



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
2020
中期報告

CORPORATE PROFILE

The Great Eagle Group is one of Hong Kong's leading property companies. It also owns and manages an extensive international hotel portfolio branded under The Langham and its affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality residential, office, retail and hotel properties in Asia, North America, Australasia and Europe.

The Group's principal holdings include a 66.6% interest (as at 30 June 2020) in Champion Real Estate Investment Trust, and a 63.6% interest (as at 30 June 2020) in Langham Hospitality Investments and Langham Hospitality Investments Limited (LHI). Champion Real Estate Investment Trust owns 1.64 million square feet of Grade-A commercial office space in Three Garden Road in the central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. As for LHI, it owns three high quality hotels in the heart of Kowloon, including the 498-room The Langham hotel in the prime shopping district of Tsimshatsui, the 667-room Cordis hotel in the prime shopping area of Mongkok which is connected to the Langham Place Office and Mall, and the 465-room Eaton hotel located on the busy arterial Nathan Road.

The Group's development projects include ONTOLO, a luxury residential development project in Pak Shek Kok, Tai Po, Hong Kong, two development projects in San Francisco, U.S., a development project in Seattle, U.S., a hotel development project in Venice, Italy and a hotel redevelopment project in Tokyo, Japan. The Group also owns a 50.0% equity stake in the U.S. Real Estate Fund, which invests in office properties

and residential developments in the U.S. The Group's share of net asset value in the U.S. Real Estate Fund amounted to approximately HK\$369 million as at the end of June 2020. In addition, the Group is the asset manager of the U.S. Real Estate Fund with an 80% stake in the asset management company of the Fund. The Group is also active in property management and maintenance services as well as building materials trading.

The Group's extensive international hotel portfolio currently comprises twenty-four luxury properties with more than 9,000 rooms, including twenty-one luxury hotels branded under The Langham, Langham Place and Cordis brands in Hong Kong, London, New York, Chicago, Boston, Los Angeles, Sydney, Melbourne, Auckland, Shanghai, Beijing, Shenzhen, Guangzhou, Haining, Haikou, Ningbo, Xiamen and Hefei, two Eaton hotels in Washington D.C. and Hong Kong, and the Chelsea hotel in Toronto. All the hotels are managed by Langham Hotels International Limited, which is a wholly-owned subsidiary of Great Eagle.

The Group was founded in 1963 with The Great Eagle Company, Limited as its holding company, shares of which were listed on the Hong Kong Stock Exchange in 1972. The Group underwent a re-organisation in 1990 and Great Eagle Holdings Limited, a Bermuda registered company, became the listed company of the Group in place of The Great Eagle Company, Limited.

The Group had a core profit after tax of approximately HK\$1,731 million in the financial year 2019 and a net asset value (based on share of net assets of Champion Real Estate Investment Trust and LHI) of approximately HK\$69 billion as of 30 June 2020.

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

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

WEBSITE

www.GreatEagle.com.hk

STOCK CODE

41

DIVIDEND NOTICE AND KEY DATES

INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND

The Board of Directors of the Company has resolved to declare an interim dividend of HK33 cents (2019: HK33 cents) per share and a special interim dividend of HK\$1.50 per share (2019: Nil) for the six months ended 30 June 2020 (collectively, the “**2020 Interim Dividends**”). As the financial position of the Group is strong and a sufficient allocation of cash resources for the Group’s upcoming strategic investment plans and financial commitments has been made, the Board considers it appropriate to declare the 2020 Interim Dividends, which will be payable on 15 October 2020 to the Shareholders whose names appear on the Registers of Members of the Company on Tuesday, 6 October 2020.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Monday, 28 September 2020 to Tuesday, 6 October 2020, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2020 Interim Dividends, 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, 25 September 2020.

KEY DATES

2020 Interim Results Announcement	:	27 August 2020
Ex-dividend Date	:	24 September 2020
Closure of Registers of Members	:	28 September 2020 – 6 October 2020 <i>(both days inclusive)</i>
Record Date for 2020 Interim Dividends	:	6 October 2020
Payment of 2020 Interim Dividends	:	15 October 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	Change
	HK\$ million	HK\$ million	
Key Financials on Income Statement			
Based on core business ¹			
Revenue based on core business	1,666.3	3,211.7	- 48.1%
Core profit after tax attributable to equity holders	88.8	820.5	- 89.2%
Core profit after tax attributable to equity holders (per share)	HK\$0.12	HK\$1.17	
Based on statutory accounting principles ²			
Revenue based on statutory accounting principles	2,724.4	4,967.2	- 45.2%
Statutory (loss) / profit attributable to equity holders	(6,512.8)	2,159.2	n.m.
Interim dividend (per share)	HK\$0.33	HK\$0.33	
Special interim dividend (per share)	HK\$1.50	–	

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 2020	December 2019
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	Net cash	0.4%
Book value (per share)	HK\$95.9	HK\$109.3
Based on statutory accounting principles ²		
Net gearing ³	20.1%	19.6%
Book value (per share)	HK\$85.8	HK\$97.3

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 66.61%, 63.61% and 49.97% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of June 2020.

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		
	2020	2019	Change
	HK\$ million	HK\$ million	
Revenue from core business			
Hotels Division	734.2	2,023.4	- 63.7%
Gross rental income	96.7	112.0	- 13.7%
Management fee income from Champion REIT	191.4	220.6	- 13.2%
Distribution income from Champion REIT ^	482.1	516.9	- 6.7%
Distribution income from LHI ^	-	116.6	n.m.
Other operations	161.9	222.2	- 27.1%
Total revenue	1,666.3	3,211.7	- 48.1%
Hotels EBITDA	(357.2)	304.4	n.m.
Net rental income	70.9	87.1	- 18.6%
Management fee income from Champion REIT	191.4	220.6	- 13.2%
Distribution income from Champion REIT ^	482.1	516.9	- 6.7%
Distribution income from LHI ^	-	116.6	n.m.
Operating income from other operations	52.2	72.4	- 27.9%
Operating income from core business	439.4	1,318.0	- 66.7%
Depreciation	(188.2)	(145.8)	29.1%
Administrative and other expenses	(279.2)	(279.8)	- 0.2%
Other income	9.3	4.5	106.7%
Interest income	100.2	81.3	23.2%
Finance costs	(77.8)	(86.5)	- 10.1%
Share of results of joint ventures	13.9	(17.0)	n.m.
Share of results of associates	4.3	0.4	n.m.
Core profit before tax	21.9	875.1	- 97.5%
Income taxes	67.8	(53.7)	n.m.
Core profit after tax	89.7	821.4	- 89.1%
Non-controlling interest	(0.9)	(0.9)	-
Core profit attributable to equity holders	88.8	820.5	- 89.2%

^ 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 2020

	Assets HK\$ million	Liabilities HK\$ million	Net assets HK\$ million
Great Eagle operations	39,268	13,100	26,168
Champion REIT	51,014	13,517	37,497
LHI	9,953	4,928	5,025
U.S. Fund	547	178	369
	100,782	31,723	69,059

31 December 2019

	Assets HK\$ million	Liabilities HK\$ million	Net assets HK\$ million
Great Eagle operations	39,391	12,160	27,231
Champion REIT	55,412	11,960	43,452
LHI	11,175	4,836	6,339
U.S. Fund	541	166	375
	106,519	29,122	77,397

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Six months ended 30 June		
	2020	2019	Change
	HK\$ million	HK\$ million	
Revenue based on statutory accounting principles			
Hotels Division	979.4	2,833.6	- 65.4%
Gross rental income	96.7	112.0	- 13.7%
Other operations (including management fee income from Champion REIT)	353.4	442.8	- 20.2%
Gross rental income – Champion REIT	1,487.8	1,552.9	- 4.2%
Gross rental income – LHI	104.9	295.5	- 64.5%
Gross revenue – U.S. Fund	49.2	35.2	39.8%
Elimination on intragroup transactions	(347.0)	(574.8)	- 39.6%
Consolidated total revenue	2,724.4	4,697.2	- 42.0%
Hotels EBITDA	(357.2)	304.4	n.m.
Net rental income	70.9	87.1	- 18.6%
Operating income from other operations	243.6	293.0	- 16.9%
Net rental income – Champion REIT	1,051.0	1,111.1	- 5.4%
Net rental income – LHI	89.6	277.3	- 67.7%
Net operating loss – U.S. Fund	(3.2)	(7.3)	- 56.2%
Elimination on intragroup transactions	(40.8)	(22.9)	78.2%
Consolidated operating income	1,053.9	2,042.7	- 48.4%
Depreciation	(409.7)	(385.4)	6.3%
Fair value changes on investment properties	(9,403.1)	2,500.2	n.m.
Fair value changes on derivative financial instruments	(114.8)	(90.8)	26.4%
Fair value changes on financial assets at fair value through profit or loss	(3.4)	27.7	n.m.
Administrative and other expenses	(229.0)	(298.1)	- 23.2%
Other income (including interest income)	130.2	106.2	22.6%
Finance costs	(403.2)	(432.8)	- 6.8%
Share of results of joint ventures	13.9	(17.0)	n.m.
Share of results of associates	4.3	0.4	n.m.
Statutory (loss) / profit before tax	(9,360.9)	3,453.1	n.m.
Income taxes	(61.2)	(223.1)	- 72.6%
Statutory (loss) / profit after tax	(9,422.1)	3,230.0	n.m.
Non-controlling interest	73.9	9.4	n.m.
Non-controlling unitholders of Champion REIT	2,835.4	(1,080.2)	n.m.
Statutory (loss) / profit attributable to equity holders	(6,512.8)	2,159.2	n.m.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's core profit fell 89.2% year-on-year to HK\$88.8 million (1H 2019: HK\$820.5 million) in the first half of 2020, as the COVID-19 pandemic took a toll across our businesses. Our hotel business was especially hard hit and has recorded its worst performance on record in the first half of 2020. The Group's statutory result, which included revaluation deficit of investment properties and fair value changes on financial instruments, came to a loss attributable to equity holders of HK\$6,512.8 million (1H 2019: profit of HK\$2,159.2 million) in the first half period.

Revenue of our overseas hotels dropped by 63.7% year-on-year to HK\$734.2 million (1H 2019: HK\$2,023.4 million) in the first half of 2020, its worst-ever decline as a majority of our overseas hotels were forced to close for an extended period during the first six months of 2020. As for the two hotels that remained open throughout the pandemic, their performances were nonetheless heavily impacted by a total collapse in demand due to global travel restrictions and social distancing measures.

Given the record low level of occupancies of our overseas hotels, as well as the shortfall of HK\$140.8 million incurred by the Group as the lessee of LHI's hotels, the Hotels Division swang to a loss before interest, taxes and depreciation of HK\$357.2 million (1H 2019: EBITDA of HK\$304.4 million) in the first half period. The loss has already accounted for HK\$60.4 million in various government subsidies received for our overseas hotels during

the first half period. The operating loss in the Hotels Division alone has contributed to a year-on-year decline of HK\$661.6 million in the Group's core profit in the first half of 2020.

As for distribution income from LHI, given that LHI generated an insignificant amount of distribution income amid the devastated performances of its three hotels in Hong Kong, LHI did not declare a distribution (1H 2019: HK\$116.6 million) for the first half of 2020.

Distribution income from Champion REIT dropped by 6.7% year-on-year to HK\$482.1 million (1H 2019: HK\$516.9 million) for the first half period. Meanwhile, management fee income from Champion REIT fell by 13.2% year-to-year to HK\$191.4 million (1H 2019: HK\$220.6 million) in the first half period.

Gross rental income of our investment portfolio dropped by 13.7% year-on-year to HK\$96.7 million (1H 2019: HK\$112.0 million) in the first half of 2020, as our in-house expansion at Great Eagle Centre reduced space available to third parties, whereas demand for our guesthouses was negatively impacted by the pandemic. Net rental income dropped by 18.6% year-on-year to HK\$70.9 million (1H 2019: HK\$87.1 million) in the first half period.

There was also an across-the-board decline in the Group's other business operations, resulting in a 27.9% year-on-year decline in operating income of the Group's other businesses amounted to HK\$52.2 million (1H 2019: HK\$72.4 million) for the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, the Group has written-off our non-core residual investment of HK\$69.8 million in NeueHouse, a high-end co-working club company based in New York. The COVID-19 pandemic has forced all of its centers to close after lockdown measures were imposed, resulting in serious cash flow crisis. Although NeueHouse managed to source a buyer, the restructuring agreement implied our equity in NeueHouse would be wiped out, and hence, the write-off of our remaining investment in NeueHouse, which was included under “administrative and other expenses”.

Net finance income amounted to HK\$22.4 million (1H 2019: net finance cost of HK\$5.2 million). Share of profits of joint ventures came to HK\$13.9 million in the first half period, as a result of the profit contribution from residential sales in the Miami project. A tax credit of HK\$67.8 million was booked in the first half period, which was mainly attributable to the recognition of a deferred tax credit associated with the loss of our hotel operation. Profit attributable to equity holders dropped by 89.2% to HK\$88.8 million in the first half of 2020 (1H 2019: HK\$820.5 million).

