鷹君集團有限公司

Great Eagle Holdings Limited

Incorporated in Bermuda with limited liability
(Stock Code: 41)

2016 Annual Report

CORPORATE PROFILE

The Great Eagle Group is one of Hong Kong's leading property companies; the Group 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 65.5% interest (as at 31 December 2016) in Champion Real Estate Investment Trust, and a 61.9% interest (as at 31 December 2016) 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 (formerly known as Citibank Plaza) 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, the 498-room The Langham hotel in the prime shopping district of Tsimshatsui, the 668-room Cordis hotel (rebranded from Langham Place hotel) in the prime shopping area of Mongkok and 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 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. and a hotel development 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 HK$423 million as at the end of 2016. 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-one luxury properties with more than 8,000 rooms, including eighteen luxury hotels branded under The Langham, Langham Place or Cordis brands in the gateway cities of Hong Kong, London, New York, Chicago, Boston, Los Angeles, Sydney, Melbourne, Auckland, Shanghai, Beijing, Shenzhen, Guangzhou, Haining, Haikou, Ningbo and Xiamen; 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$2,022 million in the financial year 2016 and a net asset value (based on share of net assets of Champion Real Estate Investment Trust and LHI) of approximately HK$65 billion as of 31 December 2016.

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CORPORATE INFORMATION

DIRECTORS
LO Ka Shui (Chairman and Managing Director)
LO Kai Shui (Deputy 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

REMUNERATION COMMITTEE
LEE Pui Ling, Angelina (Chairman)
CHENG Hoi Chuen, Vincent
WONG Yue Chim, Richard
LEE Siu Kwong, Ambrose

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)
LO Kai Shui
KAN Tak Kwong

COMPANY SECRETARY
WONG Mei Ling, Marina

AUDITOR
Deloitte Touche Tohmatsu

LEGAL ADVISORS
Appleby
Clifford Chance
Dentons US LLP
Mayer Brown JSM
Shartsis Friese LLP

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

REGISTERED OFFICE
Canon's Court, 22 Victoria Street
Hamilton HM12
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
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Email: hkinfo@computershare.com.hk

WEBSITE
www.GreatEagle.com.hk

STOCK CODE
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DIVIDEND NOTICE

FINAL DIVIDEND AND SPECIAL FINAL DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK48 cents per share (2015: HK47 cents per share) and a special final dividend of HK50 cents per share (2015: HK$2.00 per share) for the year ended 31 December 2016 to the Shareholders whose names appear on the Registers of Members on Monday, 22 May 2017 subject to the approval of the Shareholders at the forthcoming 2017 Annual General Meeting.

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

Shareholders will be given the option to receive the proposed 2016 final dividend of HK48 cents per share in new shares in lieu of cash and the special final dividend of HK50 cents will be paid in form of cash. The scrip dividend arrangement is subject to: (1) the approval of the proposed 2016 final dividend and special final dividend at the 2017 Annual General Meeting; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

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

CLOSURE OF REGISTERS OF MEMBERS

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

(i) To attend and vote at the 2017 Annual General Meeting

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

In order to be eligible to attend and vote at the 2017 Annual General Meeting, 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 Tuesday, 2 May 2017.

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

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

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

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

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

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

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

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

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

1 The Group's core balance sheet is derived from our share of net assets of LHI. As the hotels owned by LHI are classified as investment properties, the values of these hotels were marked to market. More details about the balance sheet derived from our share of net assets in Champion REIT, LHI and the U.S. Fund are on page 8.

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

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

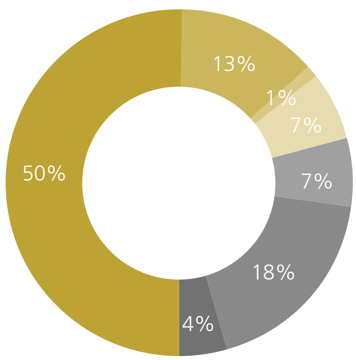
FINANCIAL CALENDAR

2016 Interim Results Announcement	:	17 August 2016
Payment of 2016 Interim Dividend of HK27 cents per share	:	14 October 2016
2016 Annual Results Announcement	:	28 February 2017
Closure of Registers for ascertaining the entitlement to attend and vote at the 2017 Annual General Meeting	:	4 May 2017–10 May 2017 (both days inclusive)
2017 Annual General Meeting	:	10 May 2017
Ex-dividend Date	:	15 May 2017
Closure of Registers for ascertaining the entitlement to the proposed 2016 Final Dividend and Special Final Dividend	:	17 May 2017–22 May 2017 (both days inclusive)
Record Date for 2016 Final Dividend and Special Final Dividend	:	22 May 2017
Payment of 2016 Final Dividend of HK48 cents per share and Special Final Dividend of HK50 cents per share	:	22 June 2017

