- | --- | --- | --- |
| | 2019 | 2018 | |
| | *HK$ million* | *HK$ million* | Change |
| 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) 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 | 2,057 |
| 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.

***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 | | |
|---|---|---|---|
| | **2019** *HK$ million* | **2018** *HK$ million* | **Change** |
| **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%** |

### *Great Eagle Centre*

| | As at the end of | | |
|---|---|---|---|
| | **June 2019** | **June 2018** | **Change** |
| **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 | | |
|---|---|---|---|
| | **2019** | **2018** | **Change** |
| (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.

***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.

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***
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.


Artistic rendering only

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**

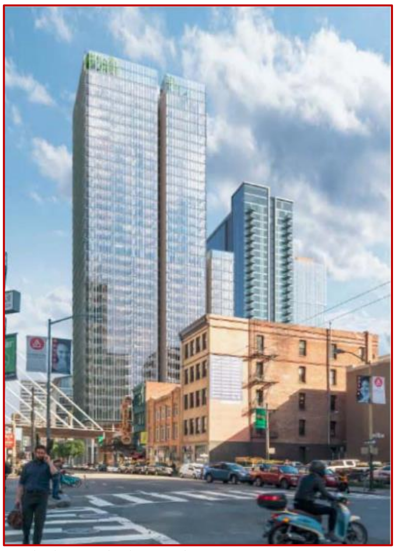
***San Francisco Hotel Development Project, 1125 Market Street***
The Group acquired a site in San Francisco for US$19.8 million in May 2015. The land located at 1125 Market Street was the last remaining vacant lot in San Francisco's Mid-Market district and is situated opposite to San Francisco's City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


Artistic rendering only

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.

***San Francisco Hotel Redevelopment Projects, 555 Howard Street***

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


Artistic rendering only

The world renowned international architecture firm Renzo Piano Building Workshop has been commissioned to design this prestigious project in collaboration with the acclaimed California architect Mark Cavagnero Associates. As compared with the initial plan to develop a mixed-use project comprising the 240-key luxurious Langham Hotel and condominiums with 100,000 net sq. ft. for sale, the revised plan is to build a hotel with 400+ keys so as to optimize the efficiency of the project. Entitlement for the all hotel scheme was submitted in December 2018. 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.

## 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.

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.

## 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.

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.***

**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.

| Outstanding gross debts(1)(2) | Floating rate debts *HK$ million* | Fixed rate debts *HK$ million* | Utilised facilities *HK$ million* |
|---|---|---|---|
| Secured 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.

### *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.

## REVIEW OF INTERIM RESULTS

The unaudited financial statements for the six months ended 30 June 2019 were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and have been reviewed by the Audit Committee of the Company, and 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.

## INTERIM DIVIDEND

The Board of Directors of the Company has resolved to declare an interim dividend of HK33 cents (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, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 September 2019.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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. 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 Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). 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 of the Company 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 of the Company 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 of the Company, 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. 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 and has valuable contribution to the growth and success of the Group over the years. Since she is relatively inactive in the Group's business in recent years, she has not participated in the 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 WITH THE MODEL CODE

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

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

## 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.

## NEW SHARES ISSUED

As at 30 June 2019, the total number of issued shares of the Company was 700,598,038. During the period, 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.

## PUBLIC FLOAT

As at the date of this announcement, 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.

## EMPLOYEES

During the period, there is no material change in the number of employees and staff composition of the Group. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as 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.

## BOARD OF DIRECTORS

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

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

Hong Kong, 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 |
| | | **2,149,733** | 3,542,970 |
| Non-controlling unitholders of Champion REIT | | **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** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (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):** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| 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) |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| 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

| | NOTES | At 30 June 2019 HK$'000 (unaudited) | At 31 December 2018 HK$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **91,936,046** | 89,408,450 |
| Property, plant and equipment | | **19,622,434** | 19,630,708 |
| Interests in joint ventures | | **1,335,269** | 1,352,771 |
| Interests in associates | | **66,831** | 68,755 |
| Equity instruments at fair value through other comprehensive income | | **1,036,130** | 900,472 |
| Notes and loan receivables | | **712,642** | 339,100 |
| Derivative financial instruments | | **29,371** | 66,322 |
| | | **114,738,723** | 111,766,578 |
| **Current assets** | | | |
| Stock of properties | | **5,291,573** | 4,685,334 |
| Inventories | | **105,080** | 145,990 |
| Debtors, deposits and prepayments | 11 | **966,077** | 995,993 |
| Notes and loan receivables | | **15,714** | - |
| Financial assets at fair value through profit or loss | | **233,853** | 230,032 |
| Derivative financial instruments | | **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 | | **-** | 1,182,557 |
| | | **16,481,991** | 16,658,879 |
| **Current liabilities** | | | |
| Creditors, deposits and accruals | 12 | **3,805,455** | 3,882,883 |
| Derivative financial instruments | | **239** | - |
| Lease liabilities | | **12,518** | - |
| Provision for taxation | | **338,797** | 104,119 |
| Distribution payable | | **265,109** | 271,748 |
| Borrowings due within one year | | **8,215,324** | 4,981,198 |
| Medium term notes | | **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 HK$'000 (unaudited) | At 31 December 2018 HK$'000 (audited) |
|---|---|---|
| **Non-current liabilities** | | |
| Derivative financial instruments | **161,502** | 99,969 |
| Borrowings due after one year | **16,900,887** | 20,643,663 |
| Lease liabilities | **23,606** | - |
| Medium term notes | **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 | **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 |

## 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 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 |

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in the condensed consolidated financial statements.

## 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** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (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 |

## 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").

## 4. SEGMENT INFORMATION - continued

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

| | | |
|---|---|---|
| Hotel operation | - | hotel accommodation, food and banquet operations as well as hotel management. |
| Property investment | - | gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential. |
| Property development | - | income from selling of properties held for sale. |
| Other operations | - | 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 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.

## 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 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| **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.**

| | 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 |

# 4. SEGMENT INFORMATION - continued

## Segment revenue and results - continued

### Six months ended 30 June 2018

| | 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| 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.

| | Hotel operation | Property investment | Property development | Other operations | Sub-total | Champion REIT | Langham | US Real Estate Fund | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 |

## 5. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (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$'000** | HK$'000 |
| | **(unaudited)** | (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 | **(35,133)** | (32,201) |
| | **432,777** | 384,814 |

## 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.

## 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 |
| | **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.

## 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. DEBTORS, DEPOSITS AND PREPAYMENTS

| | **30 June** | 31 December |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (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.

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS - continued

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

| | **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 |

## 12. 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 |