For development, the Group continued moving forward in attaining development rights for our projects in San Francisco, Seattle and Toronto. However, the planned development of these projects has been delayed to allow more time for market forces to play out so that we can better reassess the returns of these projects. It is predicted that construction costs should drop in the near future. As for the ongoing renovation works at The Langham, Boston, the completion was originally targeted for the fourth quarter of 2020. However, due to the pandemic, the completion is expected to be delayed to the second quarter of 2021.

For our residential luxury development project “ONTOLO”, pre-sale continued throughout the pandemic and another 32 units were sold in the first half of 2020, which brought accumulated pre-sold units to 443. The accumulated sales will be recognised upon handover of the units targeted for October 2020, as compared with our prior target of July 2020 before the pandemic hit.

Despite the global operating environment being adversely affected, Great Eagle’s financial position remains healthy and cash rich, and the Group is expected to withstand the current crisis without significant stress. However, as our 63.61%-stake owned LHI faced this pandemic crisis with a high gearing ratio and insufficient cash resources, it is urgently in need of raising fund to recapitalise its balance sheet. Otherwise it is expected to breach its financial covenants in the third quarter of 2020. LHI announced the details of a proposed rights issue on 16 July 2020.

As a major shareholder of LHI, the Group will unconditionally subscribe in full for all of its rights entitled under the proposed rights issue to ensure a certain level of fund will be raised for LHI. We expect to invest at least HK\$648.0 million and up to HK\$944.0 million in subscribing to all of our rights entitled in addition to rights applied under excess applications. The fund raising will strengthen LHI’s financial position and will place it in a better position to weather the COVID-19 pandemic and enable it to benefit from future business recovery when the crisis is over.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Breakdown of operating income	Six months ended 30 June		
	2020	2019	Change
	HK\$ million	HK\$ million	
1. Hotels EBITDA	(357.2)	304.4	n.m.
2. Income from Champion REIT	673.5	737.5	- 8.7%
3. Distribution income from LHI	-	116.6	n.m.
4. Net rental income from investment properties	70.9	87.1	- 18.6%
5. Operating income from other operations	52.2	72.4	- 27.9%
Operating income from core business	439.4	1,318.0	- 66.7%

1. HOTELS DIVISION

Hotels Performance

	Average daily rooms available		Occupancy		Average room rate (local currency)		RevPAR (local currency)	
	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019
	Europe							
The Langham, London	380	380	29.5%	72.9%	324	356	96	260
North America								
The Langham, Boston #	-	317	-	59.2%	-	233	-	138
The Langham Huntington, Pasadena	379	379	27.1%	68.3%	284	285	77	195
The Langham, Chicago	316	316	26.2%	73.1%	359	383	94	280
The Langham, New York, Fifth Avenue	234	234	27.2%	81.1%	486	523	132	424
Eaton, Washington D.C.	209	209	23.1%	53.3%	203	272	47	145
Chelsea Hotel, Toronto	1,590	1,590	25.7%	75.9%	148	168	38	128
Australia / New Zealand								
The Langham, Melbourne	388	388	35.9%	86.5%	352	311	127	269
The Langham, Sydney	96	96	31.7%	81.5%	495	458	157	373
Cordis, Auckland	374	402	49.4%	85.1%	239	225	118	191
China								
The Langham, Shanghai, Xintiandi	355	356	31.9%	78.9%	1,191	1,614	380	1,273
Cordis, Shanghai, Hongqiao	395	394	20.2%	59.5%	709	921	143	548

Closed for renovation from April 2019

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2020	2019	Change
	HK\$ million	HK\$ million	
Hotels revenue			
Europe	102.1	281.0	- 63.7%
North America	355.2	1,038.1	- 65.8%
Australia / New Zealand	164.2	366.1	- 55.1%
China	83.6	252.0	- 66.8%
Others (including hotel management fee income)	29.1	86.2	- 66.2%
Total hotels revenue	734.2	2,023.4	- 63.7%
Hotels EBITDA			
Europe	(15.9)	56.4	n.m.
North America	(170.8)	69.3	n.m.
Australia / New Zealand	(15.8)	52.5	n.m.
China	(17.6)	73.5	n.m.
Others (including hotel management fee income)	(137.1)	52.7	n.m.
Total hotels EBITDA	(357.2)	304.4	n.m.

The performance of our overseas hotels for the first six months of 2020 has been severely impacted by the historically low level of activity due to the COVID-19 pandemic, as governments around the world began to impose social distancing measures and travel restrictions. Most of our overseas hotels suspended their operations from March 2020, while Cordis, Auckland and the Chelsea Hotel, Toronto remained open throughout first six months, demand for these hotels had fallen sharply. To mitigate the substantial downturn in sales, our hotels have implemented some effective cost-saving measures. The hotels will continue to launch additional cost-reducing measures to compensate for government subsidies received for furloughed staff which are expected to be reduced over time.

Total revenue for the Hotels Division dropped by 63.7% year-on-year to HK\$734.2 million in the first half of 2020. After accounting for operating loss and rental payment shortfall of HK\$140.8 million incurred as the lessee of LHI's hotels, which were included under "Others" breakdown of the Hotels Division's operating results, the Hotels Division incurred a loss before interest, taxes and depreciation of HK\$357.2 million in the first half of 2020, as compared with an EBITDA of HK\$304.4 million in the same period last year. The loss has factored in HK\$60.4 million in government subsidies received.

MANAGEMENT DISCUSSION AND ANALYSIS

EUROPE**The Langham, London**

The Langham, London witnessed a good growth in RevPAR during the first quarter of 2020 when there was a strong room demand and a double-digit growth in occupancy before the COVID-19 pandemic hit in March 2020, the time when the hotel was forced to suspend its operation amid the government lockdown. The hotel remained closed throughout the second quarter of 2020. In the first half period, government relief subsidy amounting to HK\$22.6 million was booked for the hotel.

NORTH AMERICA**The Langham, Boston**

The hotel was closed since April 2019 for major renovation works. All 317 guests rooms, the club lounge and public areas are undergoing renovations. As the City of Boston shut down all construction projects from 17 March 2020 to 26 May 2020 due to the COVID-19, the reopening is expected to be delayed to the second quarter of 2021.

The Langham, Chicago, The Langham, New York, Fifth Avenue, The Langham Huntington, Pasadena and Eaton, Washington D.C.

The Langham, Chicago, The Langham, New York, Fifth Avenue, The Langham Huntington, Pasadena and Eaton, Washington D.C. all have a good start to the year and delivered positive RevPAR growths until March 2020. Since local state governments enforced stay at home orders in March 2020, all four hotels in the U.S. have suspended their operations and have remained closed throughout the second quarter of 2020.

While no government subsidy was booked in the first half of 2020, our qualified hotels in the U.S. have applied for a total of US\$9.93 million loan funding under the Paycheck Protection Program (“PPP”) in the first half of 2020. Up to the end of July 2020, loans of US\$5.2 million have been approved. Assuming the entire US\$9.93 million PPP loans being approved, we estimated that about US\$6.30 million in the PPP loans would be forgiven, which will then be booked as government relief subsidy in our 2020 annual results. In addition, we expect to receive a tax refund of US\$9.0 million primarily related to operating loss carryback, which will be recognised over the next three to nine months.

Chelsea Hotel, Toronto

Although the Chelsea hotel remained open throughout the first half period, there was a lack of demand except for some aircrew business. Hence, the hotel witnessed a significant decline in occupancy in the first half period. During the period under review, government relief subsidy amounting to HK\$12.6 million was booked for the hotel.

During the first half of 2020, the Group continued to work on the right to redevelop the Chelsea hotel site into a mixed-use project with a 400-key hotel, two residential condominium towers and a small amount of commercial space which would be more than double that of the existing aggregate gross floor area. After securing the Entitlement Rights per our development application in formal written in 2019, the Group submitted a Site Permit application to the City Planning in December 2019 and expected to receive Construction Permit approval in about 18-24 months’ time. Our development team continues to assess market forces in order to determine the optimal timing to launch the redevelopment of the Chelsea site. Current phase of the project continues with the minimal impact from COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

In the interim period, the Group is closely monitoring condominium market trends and condition. We are 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. Meanwhile, the Chelsea hotel operation will continue for at least one to two years more.

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

RevPARs of The Langham, Melbourne and The Langham, Sydney were already declining before the COVID-19 pandemic hit. The pandemic exacerbated the declines in RevPARs, as the Australian government placed restrictions on international and domestic flights when the pandemic hit. Hence, The Langham, Melbourne and The Langham, Sydney suspended their operations from April 2020 and remained closed throughout the second quarter of 2020. In the first half period, government relief subsidy amounting to HK\$11.6 million was booked for the two hotels in Australia.

Cordis, Auckland

In New Zealand, the government shut its border to tourists. Although Cordis, Auckland remained open throughout the first half of 2020, there was only demand from aircrew business, resulting in significantly lowered occupancy for the hotel in the first half of 2020. In the interim period, government relief subsidy amounting to HK\$13.6 million was booked for the hotel.

Construction of an additional 244 rooms on the site, which commenced in March 2019 and was originally targeted for completion in 2021, has now been delayed to 2022 due to the impact of the COVID-19 pandemic.

CHINA**The Langham, Shanghai, Xintiandi and Cordis, Shanghai, Hongqiao**

RevPARs for The Langham, Xintiandi and Cordis, Hongqiao were in significant declines in the first quarter of 2020, which reflected the impacts of the COVID-19 pandemic that started spreading as early as January 2020. The Chinese Government imposed lockdowns in some provinces with strict social distancing measures. Hence, The Langham, Xintiandi and Cordis, Hongqiao temporarily closed their food and beverage outlets in February and March 2020.

As restrictions have been lifted with domestic travel resumed in the second quarter of 2020, business in The Langham, Xintiandi and Cordis, Hongqiao was gradually recovering. While room rates remained depressed, occupancy levels in both hotels have started to rebuild throughout the second quarter of 2020 with demand being led by domestic retail segment.

Results 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 operating results. The loss incurred in "Others" in the first half of 2020 was primarily due to the shortfall of HK\$140.8 million incurred by the Group as the lessee of LHI's hotels.

Hotel Management Business

As at the end of June 2020, there were nine hotels with approximately 2,800 rooms in our management portfolio. The most recent hotel added to the portfolio was Cordis, Dongqian Lake, Ningbo, which soft opened in May 2019 with 238 rooms.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020 dropped by 8.7% to HK\$673.5 million.

Distribution income decreased by 6.7% year-on-year to HK\$482.1 million, as the REIT declared a 7.7%

decline in distribution per unit and our holdings in the REIT has been increased from 66.10% as at the end of June 2019 to 66.61% as at the end of June 2020. Given the decline in the net property income of Champion REIT, together with reduced agency leasing commission income in the first half of 2020, overall management fee income from Champion REIT dropped by 13.2% to HK\$191.4 million in the first half of 2020.

	Six months ended 30 June		
	2020	2019	Change
	HK\$ million	HK\$ million	
Attributable distribution income	482.1	516.9	- 6.7%
Management fee income	191.4	220.6	- 13.2%
Total income from Champion REIT	673.5	737.5	- 8.7%

The following text was extracted from the 2020 interim results announcement of Champion REIT relating to the performance of the REIT's properties.

Three Garden Road

Despite the precarious market environment, rental reversion for Three Garden Road remained positive in the first half of 2020, bolstering rental income to HK\$770 million (2019: HK\$738 million). Passing rents of the property increased to HK\$109.5 per sq. ft. (based on lettable area) as at 30 June 2020, compared with HK\$107.8 per sq. ft. as at 31 December 2019. The depressed demand has lengthened the downtime for sourcing replacement tenants for vacant spaces. Occupancy was lowered to 90.2% as at 30 June 2020 from 93.0% as at 31 December 2019. Net property income grew steadily by 3.2% to HK\$687 million (2019: HK\$666 million).

Langham Place Office Tower

Total rental income of the property increased by 4.8% to HK\$194 million (2019: HK\$185 million) mainly due to positive rental reversion as some of the leases were signed before the pandemic outbreak. Passing rents edged up moderately to HK\$47.1 per sq. ft. (based on gross floor area) as at 30 June 2020 compared with HK\$46.5 per sq. ft.

as at 31 December 2019. Occupancy remained at a high level of 97.8% as at 30 June 2020. Total net property operating expenses increased by HK\$2 million mainly due to increased promotion expenses to help improve the business of the lifestyle tenants. Net property income increased by 4.2% to HK\$177 million (2019: HK\$170 million).