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

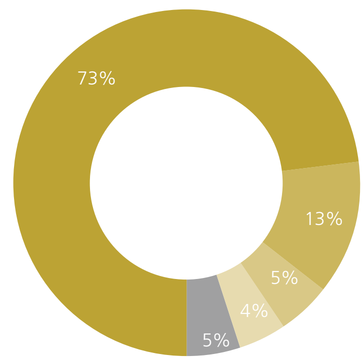
ASSETS EMPLOYED

Total Assets HK$89,096 million



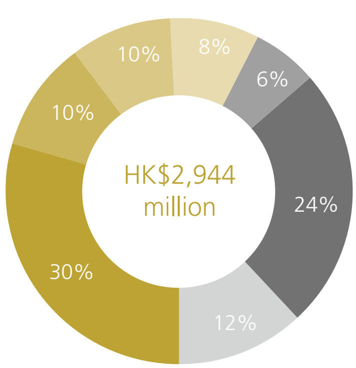
- Property investment
- Hotel operation
- Property development
- Share of assets of Champion REIT
- Share of assets of LHI
- Share of assets of U.S. Fund
- Other operations

FINANCED BY



- Equity attributable to equity holders
- Share of liabilities of Champion REIT
- Share of liabilities of LHI
- Non-current liabilities
- Current liabilities

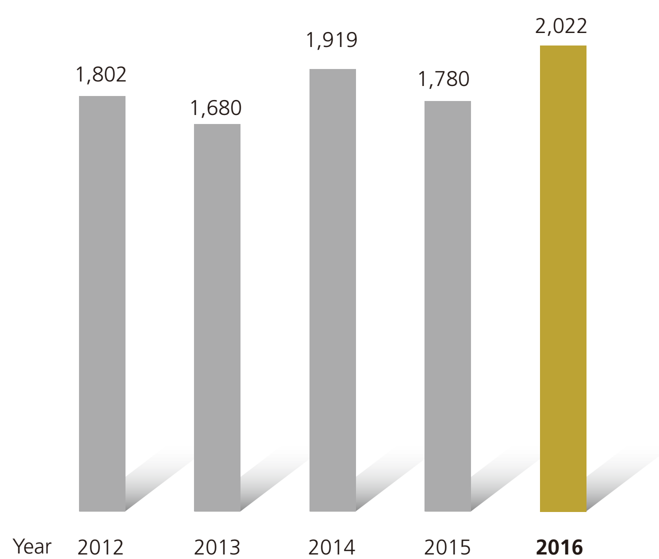
OPERATING INCOME FROM CORE BUSINESS



- Net rental income
- Hotel EBITDA
- Management fee income from Champion REIT
- Distribution from Champion REIT
- Distribution from LHI
- Distribution from U.S. Fund
- Operating income from other operations