Langham Place Mall

The Mall remained fully occupied as at 30 June 2020. Total rental income dropped by 20.6% to HK\$378 million (2019: HK\$477 million). The base rent portion declined 2.7% to HK\$347 million (2019: HK\$356 million) whereas the turnover rent dropped by a larger extent of 90.2% to HK\$9 million (2019: HK\$90 million). As a result of lease restructuring and rental concessions, the passing base rents of the Mall decreased to HK\$178.9 per sq. ft. (based on lettable floor area) as at 30 June 2020 (HK\$190.5 per sq. ft. as at 31 December 2019). Total net property operating expenses decreased slightly by HK\$1 million. However, the cost savings cannot compensate the significant drop in rental income, causing the net property income of the Mall to shrink by 22.7% to HK\$330 million (2019: HK\$427 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020, LHI did not declare a distribution amid the devastated performance of its three hotels in Hong Kong.

	Six months ended 30 June		
	2020	2019	Change
	HK\$ million	HK\$ million	
Attributable distribution income	–	116.6	n.m.

Performances of the Hong Kong hotels below were extracted from the 2020 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 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019
	The Langham, Hong Kong	498	498	14.4%	90.0%	1,490	2,169	214
Cordis, Hong Kong	667	667	19.5%	94.4%	1,293	1,737	252	1,640
Eaton HK	465	465	30.1%	86.6%	584	1,063	176	920

The Langham, Hong Kong

The Langham, Hong Kong, witnessed an unprecedented decline in room revenue, as quarantine restrictions on inbound travellers took their toll on demand for hotel rooms. Amid the plunge in demand from the traditional segments during the first half of 2020, the Hotel Manager tried to tap into the local market through promotion of local staycation room packages, as well as long stay packages that were marketed to the family of quarantined travellers. Hence, the hotel managed a 14.4% in occupancy for the first half of 2020, while average room rate dropped by 31.3%. RevPAR dropped by 89.0%, as compared with a 80.4% drop in RevPAR of its respective High Tariff A hotel market.

F&B revenue for the hotel dropped by 58.7% year-on-year in the first half of 2020. The drop in banqueting business was particularly severe as most bookings have been deferred, and the all-day dining venue, The Food Gallery, was closed for three months at the beginning of the COVID-19 lockdown. The hotel has applied for the Employment Support Scheme and other government subsidies and HK\$4.6 million was booked under "other revenue" in the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Cordis, Hong Kong

At Cordis, Hong Kong, the hotel had fared slightly better than The Langham, Hong Kong as the hotel still had some degree of freight crew staying at the hotel during the first half of 2020, albeit intermittent. However, demand from all other segments have fallen sharply following the travel restrictions and quarantined measures. The hotel also targeted the local staycation market and managed to achieve a 19.5% occupancy in the first half of 2020, whereas average room rate dropped by 25.6% in the first half of 2020. RevPAR dropped by 84.6%, as compared with a 80.4% drop in RevPAR of its respective High Tariff A hotel market.

Revenue from F&B witnessed a decline of 58.4% year-on-year in the first half of 2020. All the restaurants have seen a substantial drop in revenue and most of the banquet bookings originally booked for the first half period have been deferred. The hotel has applied for the Employment Support Scheme and other government subsidies and HK\$5.7 million was booked under “other revenue” in the first half of 2020.

Eaton HK

Eaton HK benefitted from a university student group staying at the hotel during February, but demand remained lackluster after this group’s departure. Furthermore, price competition is even more intense for the lower tariff hotels, which are not as well placed to compete in the local staycation market. Hence, Eaton HK’s average room rate dropped by 45.1% year-on-year in the first half of 2020, whereas it managed a 30.1% occupancy over the same period. Eaton HK witnessed a RevPAR decline of 80.9%, as compared with a 77.6% drop in RevPAR of its respective High Tariff B hotel market during the first half of 2020.

Revenue from F&B at the Eaton HK only dropped by 17.8% year-on-year in first half of 2020. Particularly Yat Tung Heen continued strong performance after the renovation works despite the imposed government restrictions and generated more covers and revenue ahead of the same period last year. The hotel has applied for the Employment Support Scheme and other government subsidies and HK\$4.0 million was booked under “other revenue” in the first half of 2020.

4. RENTAL INCOME FROM INVESTMENT PROPERTIES

	Six months ended 30 June		
	2020	2019	Change
	HK\$ million	HK\$ million	
Gross rental income			
Great Eagle Centre	61.6	69.2	- 11.0%
Eaton Residence Apartments	19.3	26.8	- 28.0%
Others	15.8	16.0	- 1.3%
	96.7	112.0	- 13.7%
Net rental income			
Great Eagle Centre	58.4	67.6	- 13.6%
Eaton Residence Apartments	10.5	16.7	- 37.1%
Others	2.0	2.8	- 28.6%
	70.9	87.1	- 18.6%

MANAGEMENT DISCUSSION AND ANALYSIS

Great Eagle Centre

	As at the end of		Change
	June 2020	June 2019	
Office (on lettable area)			
Occupancy	100.0%	89.6%	10.4ppt
Average passing rent	HK\$69.3	HK\$69.9	- 0.9%
Retail (on lettable area)			
Occupancy	95.0%	99.4%	- 4.4ppt
Average passing rent	HK\$103.5	HK\$102.8	0.7%

Although occupancy of office space in Great Eagle Centre appeared to have increased as at the end of June 2020 as compared with that a year ago, the increase was primarily due to a reduction of available lettable area, where the Group took up more space for its in-house expansion. Excluding owner-occupied space, office space leased to third parties, from which rental income is booked, actually dropped as of June 2020 as compared with that a year ago. Meanwhile, given a lack of available space to

let, spot rents at the Great Eagle Centre was steady at mid to high- HK\$70s per sq. ft. as at the end of June 2020.

Overall gross rental income for the Great Eagle Centre, which included retail rental income and other income, dropped by 11.0% year-on-year to HK\$61.6 million in the first half of 2020. Net rental income dropped by 13.6% to HK\$58.4 million.

Eaton Residence Apartments

	Six months ended 30 June		Change
	2020	2019	
(on gross floor area)			
Occupancy	66.0%	79.8%	- 13.8ppt
Average net passing rent	HK\$25.0	HK\$33.1	- 24.5%

While the Blue Pool Road property managed to sustain occupancy level through extensions from long-stay guests. Both the Wanchai Gap Road and Village Road property witnessed a decrease in demand from the leisure segment amid travel restrictions imposed. This brought down occupancy for the overall portfolio, which dropped from 79.8% in the first half of 2019 to 66.0% in the first half of 2020. Gross rental

income dropped by 28.0% year-on-year to HK\$19.3 million in the first half of 2020, and net rental income dropped by 37.1% year-on-year to HK\$10.5 million for the first half of 2020.

Blue Pool Road property will be closed for renovation starting from August 2020, and targets for completion next summer 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020, operating income from other business operations dropped by 27.9% to HK\$52.2 million (1H 2019:HK\$72.4 million), the decrease was across-the-board and included a loss of HK\$3.3 million for our wholly owned flexible workspace business, as the flexible workspace business expanded to new locations last year.

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 2020, 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, which is 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, 96 were sold and handed to buyers by the end of June 2020. 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. Since offers received so far for an en-bloc sale of the project did not meet our minimum acceptable price, the U.S. Fund has decided to change its strategy to lease out the units as luxury rental apartments instead. Thus far, 30 leases were signed with another 5 leases under active negotiations. However, this project is expected to be loss-making due to high renovation cost.

DEVELOPMENT PROJECTS

HONG KONG AND CHINA

ONTOLO, Pak Shek Kok

In May 2014, the Group successfully won the tender of a 208,820 sq. ft. prime residential site in Pak Shek Kok, Tai Po, Hong Kong. Based on a total permissible gross floor area of 730,870 sq. ft. and HK\$2,412 million paid for the site, this translated to a price of HK\$3,300 per sq. ft., and it was the lowest price paid on a per sq. ft. basis for a residential site in the vicinity. The site commands spectacularly unobstructed sea views over Tolo Harbour and has been earmarked for a luxury residential development with 723 residential units. The total development cost, including the payment of HK\$2,412 million for the site, is expected to be approximately HK\$7,000 million.

The project has received its occupation permit in June 2020. Due to the COVID-19 pandemic, the material completion date under the pre-sales permit is revised to October 2020 from July 2020. Therefore, we aim to handover the sold units from October 2020 onward. Accumulated sales have reached 443 units with such sales and profits to be recognised in our income statement upon the handover in the Group's 2020 annual results.

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 had an equity interest in the project, investment in the preferred shares of the project and acted as the project manager. The project has been developed in two phases: Phase I comprises approximately 800 apartments and Phase II comprises the remaining apartments and the hotel.

Phase I development was completed by the end of 2018 with 60% of the apartments sold. Development on Phase II of the development was put on hold, as housing demand remained lacklustre. 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. The profit based on payment schedule will come in two stages. Following the booking of first profit amounted to HK\$73 million after the first payment was received in the second half of 2019, the remaining profit of approximately HK\$180 million was initially expected to be booked upon receipt of residual sales proceeds targeted in July 2020. Since the Group has yet to receive the remaining sales proceeds originally targeted, we do not expect the remaining profit will be recognised in this year's results. It is uncertain when the final remaining sales proceeds will be received and the Group has initiated legal proceedings to pursue the outstanding proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

JAPAN

Tokyo Hotel Redevelopment Project

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

World renowned architect, Kengo Kuma & Associates has been commissioned to design this 280-key flagship The Langham Hotel. Planning application has been submitted to the local government, and the contractor tender process has commenced in May 2019. However, as preliminary tenders received exceeded the budgeted amount, works are currently being undertaken to reduce construction costs to fall within the budgeted sum. Construction will only commence after resolution of such matter.



Artistic rendering only

UNITED STATES

**San Francisco Hotel Development Project,
1125 Market Street**

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

The site has been earmarked for the development of an "Eaton" hotel. The famous AvroKO group has been commissioned as the interior designer for this iconic Eaton Hotel project. After optimizing the design, the property can achieve a gross floor area of approximately 139,000 sq. ft. with 177-key. The updated design was submitted in August 2018 to the City of San Francisco for planning review and has been well received by the planning department with Entitlement approval expected by the third quarter of 2020. Construction commencement is on hold due to uncertain market conditions and high construction cost in San Francisco.



Artistic rendering only

San Francisco Hotel Redevelopment Project, 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.

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. After a change in plan, the revised plan is to build a hotel with 400+ keys. Entitlement for the all hotel scheme was submitted in December 2018. Efforts are underway to expedite revised entitlement approvals by the third quarter of 2020. Nevertheless, construction commencement is on hold due to uncertain market conditions and very high construction cost in San Francisco.



Artistic rendering only

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. Schematic design on the project were completed in the third quarter of 2019. However, reviews of the Master Use Permit application are being delayed at City Hall, due to the large number of development projects in the queue and the current COVID-19 pandemic situation. Entitlement is anticipated by the third quarter of 2021. We are closely monitoring the market price trends of Seattle construction cost and the condominium market.

EUROPE

Venice Hotel Development Project, Island of Murano

The Group acquired a site on the island of Murano in Venice for EUR32.5 million in December 2019. The project is a combination of restoration to historic structures and new build construction that will consist of 138 keys with a total gross floor area of approximately 170,000 sq. ft. The project utilises an existing building permit with the design to be modified and re-permitted as required to deliver the requirements of the Langham brand.

The design of the hotel is being carried out by world renowned architect Matteo Thun, and is currently in concept design stage. Completion of the project is expected to be no earlier than the third quarter of 2023. Further assessment on return is required due to the COVID-19 pandemic and its long term impact on Italy's tourism market.

Venice, being a world heritage-listed city with its distinctive canal landscape and highly celebrated architects, attracts more than 20 million visitors each year. The completion of this hotel would help to extend our prestigious Langham brand to continental Europe after The Langham, London has solidified its position as one of the most luxurious hotels in the U.K. This investment is part of the Group's strategy to own hotels in strategic gateway cities that will anchor our hotel brand.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020 was HK\$19,387 million, a decrease of HK\$1,082 million compared to that as of 31 December 2019. The decrease in net borrowings was mainly due to sales deposits from ONTOLO, Pak Shek Kok, offset by partial repayment of the loans drawn for ONTOLO, expenditures for overseas hotel renovation projects and other payments during the period.

Equity attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2020 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK\$61,731 million, representing a decrease of

HK\$7,191 million compared to the value of HK\$68,922 million as of 31 December 2019. The decrease was mainly attributable to valuation loss of investment properties and financial instruments, and distribution of dividends during the period.

For statutory accounts reporting purpose, on consolidation the Group is treated 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 66.61%, 63.61% 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 2020 was 20.1%. Since the debts of these three subsidiary groups had no recourse to the Group, we considered it was 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 2020	On consolidated basis HK\$ million	On core balance sheet basis HK\$ million
Great Eagle	(941)	(941)
Champion REIT	13,381	–
LHI	7,164	–
U.S. Fund	(217)	–
Net debts	19,387	(941)
Net debts / (cash) attributable to Shareholders of the Group	12,421	(941)
Equity attributable to Shareholders of the Group	61,731	69,059
Net gearing ratio [^]	20.1%	net cash

[^] 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\$31,844 million as of 30 June 2020. Bank loans amounted to HK\$16,385 million were secured by way of legal charges over certain of the Group's assets and business undertaking.

Outstanding gross debts ⁽¹⁾⁽²⁾	Floating rate debts	Fixed rate debts	Utilised facilities
	HK\$ million	HK\$ million	HK\$ million
Bank loans	8,428	15,753 ⁽⁵⁾	24,181 ⁽³⁾
Medium term notes	643	7,020 ⁽⁴⁾	7,663
Total	9,071	22,773	31,844
%	28.5%	71.5%	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\$4,963 million loans were originally denominated in other currencies.

⁽⁴⁾ (a) Equivalence of HK\$5,320 million were US dollars notes; (b) Included notes of outstanding principal amount of US\$386.4 million, fully hedged at an average rate of HK\$7.7595 to US\$1.00 by way of cross currency swaps.

⁽⁵⁾ Included floating rate debts which had been swapped to fixed rate debts. As at 30 June 2020, the Group had outstanding interest rate swap contracts of notional amount of HK\$13,970 million to manage interest rate exposure. The Group also entered into cross currency swaps of notional amount equivalent to HK\$1,743 million in total to mitigate exposure to fluctuations in exchange rate and interest rate of Japanese YEN.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND DEBT MATURITY PROFILE

As of 30 June 2020, our cash, bank deposits and undrawn loan facilities amounted to a total of HK\$16,257 million. The majority of our loan facilities were secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding gross debts (including medium term notes) as of 30 June 2020:

Within 1 year	19.2%
More than 1 year but not exceeding 2 years	15.0%
More than 2 years but not exceeding 5 years	56.2%
More than 5 years	9.6%

FINANCE COST

The net consolidated finance cost during the period was HK\$314 million of which HK\$33 million was capitalised to property development projects. Overall net interest cover at the reporting date was 2.7 times.

PLEDGE OF ASSETS

At 30 June 2020, properties of the Group with a total book carrying value of approximately HK\$39,964 million (31 December 2019: HK\$41,832 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2020, the Group had authorised capital expenditure for investment properties and property, plant and equipment which was not provided for in these condensed consolidated financial statements amounting to HK\$9,574 million (31 December 2019: HK\$7,841 million) of which HK\$1,038 million (31 December 2019: HK\$1,467 million) had been contracted for.

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

OUTLOOK

While all of our hotels have reopened for now, the operating environment remains extremely challenging amid resurgence in COVID-19 infections around the world, with social distancing measures and travel restrictions remain in place in most of our key markets. As the path of the pandemic remains highly uncertain, international travel is particularly vulnerable and we expect that it may take a long time for the global hospitality market to recover. For now, hotels in China is leading the rebound, with occupancy rates of 70% in July 2020, led by strong local leisure demand albeit at much lower room rates. In the interim period, we continue to implement strict cost control measures, whereas the extent and scope of government stimulus in different countries will also affect earnings of our hotels in different countries.

Given our poor outlook for the global hotel and tourism industry, we expect hotels in Hong Kong will be equally affected, which will continue to put pressure on LHI's performance in the second half of 2020.

As for Champion REIT, the REIT is expected to continue to face downside risks in rental income and distribution per unit in the second half of 2020, as a result of the unfavourable outlook for all of its properties in the portfolio.

For property development, we will continue to sell the remaining units at ONTOLO in Pak Shek Kok in the second half of 2020. As transactions in the primary market remain steady thus far, we expect a continued stable sales momentum of ONTOLO in the remainder of 2020. As we begin to recognise development profit of the pre-sold units in the fourth quarter of 2020, it will support the Group's core profit in 2020.

Regarding the booking of the remaining profit from the sale of our investment in the Dalian mixed-use development project, as the remainder of the sales proceeds has yet to be received as initially scheduled in July 2020, we do not expect such profit to be recognised in this year's results. It is uncertain when the final remaining sales proceeds will be received and therefore, the Group has initiated legal proceedings to pursue the outstanding proceeds.

While we remain focused on managing the impacts of the pandemic on our business at the moment, this is taking place amid the backdrop of rising U.S. China geopolitical tensions. Although actual US-China sanctions and policy changes have had limited impact in the economic sphere thus far, if tensions continue to accelerate, this could spill over into greater economic disruption and could also impact our business in Hong Kong, which contributed to over 70% of our core operating profit in 2019. Therefore, we must stay vigilant and be ready to respond to further deterioration in our businesses at home and abroad. Nonetheless, given our strong balance sheet with very liquid cash position due to our prudent financial management, we believe that we are in a relatively good position to ride out the present economic storm and at the same time, we will try to capitalise on opportunities that may arise in this uniquely challenging period.

Lo Ka Shui

Chairman and Managing Director

Hong Kong, 27 August 2020

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 2019 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 73, has been a member of the Board since 1980. He is a substantial shareholder, the Chairman and 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 four 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 100, 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 of 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 72, 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), 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., MTR Corporation Limited and CLP Holdings Limited. Mr. Cheng is an Independent Non-executive Director of Airstar Bank Limited. He is also a Vice Patron of The Community Chest of Hong Kong and was a member of the

DIRECTORS' BIOGRAPHICAL INFORMATION

Advisory Committee on Post-service Employment of Civil Servants. In 2008, Mr. Cheng was appointed a member of the National 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 68, 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 71, 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 72, 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

DIRECTORS' BIOGRAPHICAL INFORMATION

of the HKSAR Government. Throughout his 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 52, 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 78, 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 83, 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 72, 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 68, 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 35, 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, Pacific Eagle China Orient (US) Real Estate GP, LLC and Rio dei Vetrai S.r.l.. 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 68, 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, Keysen Property Management Services Limited, Great Eagle Tokyo TMK, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Pacific Eagle Holdings Corporation, Pacific Eagle China Orient (US) Real Estate GP, LLC and Rio dei Vetrai S.r.l.. 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.

Directors' interest in the Group and/or in the substantial shareholders of the Company are set out in the section "Disclosure of Interests" in this Interim Report.

GOVERNANCE AND COMPLIANCE

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. Furthermore, we integrate social and environmental concerns in our business operations. Our commitment to this concept is long-standing as we believe that sustainability 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.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

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 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

GOVERNANCE AND COMPLIANCE

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 contained herein. 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 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 2020 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 Practices 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:

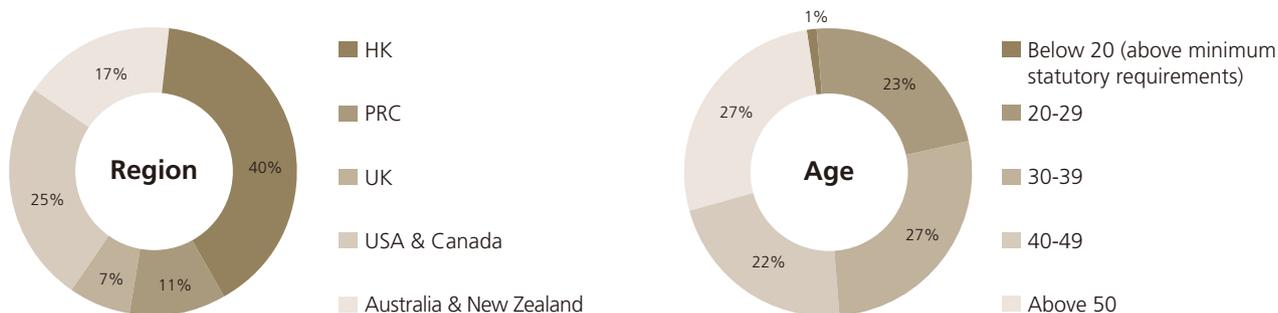
- Reporting and Monitoring Policy on Connected Transactions
- Schedule of Matters Reserved for the Board
- Policy on the Preservation and Prevention of Misuse of Inside Information
- Employee's Code of Conduct
- Code of Conduct regarding Securities Transactions by Directors and Relevant Employees
- Shareholder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

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

EMPLOYMENT AND LABOUR PRACTICES

Our human capital is the backbone to our sustainable success. The Group is committed to providing lawful and proper employment that signifies human development. 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 the 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 sustainability, 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. As at 30 June 2020, the number of employees of the Group, including our head office management team, and frontline hotel and property management and operation colleagues, decreased approximately 15.1% to 5,404 (31 December 2019: 6,366). The decrease was mainly attributable to the rightsizing of the operation in many of our hotels, mainly oversea properties, as the business in our Hotels Division has been heavily impacted by COVID-19. The following charts show the composition and functional grouping of employees of the Group as at 30 June 2020:



* Other operations primarily include property development, operation of flexible workspace, manager of real estate investment trust, trading of building materials, securities investment, provision of property management, maintenance and property agency services, property leasing and asset management.

GOVERNANCE AND COMPLIANCE

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 in supervisory, management, 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 cultivates talent and promotes continuous learning in an engaging and progressive environment. In order to sustain the talent pipeline, the Advanced Programme for EXecutives (APEX) was relaunched to focus on the development of Hotel Managers/General Managers. The APEX Programme is a holistic programme to prepare the identified colleagues to take up bigger and more challenging leadership roles in the future, and at the same time, to equip them with the essential knowledge, skills and experiences for transition into future roles.

Integrity is one of the group’s values and we are committed to do the right things. The Hotels Division had formed a Data Protection team at corporate level, which put in place a comprehensive governance structure to evaluate, address and manage data protection risks. To ensure that we safeguard the personal data of our guests and colleagues, Data Protection Awareness training was rolled out to all hotels to ensure our colleagues have solid data protection governance in place.

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 2020.

REVIEW OF INTERIM RESULTS

The unaudited financial statements for the six months ended 30 June 2020 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 2020, the total number of issued shares of the Company was 719,920,112. On 17 June 2020, a total of 11,538,064 new shares were issued at the price of HK\$20.32 per share pursuant to the Scrip Dividend Arrangement in respect of the 2019 final dividend. Details of the Arrangement were set out in the announcement published by the Company on 15 May 2020 and the circular to the Shareholders dated 20 May 2020 respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2020, 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 has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public as at 30 June 2020.

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, 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	Percentage of Issued Share Capital ⁽¹⁾	Total
Lo Ka Shui	Beneficial Owner	Personal Interests	59,356,775 ⁽¹⁾	8.24)	63.00
)	
	Interests of Controlled Corporations	Corporate Interests	88,813,415 ⁽²⁾	12.34)	
)	
Lo To Lee Kwan	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 ⁽³⁾	33.64)	34.53
)	
	Founder of a Discretionary Trust	Trust Interests	63,223,699	8.78)	
)	
Cheng Hoi Chuen, Vincent	Beneficial Owner	Personal Interests	1,275,671	0.17)	0.00
)	
	Interests of Controlled Corporations	Corporate Interests	5,175,477 ⁽⁴⁾	0.72)	
Wong Yue Chim, Richard	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 ⁽³⁾	33.64)	0.00
)	
)	
Lo Hong Sui, Antony	Beneficial Owner	Personal Interests	1,270,995 ⁽⁵⁾	0.17)	33.81
)	
Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 ⁽³⁾	33.64)	33.96	
)
Law Wai Duen	Beneficial Owner	Personal Interests	2,312,092 ⁽⁶⁾	0.32)	33.96
)	
Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 ⁽³⁾	33.64)	33.96	
)
Lo Hong Sui, Vincent	Beneficial Owner	Personal Interests	293	0.00)	33.64
)	
Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 ⁽³⁾	33.64)	33.64	
)

DISCLOSURE OF INTERESTS

Name of Directors	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital ⁽¹¹⁾	Total
Lo Ying Sui	Beneficial Owner	Personal Interests	1,500,000	0.20)	
	Interests of Controlled Corporations	Corporate Interests	35,628,206 ⁽⁷⁾	4.95)	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 ⁽³⁾	33.64)	38.79
Lo Chun Him, Alexander	Beneficial Owner	Personal Interests	1,014,000 ⁽⁸⁾	0.14	0.14
Kan Tak Kwong	Beneficial Owner	Personal Interests	4,537,299 ⁽⁹⁾	0.63	0.63
Chu Shik Pui	Beneficial Owner	Personal Interests	1,843,554 ⁽¹⁰⁾	0.26	0.26

Notes:

- (1) Among these interests, 2,066,000 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 242,156,015 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 5,175,477 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, 400,000 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, 988,000 were share options.
- (9) Among these interests, 1,970,000 were share options.
- (10) Among these interests, 1,560,000 were share options.
- (11) This percentage has been compiled based on 719,920,112 shares of the Company in issue as at 30 June 2020.