CORE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

HK$ million



CHAIRMAN'S STATEMENT

CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Year ended 31 December		
	2016 HK$ million	2015 HK$ million	Change
Revenue from core business			
Gross Rental Income	**243.5**	236.4	3.0%
Hotels Division	**3,715.0**	3,627.6	2.4%
Management Fee Income from Champion REIT	**344.4**	292.9	17.6%
Distribution Income from Champion REIT^	**871.6**	714.7	22.0%
Distribution Income from LHI^	**300.8**	275.7	9.1%
Distribution Income from the U.S. Fund^	**280.6**	–	n.a.
Other operations	**505.1**	475.3	6.2%
	6,261.0	5,622.6	11.4%
Net Rental Income	**181.0**	174.5	3.7%
Hotel EBITDA	**720.6**	593.4	21.4%
Management Fee Income from Champion REIT	**344.4**	292.9	17.6%
Distribution Income from Champion REIT^	**871.6**	714.7	22.0%
Distribution Income from LHI^	**300.8**	275.7	9.1%
Distribution Income from the U.S. Fund^	**280.6**	–	n.a.
Operating income from other operations	**244.9**	216.8	13.0%
Operating Income from core business	**2,943.9**	2,268.0	29.8%
Depreciation	**(153.2)**	(165.0)	-7.2%
Realised gain on disposal of US properties	**398.2**	–	n.a.
Impairment loss on loan receivable	**(199.1)**	–	n.a.
Administrative expenses	**(372.6)**	(337.2)	10.5%
Other expenses	**(5.1)**	(71.3)	-92.8%
Other income	**62.3**	263.6	-76.4%
Interest income	**42.1**	149.4	-71.8%
Finance costs	**(134.0)**	(174.8)	-23.3%
Share of results of joint ventures	**(20.2)**	(19.9)	1.5%
Share of results of associates	**0.4**	(3.4)	n.m.
Core profit before tax	**2,562.7**	1,909.4	34.2%
Taxes	**(530.8)**	(123.7)	329.1%
Core profit after tax	**2,031.9**	1,785.7	13.8%
Non-controlling interests	**(9.4)**	(5.6)	67.9%
Core profit attributable to equity holders	**2,022.5**	1,780.1	13.6%

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

SEGMENT ASSETS AND LIABILITIES (BASED ON NET ASSETS OF CHAMPION REIT, LHI AND THE U. S. FUND)

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

31 December 2016

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

31 December 2015

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

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Year ended 31 December		
	2016 HK$ million	2015 HK$ million	Change
Revenue based on statutory accounting principles			
Gross Rental Income	**243.5**	236.4	3.0%
Hotels Division	**5,268.3**	5,159.1	2.1%
Other operations (including management fee income from Champion REIT)	**849.4**	768.2	10.6%
Gross Rental income – Champion REIT	**2,557.1**	2,289.3	11.7%
Gross Rental income – LHI	**706.4**	682.2	3.5%
Gross Rental income – U.S. Fund	**242.8**	246.5	-1.5%
Elimination on Intra-Group transactions	**(1,219.0)**	(1,110.8)	9.7%
Consolidated Total Revenue	**8,648.5**	8,270.9	4.6%
Net Rental Income	**181.0**	174.5	3.7%
Hotel EBITDA	**720.6**	593.4	21.4%
Operating income from other operations	**589.3**	509.7	15.6%
Net Rental income – Champion REIT	**1,783.3**	1,569.5	13.6%
Net Rental income – LHI	**593.7**	563.4	5.4%
Net Rental income – U.S. Fund	**44.4**	71.7	-38.1%
Elimination on Intra-Group transaction	**(9.3)**	(21.0)	-55.7%
Consolidated Operating Income	**3,903.0**	3,461.2	12.8%
Depreciation	**(590.4)**	(606.5)	-2.7%
Fair value changes on Investment Properties	**2,530.7**	3,011.9	-16.0%
Fair value changes on Derivative Financial Instruments	**52.2**	1.8	n.m.
Fair value changes of financial assets at fair value through profit or loss	**1.1**	(45.0)	n.m.
Impairment loss on available-for-sale investments	**–**	(45.8)	n.a.
Impairment loss on loan receivable	**(199.1)**	–	n.a.
Reversal of impairment loss on a hotel property	**–**	284.4	n.a.
Administration expenses	**(411.8)**	(373.1)	10.4%
Other expenses	**(37.3)**	(139.8)	-73.3%
Other income	**51.6**	266.3	-80.6%
Interest income	**56.0**	167.7	-66.6%
Finance costs	**(643.9)**	(686.5)	-6.2%
Share of results of joint ventures	**(20.2)**	(19.9)	1.5%
Share of results of associates	**0.4**	(3.4)	n.m.
Statutory profit before tax	**4,692.3**	5,273.3	-11.0%
Taxes	**(572.6)**	(539.2)	6.2%
Statutory profit after tax	**4,119.7**	4,734.1	-13.0%
Non-controlling interests	**(1,349.9)**	(1,421.8)	-5.1%
Statutory profit attributable to equity holders	**2,769.8**	3,312.3	-16.4%

CHAIRMAN'S STATEMENT

OVERVIEW

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

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

HOTELS DIVISION

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

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

HOTELS PERFORMANCE

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

HONG KONG HOTELS

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

The Langham, Hong Kong

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

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

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

Cordis, Hong Kong

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

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

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

Eaton, Hong Kong

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

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

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

OVERSEAS HOTELS

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

EUROPE

The Langham, London

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

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

NORTH AMERICA

The Langham, Boston

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

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

CHAIRMAN'S STATEMENT

The Langham Huntington, Pasadena

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

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

The Langham, Chicago

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

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

Langham Place, Fifth Avenue, New York

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

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

Chelsea Hotel, Toronto

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

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

AUSTRALIA/NEW ZEALAND

The Langham, Melbourne

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

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

The Langham, Sydney

Business of the hotel continued to ramp up subsequent to its reopening in late 2014 after a major renovation.

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

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

The Langham, Auckland

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

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

CHINA

The Langham Xintiandi, Shanghai

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

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

HOTEL MANAGEMENT BUSINESS

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

DEVELOPMENT PROJECTS

HONG KONG AND CHINA

Hotel in Shanghai, China

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

Pak Shek Kok Residential Development Project

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

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

CHAIRMAN'S STATEMENT

Dalian Mixed-use Development Project

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

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

JAPAN

Tokyo Hotel Development Project

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

UNITED STATES

Hotel in Washington D.C., USA

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

San Francisco Hotel Development Project, 1125 Market Street

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

San Francisco Hotel Development Project, 555 Howard Street

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

Seattle Development Project, 1931 Second Avenue

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

INCOME FROM CHAMPION REIT

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

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

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

Three Garden Road

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

CHAIRMAN'S STATEMENT

Langham Place Office Tower

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

Langham Place Mall

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

INVESTMENT IN LHI

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

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

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

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

INVESTMENT PROPERTIES

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

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

Great Eagle Centre

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

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

	As at the end of December 2016	December 2015	Change
Office (on lettable area)			
Occupancy	**95.3%**	98.2%	-2.9ppt
Average passing rent	**HK$66.2**	HK$64.8	2.2%
Retail (on lettable area)			
Occupancy	**99.3%**	99.4%	-0.1ppt
Average passing rent	**HK$99.4**	HK$98.2	1.2%

CHAIRMAN'S STATEMENT

Eaton Serviced Apartments

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

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

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

The U.S. Fund

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

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

The Austin

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

Cavalleri, Malibu

The acquisition of the residential property in Malibu, California was completed in September 2015 for

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

Dexter Horton

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

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

FINANCIAL REVIEW

DEBT

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

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

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

CHAIRMAN'S STATEMENT

Net debts at 31 December 2016	On Consolidated Basis HK$ million	On Core Balance Sheet Basis HK$ million
Great Eagle	338	338
Champion REIT	13,881	–
LHI	6,562	–
U. S. Fund	808	–
Net debts	21,589	338
Net debts attributable to Shareholders of the Group	**13,896**	**338**
Equity Attributable to Shareholders of the Group	**55,847**	**64,614**
Net Gearing ratio^	**24.9%**	**0.5%**

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

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

INDEBTEDNESS

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

FINANCE COST

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

LIQUIDITY AND DEBT MATURITY PROFILE

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

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

PLEDGE OF ASSETS

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

COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

OUTLOOK

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

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

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

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

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

Lo Ka Shui
Chairman and Managing Director

Hong Kong, 28 February 2017

CORPORATE SOCIAL RESPONSIBILITY

The Heart & Stroke Foundation's Big Bike Event


Great Eagle Playright Family Play Project

Great Eagle x WGO – Less Waste Let's Do It Project[2]

CORPORATE SOCIAL RESPONSIBILITY

Our CSR Vision - *Create Value, Improve Quality of Life*, is based on our belief that CSR will:

- create long-term value for our customers, partners, investors, employees and community; and
- improve the quality of life in our workplace as well as the local community and the world at large.

This CSR report focuses on the Group's environmental and social performance of our major businesses which include development, investment and management of hotels and properties. It continues to make reference to the Environmental, Social and Governance ("ESG") Reporting Guide which is issued by the HKEX. The report is structured according to the four ESG subject areas:

- Employment and Labour Practices
- Environmental
- Operating Practices
- Community

In addition to these four ESG subject areas, we have documented on how we make and implement decision in pursuit of our CSR objectives in section "CSR Management". Selected key performance indicators are also supplemented to illustrate our CSR performance.