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 2020, the Group owned 66.61% 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 2020 are disclosed as follows:

Name of Directors	Total Number of Units/ Underlying Units Held	Percentage of Issued Units ⁽⁴⁾
Lo Ka Shui	25,965,617 ⁽¹⁾	0.44
Lo Ying Sui	239,000 ⁽²⁾	0.00
Chu Shik Pui	8,000 ⁽³⁾	0.00

Notes:

- (1) Among these 25,965,617 units:
- (i) 3,592,007 units were held by Dr. Lo Ka Shui personally;
 - (ii) 3,258,610 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
 - (iii) 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 5,888,833,523 units of Champion REIT in issue as at 30 June 2020.

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 2020, the Group owned 63.61% 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 2020 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⁾	2.53
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⁾	0.01

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 2,145,487,833 SSUs of LHI in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 SCHEMES

In accordance with the 2019 Share Option Scheme, which was adopted pursuant to an ordinary resolution passed on 22 May 2019, the Board of Directors of the Company may grant options to eligible employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The 2019 Share Option Scheme was to replace the former 2009 Share Option Scheme adopted by an ordinary resolution passed on 27 May 2009. Upon the adoption of the 2019 Share Option Scheme on 22 May 2019, the 2009 Share Option Scheme was terminated. Options granted during the life of the 2009 Share Option Scheme and remain unexpired prior to the termination of the 2009 Share Option Scheme continue to be exercisable in accordance with their terms of issue after the termination of the 2009 Share Option Scheme.

Movements of the Share Options Granted to Employees (including Directors and their Associates)

Details of the movements in the share options granted to the Company's employees (including Directors and their Associates) under the 2009 Share Option Scheme and the 2019 Share Option Scheme during the six months ended 30 June 2020 are as follows:

Date of Grant	Number of Share Options					Exercise Price Per Share (HK\$)	
	Outstanding as at 01/01/2020	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30/06/2020		
11/03/2015 ⁽¹⁾	952,000	-	-	(952,000)	-	12/03/2017-11/03/2020	26.88
14/03/2016 ⁽¹⁾	1,439,000	-	-	(37,000)	1,402,000	15/03/2018-14/03/2021	25.70
14/03/2017 ⁽¹⁾	3,645,000	-	-	(148,000)	3,497,000	15/03/2019-14/03/2022	37.15
14/03/2018 ⁽¹⁾	4,621,000	-	-	(145,000)	4,476,000	15/03/2020-14/03/2023	42.40
08/05/2018 ⁽¹⁾	300,000	-	-	-	300,000	09/05/2020-08/05/2023	38.83
14/03/2019 ⁽¹⁾	5,358,000	-	-	(183,000)	5,175,000	15/03/2021-14/03/2024	39.05
18/03/2020 ⁽²⁾	-	5,650,000 ⁽³⁾	-	(159,000)	5,491,000	19/03/2022-18/03/2025	21.65
Total	16,315,000	5,650,000	-	(1,624,000)	20,341,000		

Notes:

- (1) Share options were granted under the 2009 Share Option Scheme.
- (2) Share options were granted under the 2019 Share Option Scheme.
- (3) During the six months ended 30 June 2020, 1,880,000 share options were granted to the Directors of the Company and their Associates, while 3,770,000 share options were granted to eligible employees of the Group. Please refer to the announcement of the Company dated 18 March 2020 for details.
- (4) During the six months ended 30 June 2020, no share option was cancelled.
- (5) Consideration paid for acceptance of each grant of share options was HK\$1.00.
- (6) The vesting period for the share options granted is 24 months after the date of grant.
- (7) The closing price of the shares of the Company immediately before the date of grant of 18 March 2020, i.e. 17 March 2020 was HK\$21.30 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK\$20.83).

DISCLOSURE OF INTERESTS

On 18 March 2020, a total of 1,840,000 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 19 March 2020 to 18 March 2022 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>)	680,000	1,740,800
Lo Hong Sui, Antony	100,000	256,000
Law Wai Duen	100,000	256,000
Lo Chun Him, Alexander	230,000	588,800
Kan Tak Kwong (<i>General Manager</i>)	400,000	1,024,000
Chu Shik Pui	330,000	844,800

* Further details of the share options are set out in note 27 to the Condensed Consolidated Financial Statements on page 81 of this interim report.

Movements of the Share Options Granted to Directors

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 and 2019 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules during the six months ended 30 June 2020 are as follows:

Directors	Date of Grant	Number of Share Options				Outstanding as at 30/06/2020	Exercise Price Per Share (HK\$)	Weighted Average Closing Price Immediately Before the Date of Exercise (HK\$)
		Outstanding as at 01/01/2020	Granted during the Period	Exercised during the Period	Lapsed during the Period			
Lo Ka Shui	14/03/2018 ⁽¹⁾	688,000	-	-	-	688,000	42.40	-
	14/03/2019 ⁽¹⁾	698,000	-	-	-	698,000	39.05	-
	18/03/2020 ⁽²⁾	-	680,000	-	-	680,000	21.65	-
		1,386,000	680,000	-	-	2,066,000		
Lo Hong Sui, Antony	11/03/2015 ⁽¹⁾	100,000	-	-	(100,000)	-	26.88	-
	14/03/2016 ⁽¹⁾	100,000	-	-	-	100,000	25.70	-
	14/03/2017 ⁽¹⁾	100,000	-	-	-	100,000	37.15	-
	14/03/2018 ⁽¹⁾	100,000	-	-	-	100,000	42.40	-
	14/03/2019 ⁽¹⁾	100,000	-	-	-	100,000	39.05	-
	18/03/2020 ⁽²⁾	-	100,000	-	-	100,000	21.65	-
		500,000	100,000	-	(100,000)	500,000		

DISCLOSURE OF INTERESTS

Directors	Date of Grant	Number of Share Options				Outstanding as at 30/06/2020	Exercise Price Per Share (HK\$)	Weighted Average Closing Price Immediately Before the Date of Exercise (HK\$)
		Outstanding as at 01/01/2020	Granted during the Period	Exercised during the Period	Lapsed during the Period			
Law Wai Duen	14/03/2017 ⁽¹⁾	100,000	–	–	–	100,000	37.15	–
	14/03/2018 ⁽¹⁾	100,000	–	–	–	100,000	42.40	–
	14/03/2019 ⁽¹⁾	100,000	–	–	–	100,000	39.05	–
	18/03/2020 ⁽²⁾	–	100,000	–	–	100,000	21.65	–
		300,000	100,000	–	–	400,000		
Lo Chun Him, Alexander	11/03/2015 ⁽¹⁾	50,000	–	–	(50,000)	–	26.88	–
	14/03/2016 ⁽¹⁾	100,000	–	–	–	100,000	25.70	–
	14/03/2017 ⁽¹⁾	200,000	–	–	–	200,000	37.15	–
	14/03/2018 ⁽¹⁾	220,000	–	–	–	220,000	42.40	–
	14/03/2019 ⁽¹⁾	238,000	–	–	–	238,000	39.05	–
	18/03/2020 ⁽²⁾	–	230,000	–	–	230,000	21.65	–
		808,000	230,000	–	(50,000)	988,000		
Kan Tak Kwong	11/03/2015 ⁽¹⁾	310,000	–	–	(310,000)	–	26.88	–
	14/03/2016 ⁽¹⁾	310,000	–	–	–	310,000	25.70	–
	14/03/2017 ⁽¹⁾	380,000	–	–	–	380,000	37.15	–
	14/03/2018 ⁽¹⁾	430,000	–	–	–	430,000	42.40	–
	14/03/2019 ⁽¹⁾	450,000	–	–	–	450,000	39.05	–
	18/03/2020 ⁽²⁾	–	400,000	–	–	400,000	21.65	–
		1,880,000	400,000	–	(310,000)	1,970,000		
Chu Shik Pui	11/03/2015 ⁽¹⁾	120,000	–	–	(120,000)	–	26.88	–
	14/03/2016 ⁽¹⁾	200,000	–	–	–	200,000	25.70	–
	14/03/2017 ⁽¹⁾	300,000	–	–	–	300,000	37.15	–
	14/03/2018 ⁽¹⁾	350,000	–	–	–	350,000	42.40	–
	14/03/2019 ⁽¹⁾	380,000	–	–	–	380,000	39.05	–
	18/03/2020 ⁽²⁾	–	330,000	–	–	330,000	21.65	–
		1,350,000	330,000	–	(120,000)	1,560,000		
Associates of Directors of the Company ⁽⁷⁾	11/03/2015 ⁽¹⁾	170,000	–	–	(170,000)	–	26.88	–
	14/03/2016 ⁽¹⁾	152,000	–	–	–	152,000	25.70	–
	14/03/2017 ⁽¹⁾	230,000	–	–	–	230,000	37.15	–
	14/03/2018 ⁽¹⁾	40,000	–	–	–	40,000	42.40	–
	14/03/2019 ⁽¹⁾	60,000	–	–	–	60,000	39.05	–
	18/03/2020 ⁽²⁾	–	40,000	–	–	40,000	21.65	–
		652,000	40,000	–	(170,000)	522,000		

DISCLOSURE OF INTERESTS

Directors	Date of Grant	Number of Share Options				Outstanding as at 30/06/2020	Exercise Price Per Share (HK\$)	Weighted Average Closing Price Immediately Before the Date of Exercise (HK\$)
		Outstanding as at 01/01/2020	Granted during the Period	Exercised during the Period	Lapsed during the Period			
Eligible Employees	11/03/2015 ⁽¹⁾	202,000	-	-	(202,000)	-	26.88	-
(other than Directors	14/03/2016 ⁽¹⁾	577,000	-	-	(37,000)	540,000	25.70	-
of the Company and	14/03/2017 ⁽¹⁾	2,335,000	-	-	(148,000)	2,187,000	37.15	-
their Associates)	14/03/2018 ⁽¹⁾	2,693,000	-	-	(145,000)	2,548,000	42.40	-
	08/05/2018 ⁽¹⁾	300,000	-	-	-	300,000	38.83	-
	14/03/2019 ⁽¹⁾	3,332,000	-	-	(183,000)	3,149,000	39.05	-
	18/03/2020 ⁽²⁾	-	3,770,000	-	(159,000)	3,611,000	21.65	-
		9,439,000	3,770,000	-	(874,000)	12,335,000		

Notes:

- (1) Share options were granted under the 2009 Share Option Scheme.
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) Share options were granted under the 2019 Share Option Scheme.
Share options granted on 18/03/2020 are exercisable during the period from 19/03/2022 to 18/03/2025.
- (3) During the six months ended 30 June 2020, no share option was cancelled.
- (4) Consideration paid for acceptance of each grant of share options was HK\$1.00.
- (5) The vesting period for the share options granted is 24 months after the date of grant.
- (6) The closing price of the shares of the Company immediately before the date of grant of 18 March 2020, i.e. 17 March 2020 was HK\$21.30 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK\$20.83).
- (7) Being share options held by Mr. Lo Kai Shui, Ms. Lo Bo Lun, Katherine, Mr. Lo Chun Cheong and Mr. Lo Chun Lai, Andrew.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2020, 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 ⁽⁶⁾
HSBC International Trustee Limited	301,572,709 ⁽¹⁾	41.89
Powermax Agents Limited	236,340,550 ⁽²⁾	32.83
Surewit Finance Limited	42,079,519 ⁽³⁾	5.85
Eagle Guardian Limited	39,712,066 ⁽⁴⁾	5.52
Mind Reader Limited	44,735,374 ⁽⁵⁾	6.21

Notes:

- (1) The number of shares disclosed was based on the latest Disclosure of Interest Form (with the date of relevant event as at 17 April 2020) received from HSBC International Trustee Limited ("HITL"). According to the latest disclosures made by the Directors of the Company, as at 30 June 2020:
 - (i) 242,156,015 shares representing 33.64% 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) 63,223,699 shares representing 8.78% 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 236,340,550 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 42,079,519 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) This percentage has been compiled based on 719,920,112 shares of the Company in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 36 and 37) 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 set out on pages 46 to 88, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. 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

27 August 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	2,724,360	4,697,213
Cost of goods and services		(1,747,850)	(2,654,532)
Operating profit before depreciation		976,510	2,042,681
Depreciation		(409,704)	(385,365)
Operating profit		566,806	1,657,316
Fair value changes on investment properties		(9,403,077)	2,500,153
Fair value changes on derivative financial instruments		(114,818)	(90,837)
Fair value changes on financial assets at fair value through profit or loss		(3,421)	27,682
Other income	5	207,637	106,205
Administrative and other expenses		(229,115)	(298,121)
Finance costs	6	(403,189)	(432,777)
Share of results of joint ventures		13,925	(16,958)
Share of results of associates		4,338	449
(Loss) profit before tax	7	(9,360,914)	3,453,112
Income taxes	8	(61,222)	(223,146)
(Loss) profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		(9,422,136)	3,229,966
(Loss) profit for the period attributable to:			
Owners of the Company		(6,512,770)	2,159,216
Non-controlling interests		(73,954)	(9,483)
Non-controlling unitholders of Champion REIT		(6,586,724)	2,149,733
		(2,835,412)	1,080,233
		(9,422,136)	3,229,966
(Loss) earnings per share:	10		
Basic		HK\$(9.05)	HK\$3.09
Diluted		HK\$(9.05)	HK\$3.08