Our committed efforts in CSR are reflected in being selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index for six consecutive years. Once again, the ESG performance rating company for the selection, Hong Kong Quality Assurance Agency, has granted us "AA" rating. Only twenty-one listed companies in Hong Kong achieved this rating in 2016. Other than this notable achievement, for the first time, Channel NewsAsia Sustainability Ranking recognised us as one of the 100 most sustainable corporations in Asia and ranked us 45 out of 100. The ranking has further affirmed our efforts and credibility in implementing CSR. Our subsidiaries also received numerous prestigious CSR related awards and recognition as listed in the following sections of this report.

Our Hotel Division, Langham Hospitality Group, has issued their sustainability report, "Global Citizen, Better Tomorrow", which reviews their current systems and performance, and sets out their environmental and social objectives for the coming years.

CSR MANAGEMENT

Management Framework

Supporting our CSR Vision is a strong CSR Management framework which encompasses the following elements:

- The CSR Steering Committee: the Committee is responsible for enabling our Group to take responsibility for CSR impacts of our decisions and activities, and for integrating CSR throughout the organisation. The Committee comprises members from the Board and management from key areas of the Group, serving as a senior level working group for determining the Group's CSR direction;
- The Group CSR Policy: the Policy provides a robust framework and direction to implement CSR and embed CSR into our organisational culture; and
- Risk Assessment & Strategy: the Committee regularly conducts risk assessment in order to sort out priorities about material CSR issues. A CSR strategy is developed to enable the Group to focus our efforts on managing these issues.

Stakeholder Engagement and Risk Assessment

We recognise that engaging our stakeholders is vital for understanding the impact of our operations on different groups, as well as material issues that may impact us or them. Therefore, we periodically conduct stakeholder engagement with our key stakeholders such as employees, tenants, suppliers, investors and media. The results of the engagement are taken into consideration when we prioritise our material issues and review our existing CSR strategy at the CSR Steering Committee Meeting.

Based on the latest results of the stakeholder engagement and risk assessment, we have identified "Community Involvement" and "Communication" as our two CSR material issues and a CSR strategy has been formulated to manage them.

In Community Involvement:

- we partner with non-profit organisations to launch impactful projects according to our three major sponsorship themes, namely Art, Children Education and Environmental Protection (please refer to section "Community"); and
- we encourage our colleagues to actively participate in the projects by attending the project events or joining related volunteering.

In Communication:

- internally, we communicate our CSR efforts to colleagues through intranet, monthly CSR tips and orientation; and
- externally, we communicate our CSR efforts to tenants, customers, investors and media through CSR Report, community projects and newsletters.

CSR Culture

In addition to establishing our CSR Management framework, we believe a CSR culture in our Group is a crucial factor to achieve our CSR vision. To this end:

- we convey CSR in a friendly and funny way by branding our CSR approach as "CSR Action", which consists of seven "Great Action" icons to represent our CSR commitments in human rights, labour practices, the environment and so forth;
- based on the "Great Action", a CSR awareness workshop has been developed. It educates colleagues about the Group's CSR vision and approach through interesting lecture and interactive games;
- our Hotel Division has established a CSR programme called "CONNECT", which aims to highlight the importance between the corporate initiatives, the environment and society to colleagues. Colleagues are encouraged to act responsibly every day and contribute to the sustainable development of the neighbourhoods where they operate; and
- the four priorities of "CONNECT" are: Governance, Environment, Community and Colleagues, which prioritise the CSR efforts we take and the resources we invest in so as to amplify the impact of our collective actions.

"CSR Action" & "CONNECT" Icons

CORPORATE SOCIAL RESPONSIBILITY

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group is committed to providing lawful and proper employment that signifies human development. As such, we established the Employee Handbook which sets out our policies relating to recruitment, promotion, working hours, rest periods as well as other benefits and welfare in line with employment laws and regulations. We are also committed to providing a fair working space by adhering to all anti-discrimination laws and encouraging a diverse workforce. Our Equal Opportunity Policy ensures that no job applicant or employee receives less favourable treatment or is disadvantaged by sex, pregnancy, disability, marital status or family status when applying for a position with the Group or during employment.

To support employment of persons with disabilities, we have participated in Labour and Welfare Bureau's Talent-Wise Employment Charter & Inclusive Organisations Recognition Scheme. One of our practices is the partnership of our Hotel Division with Hong Chi Association whose trainees work in hotels' back of house areas and support day-to-day operations (e.g. housekeeping, cleaning and laundry services). The teamwork between the trainees and the colleagues has successfully built a culture of respecting people differences in the workplace.

Total Workforce by Age Group & Gender

Business	Under 20 years old	20 & under 30 years old	30 & under 40 years old	40 & under 50 years old	50 & over years old	Male	Female
Hotel	1%	30%	27%	19%	23%	51%	49%
Property & Others[1]	0%	18%	28%	23%	31%	59%	41%

Total Workforce by Geographical Region

Business	Hong Kong	China	North America	Europe	Oceania
Hotel	29%	9%	36%	7%	19%
Property & Others[1]	84%	13%	3%	0%	0%

Total Workforce by Employment Type & Employment Contract

Business	Full-time	Part-time	Permanent	Contract
Hotel	87%	13%	98%	2%
Property & Others[1]	99%	1%	86%	14%

Note:

1. Property & Others include businesses such as property development, property management and trading

Health and Safety

In addition to creating a fair workspace, we strive to provide a safe working environment and protect colleagues from occupational hazards. All risks to colleagues' health and safety at work are properly controlled whilst relevant laws and regulations are fully complied.

Our Hotel Division has implemented the following health and safety measures:

- has established an Occupational Health and Safety Policy which stipulates that all hotels must maintain their health and safety systems with policies, committees, training, emergency preparedness and incident reporting;
- implements and monitors the health and safety systems by senior management, human resources directors and security departments of hotels;
- monitors the effectiveness of the system in conjunction with the Key Performance Indicators (KPI) system such that the improvement teams could analyse the data, find the root causes of problems, implement improvement action plans and follow up the results; and
- organises Workplace Health and Safety Week every year, as one of the Global CONNECT events. The theme of the event in 2016 was Colleague Wellness, which aimed to enhance colleagues' awareness of their wellbeing and support them in developing a healthy lifestyle. Health promotion programmes included cancer screening prevention, healthy food menus in the cafeterias, stress management seminar, yoga class and so forth.

Fire Warden Training

Yoga Class

Our Property Management Division manages the health and safety risks to colleagues, tenants and shoppers through the establishment of an occupational health and safety management system, which was set up in accordance with the OHSAS 18001 standard. Through the management system, the Division:

- identifies health and safety hazards which are in turn managed by operating procedures and safety devices (e.g. installing access platform inside AHU Room in order to eliminate hazards of falling from height);

CORPORATE SOCIAL RESPONSIBILITY

- establishes Safety Committees to implement action plans and review effectiveness of the management system in order to achieve zero accident;
- uses checklists to monitor high risk activities such as working in confined space, installing electrical systems and manual handling;
- establishes a good safety culture by setting slogan, and designing promotional sticker, banner and emblem badge; and
- provides ongoing training courses such as in-house training, field demonstration and tool-box talk to frontline staff.

Safety Emblem Badge

Field Demonstration of Using Aerial Working Platform

Work Related Fatalities & Lost Working Days Due To Injuries

Business	Total workforce hours (in thousands)	Number of fatalities	Lost working days due to injuries
Hotel	10,591	0	5,854
Property & Others[1]	2,057	0	314

Note:

1. Property & Others include businesses such as property development, property management and trading

Development and Training

Provision of opportunities for training and development has become an important component to attract and retain staff. Besides offering a competitive compensation and benefits package, we provide corporate and vocational trainings to colleagues according to the Training and Development Policy. Core training such as "The 7 Habits of Highly Effective People" and "Business Innovation" are held regularly for colleagues to attend. Training to explain new legal requirements is also arranged to communicate related business impacts to colleagues. For example, we have conducted a seminar about the implications of the Competition Ordinance for Hong Kong businesses.