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	(9,422,136)	3,229,966
Other comprehensive (expense) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	(75,876)	38,413
Share of other comprehensive (expense) income of an associate	(10,680)	1,781
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(190,347)	59,335
Share of other comprehensive expense of a joint venture	–	(561)
Cash flow hedges:		
Fair value adjustment on cross currency swaps and interest rate swaps designated as cash flow hedges	(131,125)	(2,494)
Reclassification of fair value adjustments to profit or loss	9,730	4,483
Other comprehensive (expense) income for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT	(398,298)	100,957
Total comprehensive (expense) income for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT	(9,820,434)	3,330,923
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(6,868,427)	2,260,880
Non-controlling interests	(75,888)	(10,881)
	(6,944,315)	2,249,999
Non-controlling unitholders of Champion REIT	(2,876,119)	1,080,924
	(9,820,434)	3,330,923

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020	At 31 December 2019
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Investment properties	11	77,375,611	87,322,962
Property, plant and equipment	11	20,687,574	20,201,239
Interests in joint ventures	12	125,631	112,116
Interests in associates	13	46,985	55,700
Equity instruments at fair value through other comprehensive income	14	963,482	1,034,736
Notes and loan receivables	15	841,484	755,421
Derivative financial instruments	20, 21	25,572	65,652
		100,066,339	109,547,826
Current assets			
Stock of properties	16	6,352,316	6,096,557
Inventories		84,142	126,821
Debtors, deposits and prepayments	17	821,920	853,885
Notes and loan receivables	15	157,376	15,613
Financial assets at fair value through profit or loss	18	610,284	234,665
Derivative financial instruments	20, 21	14,301	11,562
Tax recoverable		29,455	608
Restricted cash		93,996	166,405
Time deposits with original maturity over three months		610,028	200,000
Bank balances and cash		11,753,969	10,706,504
		20,527,787	18,412,620
Current liabilities			
Creditors, deposits and accruals	19	7,451,848	4,534,943
Derivative financial instruments	20, 21	58,088	4,198
Provision for taxation		290,638	526,998
Distribution payable		241,632	264,668
Borrowings due within one year	22	6,106,431	4,146,215
Medium term notes	23	–	199,929
Lease liabilities	24	10,400	11,513
		14,159,037	9,688,464
Net current assets		6,368,750	8,724,156
Total assets less current liabilities		106,435,089	118,271,982

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020	At 31 December 2019
	NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current liabilities			
Derivative financial instruments	20, 21	279,121	115,007
Borrowings due after one year	22	17,958,644	21,523,056
Medium term notes	23	7,602,380	5,326,277
Deferred taxation		1,297,427	1,379,636
Lease liabilities	24	14,383	18,232
		27,151,955	28,362,208
NET ASSETS		79,283,134	89,909,774
Equity attributable to:			
Owners of the Company			
Share capital	25	359,960	354,191
Share premium and reserves		61,371,304	68,568,106
		61,731,264	68,922,297
Non-controlling interests		(1,003,134)	(913,557)
		60,728,130	68,008,740
Net assets attributable to non-controlling unitholders of Champion REIT		18,555,004	21,901,034
		79,283,134	89,909,774

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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 of Champion REIT HK\$'000	Total HK\$'000	
At 1 January 2019 (audited)	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 2020

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 equity			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	HK\$'000
At 1 January 2020 (audited)	354,191	6,293,250	(17,185)	23,109	3,054	400,965	(724,206)	80,354	29,498	8,196,100	54,283,167	68,922,297	(913,557)	68,008,740	21,901,034	89,909,774
Loss for the period	-	-	-	-	-	-	-	-	-	-	(6,512,770)	(6,512,770)	(73,954)	(6,586,724)	(2,835,412)	(9,422,136)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(75,876)	-	-	-	-	-	-	-	(75,876)	(75,876)	-	(75,876)	-	(75,876)
Change in fair value of cash flow hedges	-	-	-	-	-	-	-	(80,688)	-	-	(80,688)	(80,688)	-	(80,688)	(40,707)	(121,395)
Exchange differences arising on translation of foreign operations	-	-	(323)	-	-	-	(188,392)	-	-	302	(188,413)	(188,413)	(1,934)	(190,347)	-	(190,347)
Share of other comprehensive expense of an associate	-	-	(10,680)	-	-	-	-	-	-	-	(10,680)	(10,680)	-	(10,680)	-	(10,680)
Total comprehensive (expense) income for the period	-	-	(86,879)	-	-	-	(188,392)	-	(80,688)	302	(6,512,770)	(6,868,427)	(75,888)	(6,944,315)	(2,876,119)	(9,820,434)
Transaction with non-controlling unitholders of Champion REIT: Distribution to non-controlling unitholders of Champion REIT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(241,633)	(241,633)
Transactions with owners:																
Dividend paid (note 9)	-	-	-	-	-	-	-	-	-	-	(708,381)	(708,381)	-	(708,381)	-	(708,381)
Transfer of loss on disposal of equity instruments at fair value through other comprehensive income	-	-	(160)	-	-	-	-	-	-	-	160	-	-	-	-	-
Shares issued as scrip dividends	5,769	228,684	-	-	-	-	-	-	-	-	234,453	-	-	234,453	-	234,453
Share issue expenses	-	(3)	-	-	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	7,608	-	-	-	7,608	-	7,608	-	7,608
Increase of interests in subsidiaries (note b)	-	-	-	-	-	-	-	-	-	143,717	-	143,717	12,854	156,571	(228,278)	(71,707)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(26,543)	(26,543)	-	(26,543)
At 30 June 2020 (unaudited)	359,960	6,521,931	(104,224)	23,109	3,054	400,965	(912,598)	87,962	(51,190)	8,340,119	47,062,176	61,731,264	(1,003,134)	60,728,130	18,555,004	79,283,134

Notes:

- (a) Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by Great Eagle Holdings Limited and its subsidiaries (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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Cash generated from operations	3,799,852	1,308,086
Hong Kong Profits Tax paid	(352,901)	(6,366)
Other jurisdictions tax paid	(44,143)	(67,483)
Hong Kong Profits Tax refunded	18	–
Other jurisdictions tax refunded	405	89,798
Net cash from operating activities	3,403,231	1,324,035
Investing activities		
Additions of equity instruments at fair value through other comprehensive income	(13,812)	(106,877)
Additions of financial assets at fair value through profit or loss	(440,550)	–
Additions of investment properties	(88,068)	(16,140)
Additions of property, plant and equipment	(672,551)	(364,721)
Additions of notes receivables	(121,058)	(392,624)
Advance of loan receivables	(127,551)	–
Withdrawal of restricted cash	69,879	23,500
Placement of restricted cash	(36)	(22,473)
Dividends received from associates	2,374	4,153
Interest received	169,568	87,065
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	6,977	8,290
Proceeds on redemption of notes receivable	15,502	–
Proceeds on disposal of property, plant and equipment	12	675
Placement of time deposits with original maturity over three months	(410,028)	–
Withdrawal of time deposits with original maturity over three months	–	502,833
Net cash (used in) from investing activities	(1,609,342)	903,520

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Financing activities		
Change of interests in subsidiaries	(71,707)	(10,864)
Bank loans origination fees	(14,596)	(51,850)
Distribution paid to non-controlling unitholders of Champion REIT	(264,378)	(271,825)
Distribution paid to non-controlling interests	(26,543)	(82,111)
Dividends paid to shareholders	(473,928)	–
Interest paid	(429,795)	(446,410)
Issue of shares	–	61,121
New bank loans raised	519,650	6,624,113
Proceeds from issuance of medium term notes	2,325,450	–
Redemption of medium term notes	(200,000)	–
Repayments of bank loans	(1,989,268)	(7,103,131)
Repayments of leases liabilities	(6,507)	(6,090)
Interest paid for lease	(573)	(689)
Transaction costs for issuance of medium term notes	(37,684)	–
Net cash used in financing activities	(669,879)	(1,287,736)
Net increase in cash and cash equivalents	1,124,010	939,819
Effect of foreign exchange rate changes	(76,545)	10,697
Cash and cash equivalents at 1 January	10,706,504	8,544,217
Cash and cash equivalents at 30 June	11,753,969	9,494,733

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as 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”).

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group temporarily closed some of its hotels in an effort to contain the spread of the pandemic. On the other hand, governments in different countries have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including decrease in fair value of investment properties, reduction in revenue, increase in cost of sales due to fixed production overheads during the close-down period, and government grants in respect of COVID-19-related subsidies as disclosed in the relevant notes.

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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Application of amendments to HKFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Accounting policies newly applied by the Group**

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel income	972,683	2,798,574
Rental income from investment properties	1,388,705	1,476,768
Building management service income	155,179	166,186
Sales of properties	45,919	33,533
Sales of goods	69,322	129,310
Dividend income	6,250	13,313
Others	86,302	79,529
	2,724,360	4,697,213

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. REVENUE (CONTINUED)

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 2020

	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	979,348	-	-	-	979,348	-	103,921	-	(110,586)	972,683
Building management service income	-	13,402	-	-	13,402	145,579	-	-	(3,802)	155,179
Sales of properties	-	-	-	-	-	-	-	45,919	-	45,919
Sales of goods	-	-	-	69,322	69,322	-	-	-	-	69,322
Others	-	-	-	277,770	277,770	-	-	-	(191,468)	86,302
Revenue from contracts with customers	979,348	13,402	-	347,092	1,339,842	145,579	103,921	45,919	(305,856)	1,329,405
Rental income from investment properties	-	83,308	-	-	83,308	1,342,261	962	3,312	(41,138)	1,388,705
Dividend income	-	-	-	6,250	6,250	-	-	-	-	6,250
	979,348	96,710	-	353,342	1,429,400	1,487,840	104,883	49,231	(346,994)	2,724,360

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
	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 2020

3. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers:

– by source of revenue:

Six months ended 30 June 2020

	Revenue recognised at a point in time HK\$'000 (unaudited)	Revenue recognised overtime HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Hotel income			
– room revenue	–	450,482	450,482
– food & beverage revenue	359,752	–	359,752
– others	52,998	109,451	162,449
Building management service income	–	155,179	155,179
Sales of properties	45,919	–	45,919
Sales of goods	65,576	3,746	69,322
Others	–	86,302	86,302
Revenue from contracts with customers	524,245	805,160	1,329,405
Rental income from investment properties			1,388,705
Dividend income			6,250
			2,724,360

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 2020

3. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers: (continued)

– by geographical locations:

Six months ended 30 June 2020

	Revenue recognised at a point in time HK\$'000 (unaudited)	Revenue recognised overtime HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Hong Kong	207,166	364,632	571,798
The USA	168,674	155,403	324,077
Canada	13,233	63,851	77,084
The United Kingdom	36,837	65,282	102,119
Australia	35,574	60,258	95,832
New Zealand	28,492	39,886	68,378
The PRC	34,208	55,308	89,516
Others	61	540	601
Revenue from contracts with customers	524,245	805,160	1,329,405
Rental income from investment properties			1,388,705
Dividend income			6,250
			2,724,360

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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, flexible workspace 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 2020

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 2020**

	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	972,683	96,034	-	161,874	1,230,591	1,443,576	962	49,231	-	2,724,360
Inter-segment revenue	6,665	676	-	191,468	198,809	44,264	103,921	-	(346,994)	-
Total	979,348	96,710	-	353,342	1,429,400	1,487,840	104,883	49,231	(346,994)	2,724,360
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	(357,208)	70,934	-	243,611	(42,663)	1,051,013	89,614	(3,202)	(40,855)	1,053,907
Depreciation					(331,641)	-	(114,993)	-	36,930	(409,704)
Operating (loss) profit after depreciation					(374,304)	1,051,013	(25,379)	(3,202)	(3,925)	644,203
Fair value changes on investment properties					(230,512)	(9,172,565)	-	-	-	(9,403,077)
Fair value changes on derivative financial instruments					(32,477)	(70)	(82,271)	-	-	(114,818)
Fair value changes on financial assets at FVTPL					(1,482)	(1,939)	-	-	-	(3,421)
Other income					9,331	(1,146)	707	23	(1,079)	7,836
Administrative and other expenses					(207,868)	(16,115)	(6,065)	(808)	1,741	(229,115)
Net finance costs					22,424	(210,728)	(92,592)	(3,894)	4,005	(280,785)
Share of results of joint ventures					13,925	-	-	-	-	13,925
Share of results of associates					4,338	-	-	-	-	4,338
Loss before tax					(796,625)	(8,351,550)	(205,600)	(7,881)	742	(9,360,914)
Income taxes					68,315	(140,253)	10,716	-	-	(61,222)
Loss for the period					(728,310)	(8,491,803)	(194,884)	(7,881)	742	(9,422,136)
Less: Loss (profit) attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(872)	2,835,412	70,884	3,942	-	2,909,366
Loss attributable to owners of the Company					(729,182)	(5,656,391)	(124,000)	(3,939)	742	(6,512,770)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Six months ended 30 June 2019

	Hotel operation HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Property development HK\$'000 (unaudited) (note 1)	Other operations HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Champion REIT HK\$'000 (unaudited)	Langham HK\$'000 (unaudited) (note 2)	US Real Estate Fund HK\$'000 (unaudited) (note 3)	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.										
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 (loss) 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 (loss) 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 (loss) for the period					50,765	3,186,527	14,134	(22,948)	1,488	3,229,966
Less: (Profit) loss attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(899)	(1,080,233)	(5,264)	15,646	–	(1,070,750)
Profit (loss) attributable to owners of the Company					49,866	2,106,294	8,870	(7,302)	1,488	2,159,216

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\$45,919,000 (2019: HK\$33,533,000) and HK\$3,312,000 (2019: HK\$1,657,000), respectively, were recognised by the US Real Estate Fund.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020

	Assets HK\$'000 (unaudited)	Liabilities HK\$'000 (unaudited)	Net Assets HK\$'000 (unaudited)
Hotel operation (note a)	17,750,670	6,977,501	10,773,169
Property investment (note a)	6,288,300	88,817	6,199,483
Property development (note a)	7,334,811	5,142,124	2,192,687
Other operations (note a)	648,056	256,787	391,269
Unallocated	7,246,349	634,669	6,611,680
Great Eagle Operations (note b)	39,268,186	13,099,898	26,168,288
Champion REIT (note c)	51,014,237	13,516,666	37,497,571
Langham (note d)	9,952,822	4,927,960	5,024,862
US Real Estate Fund (note e)	546,699	177,673	369,026

31 December 2019

	Assets HK\$'000 (audited)	Liabilities HK\$'000 (audited)	Net Assets HK\$'000 (audited)
Hotel operation (note a)	18,395,259	7,519,156	10,876,103
Property investment (note a)	6,556,581	77,658	6,478,923
Property development (note a)	5,990,775	3,781,058	2,209,717
Other operations (note a)	679,175	301,298	377,877
Unallocated	7,769,617	480,358	7,289,259
Great Eagle Operations (note b)	39,391,407	12,159,528	27,231,879
Champion REIT (note c)	55,412,331	11,960,205	43,452,126
Langham (note d)	11,174,843	4,836,323	6,338,520
US Real Estate Fund (note e)	541,146	166,393	374,753

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes:

- (a) The segment assets include primarily investment properties, property, plant and equipment, equity instruments at fair value through other comprehensive income ("FVTOCI"), 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 deposits and restricted cash of HK\$7,924,994,000 (31 December 2019: HK\$8,574,823,000) and borrowings of HK\$6,984,314,000 (31 December 2019: HK\$8,866,610,000), representing net cash of HK\$940,680,000 as at 30 June 2020 (31 December 2019: net debt of HK\$291,787,000).
- (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 66.61% (31 December 2019: 66.22%), excluding the effective interest of the distribution payable attributable from Champion REIT of HK\$482,033,000 (31 December 2019: HK\$518,838,000).
- (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 63.61% (31 December 2019: 63.45%). It includes three hotel properties with appraised value of HK\$15,572,000,000 as at 30 June 2020 (31 December 2019: HK\$17,500,000,000). 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\$3,849,757,000 (31 December 2019: HK\$3,953,649,000) 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 2019: 49.97%) interest held by Great Eagle Holdings Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest income on:		
Bank deposits	87,511	73,513
Financial assets at FVTPL	1,020	307
Notes and loan receivables	33,717	28,255
Others	156	137
	122,404	102,212
Government subsidy	80,266	–
Net exchange gain	2,540	–
Sundry income	2,427	3,993
	207,637	106,205

During the current interim period, the Group recognised government subsidy of HK\$80,266,000 in respect of COVID-19 related subsidies with details below:

Name of scheme	Location	HK\$'000
Coronavirus Job Retention Scheme	The United Kingdom	22,570
Employment Support Scheme	Hong Kong	16,188
Wage Subsidy	New Zealand	13,610
Canada Emergency Wage Subsidy	Canada	12,580
JobKeeper Payment Scheme	Australia	11,618
Others	Hong Kong	3,700
		80,266

6. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on bank borrowings	309,633	330,670
Interest on medium term notes	99,648	96,983
Interest on lease liabilities	573	828
Other borrowing costs	26,390	39,429
	436,244	467,910
Less: amount capitalised (note)	(33,055)	(35,133)
	403,189	432,777

Note:

Interest were capitalised at an average annual rate of 1.62% (30 June 2019: 1.57%) to property development projects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit before tax has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	927,628	1,339,349
Share-based payments (including Directors' emoluments)	7,608	16,795
	935,236	1,356,144
Depreciation	409,704	385,365
Share of tax of a joint venture (included in the share of results of joint ventures)	–	149
Share of tax (tax credit) of associates (included in the share of results of associates)	23	(6)
Dividend income from		
– equity instruments at FVTOCI	(4,903)	(9,175)
– financial assets at FVTPL	(1,347)	(4,138)
Loss on disposal of property, plant and equipment (included in administrative and other expenses)	76	45,081
Net exchange loss (included in administrative and other expenses)	–	3,663
Net exchange gain (included in other income)	(2,540)	–

8. INCOME TAXES

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax:		
Current period:		
– Hong Kong Profits Tax	140,194	171,569
– Other jurisdictions	(169)	48,183
	140,025	219,752
Overprovision in prior periods:		
– Hong Kong Profits Tax	(1,174)	(92)
– Other jurisdictions	(6,282)	(4,674)
	(7,456)	(4,766)
	132,569	214,986
Deferred tax:		
Current period	(55,831)	11,220
Overprovision in prior periods	(15,516)	(3,060)
	(71,347)	8,160
	61,222	223,146

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 2020

9. DIVIDENDS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Dividends paid:		
Final dividend of HK50 cents in respect of the financial year ended 31 December 2019 (2019: HK50 cents in respect of the financial year ended 31 December 2018 was paid on 8 July 2019) per ordinary share	354,190	–
Special final dividend of HK50 cents in respect of the financial year ended 31 December 2019 (2019: nil) per ordinary share	354,191	–
	708,381	–
Dividends declared after the end of reporting period:		
Interim dividend of HK33 cents in respect of the six months ended 30 June 2020 (2019: HK33 cents in respect of the six months ended 30 June 2019) per ordinary share	237,574	231,197
Special interim dividend of HK\$1.50 in respect of the six months ended 30 June 2020 (2019: nil) per ordinary share	1,079,880	–
	1,317,454	231,197

On 17 June 2020, a final dividend of HK50 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 2019.

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

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Dividends		
Cash	119,737	–
Share alternative	234,453	–
	354,190	–

On 27 August 2020, the Directors have determined that an interim dividend of HK33 cents (2019: HK33 cents) and a special interim dividend of HK\$1.50 (2019: nil) per ordinary share will be paid to the shareholders of the Company whose names appear in the Register of Members on 6 October 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company)	(6,512,770)	2,159,216

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	719,920,112	699,734,126
Effect of dilutive potential shares:		
Share options	–	786,975
Weighted average number of shares for the purpose of diluted earnings per share	719,920,112	700,521,101

The computation of diluted (loss) earnings per share does not assume the exercise of all (31 December 2019: certain) of the Company's outstanding share options as the exercise prices of those options were higher than the average market price of the Company's shares.

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\$27,492,000 (six months ended 30 June 2019: HK\$27,663,000). In addition, investment properties with fair value of HK\$554,787,000 were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation and use during the six months ended 30 June 2020.

The fair value of the Group's investment properties of HK\$77,375,611,000 as at 30 June 2020 (31 December 2019: HK\$87,322,962,000) has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

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

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

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\$2,490,000 (six months ended 30 June 2019: HK\$60,464,000) and hotel buildings under development of HK\$468,347,000 (six months ended 30 June 2019: HK\$59,343,000). The additions of other property, plant and equipment were HK\$130,163,000 (six months ended 30 June 2019: HK\$223,871,000). During the current interim period, the Group had disposals of other property, plant and equipment with carrying amount of HK\$88,000 (six months ended 30 June 2019: HK\$45,756,000).

At 30 June 2020 and 2019, the Directors conducted an impairment assessment on hotel properties, no reversal or additional impairment loss was recognised for the six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. INTERESTS IN JOINT VENTURES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Cost of investments in joint ventures	240,666	241,201
Share of post-acquisition results and other comprehensive income	(115,327)	(129,377)
	125,339	111,824
Amount due from a joint venture	292	292
	125,631	112,116

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

Pursuant to the agreements signed between an indirect wholly-owned subsidiary of the Company and an independent third party investor (the "8701 Investor") in 2016, the relevant activities of 8701 Associates 2, LLC ("8701") that significantly affect the return of 8701 require unanimous consent from the Group and the 8701 Investor, accordingly 8701 is accounted for as a joint venture.

8701 has interest in a project entity which is principally engaged in residential development projects in Miami, Florida, the USA.

The Group's interests in joint ventures amounting to HK\$125,339,000 as at 30 June 2020 (31 December 2019: HK\$111,824,000) are accounted for using the equity method in these condensed consolidated financial statements.

13. INTERESTS IN ASSOCIATES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Cost of investment in associates	108	108
Share of post-acquisition profit and other comprehensive income, net of dividend received	46,877	55,592
	46,985	55,700

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 2020

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Listed equity securities in Hong Kong	129,485	190,375
Listed equity securities outside Hong Kong	8,654	5,887
Unlisted equity securities in Hong Kong	110,188	106,071
Unlisted equity securities outside Hong Kong	715,155	732,403
	963,482	1,034,736

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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Notes receivables	780,474	679,767
Loan receivables	87,722	88,154
Mortgage loan receivables	130,664	3,113
	998,860	771,034
Less: Amounts due within one year shown under current assets	(157,376)	(15,613)
Amounts due after one year	841,484	755,421

Notes receivables

At the end of the reporting period, the Group held unsecured bonds with principal amounts of HK\$780,474,000 (31 December 2019: HK\$679,767,000) denominated in United States dollars ("US\$") with nominal values ranging from US\$300,000 to US\$7,640,000 (31 December 2019: US\$500,000 to US\$7,640,000), bear interest at fixed interest rates ranging from 3.75% to 9.125% (31 December 2019: 3.75% to 9.125%) or variable interest rate of 3-month London Interbank Offered Rate plus 4.85% (31 December 2019: 4.85%) per annum and has maturity dates ranging from May 2020 to May 2025 (31 December 2019: May 2020 to May 2025).

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\$87,722,000) (31 December 2019: US\$11,318,000 (equivalent to approximately HK\$88,154,000)), which bears interest at 18% per annum and has a maturity date on 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. NOTES AND LOAN RECEIVABLES (CONTINUED)**Mortgage loan receivables**

Mortgage loan receivables are developer financing loans provided to unit buyers, they are secured by i) second mortgages on properties being sold; and ii) personal guarantee(s) provided by buyer(s) and additional guarantor(s) if any. The loans are repayable by monthly instalments with tenors not more than 25 years after loan drawdown and carry interest at rates with reference to bank's lending rates.

16. STOCK OF PROPERTIES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Properties under development for sale	5,762,150	5,466,838
Properties held for sale	590,166	629,719
	6,352,316	6,096,557

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. Renovation works to convert the apartments into condominiums were completed in 2018. While the Group is seeking for en-bloc sale of the property, leasing of individual units is conducted to maximise profit potential.

As at 31 December 2019, the Directors assessed whether there exists any objective evidence of impairment of the stock of properties held. Taking into consideration of the current market conditions in the USA, the carrying amount exceeded the estimated amount to be recovered through sale of the property and, accordingly, an impairment loss of US\$4,151,000 (equivalent to approximately HK\$32,525,000) was recognised in profit or loss.

- (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. Occupation permit of the development was obtained in June 2020.
- (iv) A site in Howard Street, San Francisco, the USA acquired in 2015.

The properties under development for sale with carrying amount of HK\$235,610,000 (31 December 2019: HK\$236,771,000) 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 2020

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade debtors, net of allowance for doubtful debts	89,574	182,037
Deferred lease receivables	186,378	168,585
Retention money receivables	13,960	14,731
Other receivables	178,494	233,095
Deposits and prepayments	353,514	255,437
	821,920	853,885

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

The trade receivables from contracts with customers, retention money receivables and prepayments after application of HKFRS 15 are as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade receivables from contracts with customers	50,184	163,359
Retention money receivables		
Amount due within one year	8,293	9,500
Amount due after one year	5,667	5,231
	13,960	14,731
Prepayments due within one year	142,481	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Deposits and prepayments mainly consist of rental deposit paid, prepaid agency commissions of property sales and prepaid expenses for hotels operations.

As at 30 June 2020, the trade debtors represent the gross amount of HK\$109,600,000 (31 December 2019: HK\$201,603,000) netting of allowance of doubtful debts amounting HK\$20,026,000 (31 December 2019: HK\$19,566,000). The following is an analysis of trade debtors by age, presented based on the invoice date, net of allowance for doubtful debts:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 3 months	72,045	170,481
More than 3 months but within 6 months	8,759	5,510
Over 6 months	8,770	6,046
	89,574	182,037

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Equity linked notes	40,386	–
Currency linked notes	399,020	–
Listed equity securities held for trading	170,878	234,665
	610,284	234,665

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. The Group had entered into equity and currency linked notes with banks and are detailed as follows:

- (i) HK\$ equity linked notes with nominal values ranging from HK\$3,000,000 to HK\$10,000,000 (31 December 2019: nil) have maturity period of four to six months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.
- (ii) US\$ equity linked notes with nominal value of US\$200,000 (31 December 2019: nil) has maturity period of 6 months. Redemption amount and interest rates vary depending on various conditioning terms and different strike price.
- (iii) HK\$ currency linked notes with notional values ranging from HK\$60,000,000 to HK\$100,000,000 (31 December 2019: nil) have maturity of six months. Redemption amount and exchange rates vary depending on various conditioning terms and different strike prices.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

19. CREDITORS, DEPOSITS AND ACCRUALS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade creditors	231,409	269,948
Deposits received	802,888	852,764
Customer deposits and other deferred revenue	4,150,600	898,412
Construction fee payable and retention money payable	243,996	389,426
Accruals, interest payable and other payables	2,022,955	2,124,393
	7,451,848	4,534,943

Included in the accruals is accrual of stamp duty based on the current stamp duty rate of 4.25% (31 December 2019: 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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 3 months	205,255	253,058
More than 3 months but within 6 months	4,298	3,099
Over 6 months	21,856	13,791
	231,409	269,948

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

19. CREDITORS, DEPOSITS AND ACCRUALS (CONTINUED)

Customer deposits and other deferred revenue comprised:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Hotel operations	245,711	240,545
Sales of properties	3,869,842	615,574
Sales of goods	1,508	3,261
Others	33,539	39,032
	4,150,600	898,412

20. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (audited)
Interest rate swaps	–	168,570	12,788	63,267
Cross currency swaps	–	63,793	–	51,740
Foreign currency derivative contracts	14,301	3,103	–	4,198
	14,301	235,466	12,788	119,205
Less: Would be matured within one year shown under current assets/liabilities	(14,301)	(23,511)	(8,143)	(4,198)
Would be matured after one year	–	211,955	4,645	115,007

The Group entered into interest rate swaps with aggregate notional amount of HK\$6,700,000,000 (31 December 2019: 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 0.830% to 2.545% (31 December 2019: 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 2020

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Non-current assets		
Cash flow hedges - interest rate swaps	–	34,344
Cash flow hedge - cross currency swap	25,572	26,663
	25,572	61,007
Current asset		
Fair value hedge - interest rate swap	–	3,419
Non-current liability		
Cash flow hedge - interest rate swaps	67,166	–
Current liability		
Cash flow hedge - interest rate swaps	34,577	–

The Group entered into cross currency swap contracts of a total notional amount of US\$386,400,000 (31 December 2019: US\$386,400,000) to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of certain of its medium term notes denominated in US\$. 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.

The Group also entered into interest rate swap contracts of a total notional amount of HK\$6,350,000,000 (31 December 2019: HK\$4,950,000,000) to minimise its exposure to fluctuations in interest rates of its variable interest bearing bank borrowings.

The interest rate swaps and the corresponding bank borrowings have similar terms and the Directors considered that the interest rate swap contracts were highly effective hedging instruments and qualified as cash flow hedges. During the current interim period, the loss on changes in fair value of the cross currency swaps and interest rate swaps under cash flow hedges amounting to HK\$131,125,000 (six months ended 30 June 2019: HK\$2,494,000) has been recognised in other comprehensive income of which fair value adjustments of the hedging instruments amounting to HK\$9,730,000 (six months ended 30 June 2019: HK\$4,483,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon and interest payments.

The Group also entered into an interest rate swap contract to convert the fixed rate under the medium term notes to floating rate. The interest rate swap qualifying as fair value hedge. The loss on change in fair values of the interest rate swap under fair value hedge for the six months ended 30 June 2019 amounted to HK\$265,000 had been recognised directly in the condensed consolidated income statement.

The fair values of the above derivatives are based on the valuation 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 2020

22. BORROWINGS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Bank loans and revolving loans	24,181,227	25,789,860
Loan front-end fee	(116,152)	(120,589)
	24,065,075	25,669,271

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within one year	6,106,431	4,146,215
More than one year but not exceeding two years	4,129,635	4,433,556
More than two years but not exceeding five years	13,829,009	17,089,500
	24,065,075	25,669,271
Less: Amounts due within one year shown under current liabilities	(6,106,431)	(4,146,215)
Amounts due after one year	17,958,644	21,523,056

Borrowings amounting to HK\$16,384,887,000 (31 December 2019: HK\$18,230,995,000) were secured by way of legal charges over certain of the Group's assets and business undertakings.

Except for an amount of HK\$40,149,000 (31 December 2019: nil) which bears interest at fixed rate with maturity more than one year but not exceeding two years, the remaining of the Group's borrowings are at floating rate.

The Group entered into interest rate swaps and currency swaps to manage the exposure to the floating-rate borrowings as disclosed in notes 20 and 21.

The ranges of effective interest rates (which approximate to contracted interest rates) on the Group's borrowings are as follows:

	30 June 2020 (unaudited)	31 December 2019 (audited)
Effective interest rate:		
Fixed-rate borrowings	1%	N/A
Variable-rate borrowings	0.33% to 4.95%	0.33% to 5.01%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. MEDIUM TERM NOTES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Medium term notes	7,663,149	5,552,670
Origination fees	(60,769)	(26,464)
	7,602,380	5,526,206
Less: Amount due within one year shown under current liabilities	–	(199,929)
Amount due after one year	7,602,380	5,326,277

With effect from 12 May 2020, the programme limit under the Group's US\$1 billion guaranteed medium term note programme was increased to US\$2 billion.

The major terms of the issued medium term notes are set out below:

As at 30 June 2020

Principal amount	Coupon rate (per annum)
US\$686,400,000	2.95% to 3.75%
HK\$643,000,000	3-month HIBOR plus 1.275%
HK\$1,700,000,000	2.75% to 4.00%

As at 31 December 2019

Principal amount	Coupon rate (per annum)
US\$386,400,000	3.75%
HK\$643,000,000	3-month HIBOR plus 1.275%
HK\$1,900,000,000	2.75% to 4.00%

The Group also entered into interest rate swaps and cross currency swaps, details of which are set out in note 21.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

24. LEASE LIABILITIES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Lease liabilities payable:		
Within one year	10,400	11,513
More than one year but not exceeding two years	7,951	8,182
More than two years but not exceeding five years	6,432	10,050
	24,783	29,745
Less: Amount due within one year shown under current liabilities	(10,400)	(11,513)
Amount due after one year	14,383	18,232

25. SHARE CAPITAL

	30 June 2020 (unaudited)		31 December 2019 (audited)	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value 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	708,382	354,191	698,647	349,324
Issued upon exercise of share options under the share option schemes	–	–	1,989	994
Issued as scrip dividends	11,538	5,769	7,746	3,873
Balance carried forward	719,920	359,960	708,382	354,191

During the six months ended 30 June 2020, 11,538,064 (year ended 31 December 2019: 7,746,010) shares of HK\$0.5 each in the Company were issued at HK\$20.32 (31 December 2019: HK\$33.16) per share as scrip dividends.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

26. MAJOR NON-CASH TRANSACTION

As disclosed in note 25, during the six months ended 30 June 2020, 11,538,064 (year ended 31 December 2019: 7,746,010) shares of HK\$0.5 each in the Company were issued at HK\$20.32 (31 December 2019: HK\$33.16) per share as scrip dividends.

During the six months ended 30 June 2020, a tenant issued 8,078,927 of its shares at a prevailing market price of HK\$4.20 each as settlement of trade receivables with the same amount of HK\$33,931,000. The shares are classified as financial assets at FVTPL.

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 2020	16,315,000
Granted during the period	5,650,000
Lapsed during the period	(1,624,000)
Outstanding at 30 June 2020	20,341,000

During the period, 5,650,000 share options were granted on 18 March 2020. The closing price of the Company's shares immediately before 18 March 2020, the date of grant, were HK\$20.83 (adjusted after declaration of special dividend). 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:	18 March 2020
Closing price per share as at the date of grant:	HK\$20.80
Exercise price:	HK\$21.65
Expected volatility (note a):	22.48%
Expected dividend yield (note b):	5.13%
Expected life from grant date:	5 years
Risk free interest rate (note c):	1.50%
Fair value per option:	HK\$2.56

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 2020

28. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2020, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these condensed consolidated financial statements amounting to HK\$9,573,939,000 (31 December 2019: HK\$7,840,771,000) of which HK\$1,038,004,000 (31 December 2019: HK\$1,467,366,000) was contracted for.

Other than that, 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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Transactions with a related party for the period		
Dr. Lo Ka Shui		
Management fee income	672	678

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

29. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Transactions with related companies for the period		
SFK Construction Holdings Limited and its subsidiaries ¹		
Rental income	–	1,790
Building management fee income	–	295
Carpark income	–	42
Income from reinstatement work	–	143
Shui On Land Limited and its subsidiaries ²		
Lease payment	862	899
Management fee expenses	1,758	1,841
Hotel income	83	127
Trading income	–	136
Shui Sing Holdings Limited and its subsidiaries ³		
Management fee income	132	132
Repair and maintenance income	94	189
Agency fee income	–	25
Haining Haixing Hotel Company Limited ⁵		
Hotel income	183	491
Healthy Seed Limited ⁴		
Rental income	201	134
Building management fee income	83	83
Management fee income	71	67
Oasis Rainbow Limited ⁵		
Procurement income	–	145
Transactions with a joint venture for the period		
Wealth Joy Holdings Limited (“Wealth Joy”) and its subsidiaries		
Supply procurement and consultancy services income	–	9,247

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 2020

29. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Balances with related companies		
Amounts due from related companies (included in debtors, deposits and prepayments)		
SOCAM Development Limited and its subsidiaries ²	122	147
Shui On Land Limited and its subsidiaries ²	1,751	1,779
Shui Sing Holdings Limited and its subsidiaries ³	62	289
Haining Haixing Hotel Company Limited ⁵	175	244
	2,110	2,459
Amounts due from related parties (included in debtors, deposits and prepayments)		
Dr. Lo Ka Shui	–	118
Mr. Lo Kai Shui	664	664
	664	782
Amounts due to related companies (included in creditors, deposits and accruals and lease liabilities)		
SFK Construction Holdings Limited and its subsidiaries ¹	598	598
Shui On Land Limited and its subsidiaries ²	3,893	4,560
Healthy Seed Limited ⁴	147	147
	4,638	5,305

Balances with related companies are unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 33.64% (31 December 2019: 33.36%) 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.

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For the six months ended 30 June 2020

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 2020 HK\$'000	31 December 2019 HK\$'000		
Listed equity securities classified as equity instruments at FVTOCI in the condensed consolidated statement of financial position.	138,139	196,262	Level 1	Quoted market bid prices in an active market.
Listed equity securities held for trading in the condensed consolidated statement of financial position.	170,878	234,665	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.	745,102	682,277	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.	14,301 (3,103)	(4,198)	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.	(270,313)	50,551 (63,267)	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.	25,572 (63,793)	26,663 (51,740)	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 2020

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 2020	31 December 2019			
	HK\$'000	HK\$'000			
Unlisted equity securities classified as equity instruments at FVTOCI in the condensed consolidated statement of financial position.	80,241	156,197	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 and currency linked notes classified as financial assets at FVTPL in the condensed consolidated statement of financial position.	439,406	–	Level 3	Discounted cash flow. Future cash flows are estimated based on share price/foreign currency exchange rate (from observable share price/foreign currency exchange rate at the end of the reporting period) and contracted share price/foreign currency exchange rate, discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices/foreign currency exchange rate. (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 and currency 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 2020

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

	Equity and currency linked notes HK\$'000	Unlisted equity securities HK\$'000
As at 1 January 2020	–	156,197
Purchases	440,550	2,336
Changes in fair value	(1,144)	(70,503)
Transfer to level 1	–	(7,789)
As at 30 June 2020	439,406	80,241

The above changes in fair value of equity and currency linked notes and unlisted equity securities are included in “fair value changes on financial assets at FVTPL” in the condensed consolidated income statement and “fair value (loss) gain on equity instruments at FVTOCI” in the condensed consolidated statement of comprehensive income, respectively.

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.

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 66.61% as at 30 June 2020
"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
"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

GLOSSARY OF TERMS

Term	Definition
“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 63.61% as at 30 June 2020
“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 2020



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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