Our Hotel Division also aims to create an environment for colleagues to achieve their career aspiration and at the same time, nurture a team of competent and motivated colleagues. To this end:

- the Division has developed a learning and development pathway which is made up of the First60 Certification programme, Langham Curriculum Certification (LCC), and Advanced Programme for Executives (APEX). These programmes enable the colleagues to gain new skills and experiences which will help in their current and future jobs; and
- the Division conducted Crisis Media Training Workshop for Senior Management globally in 2016. Senior management of Corporate Office and hotels attended this workshop to attain the latest updates on how to communicate and manage the media during a crisis.

CORPORATE SOCIAL RESPONSIBILITY

Performance Review assists our colleagues to keep track of their performance and determine development needs. Our Performance Appraisal System provides a mechanism for colleagues to review together with their superior about their performance, key objectives as well as training and development needs.

Percentage of Employees Receiving Regular Performance and Career Development Reviews

Business	Employee receiving performance reviews
Hotel[1]	95%
Property & Others[2,3]	95%

Note:

1. Hong Kong and China employees who are eligible to receive performance review during the reporting year
2. Property & Others include businesses such as property development, property management and trading
3. Employees joined from 1 August to 31 December are not subject to review for the year as per policy

Work-life Balance

We recognise that productive employees are those who maintain a healthy work-life balance. To promote the importance of this, throughout the year, we organised various interest classes and recreational events for colleagues to participate such as Ukulele Class, Great Eagle Choir, Christmas Party and Group Basketball Competition.

Ukulele Class

Group Basketball Competition

Recognition

In recognition of our efforts in people strategies and practices, we were granted the following prestigious awards in 2016:

- Cordis, Hong Kong:
  - The HR Excellence Awards 2015/2016 (Excellent Business Partner Award) by Hong Kong Institute of Human Resources Management (HKIHRM)
- The Langham, Hong Kong:
  - The HR Excellence Awards 2015/2016 (Excellent Change Management Award) by Hong Kong Institute of Human Resource Management (HKIHRM)

CORPORATE SOCIAL RESPONSIBILITY

- Chelsea Hotel, Toronto:
  - o The Spirit Awards – Lifetime Achievement Award by The Greater Toronto Hotel Association
- The Award for Excellence in Training and Development 2016 (Skills Training Category) by Hong Kong Management Association:
  - o Cordis, Hong Kong: Gold Award
  - o Langham Place: Excellence Award

HKIHRM Award – Excellent Business Partner

The Greater Toronto Hotel Association Award

Hong Kong Management Association Award

ENVIRONMENTAL

Environmental Policy and Impact Assessment

Minimising the significant impacts of our operations on the environment is a key component of our Group CSR Policy. We regularly conduct environmental impact assessment which evaluates our environmental aspects together with the relevant laws and regulations that would have a material implication or impact on our business operations. Through the assessment, we have determined energy consumption, carbon emission and water consumption as our significant aspects which require managing actions. Managing actions include establishing an environmental policy and management system at each division, enabling us to communicate our environmental commitment to colleagues and determine environmental measures to mitigate our adverse impacts as well as ensure our full compliance with the relevant laws and regulations.

Green Champion Working Group

To cultivate a green culture within the Group, we have established the Green Champion Working Group. The working group is formed by nominated Green Champions from business units/departments to share and learn green practices from each other and in turn spread the best green practices in the Group. In 2016, several green awareness campaigns were launched by the working group:

- Great Eagle Eco-towel: in order to reduce paper towel consumption at our pantries, we designed an eco-towel to replace them. Each colleague was handed an eco-towel and encouraged to use it for drying lunch box, mug and so forth.

Since the launch of the campaign, consumption of paper towel has been greatly reduced and no more waste paper towel pile has been observed in garbage bins;

- Exchange Corner: in support of our sponsored project to World Green Organisation's "Great Eagle x WGO – Less Waste, Let's Do It Project[2]" (please refer to section "Community"), we held the Exchange Corner activity at our offices. The campaign aimed to promote the concept of "reuse" by asking our colleagues to donate items they no longer needed and exchanged them with other colleagues; and

- Green Monday Luncheons: to mitigate the climate change effect, we encouraged colleagues to go meatless on Mondays by organising Green Monday luncheons at our offices. The participating colleagues not only could savour healthy green food, they also had a happy chit-chat time with each other.

Great Eagle Eco-towel

Environmental Measures

Our Hotel Division endeavours to be one of the role models amongst hospitality operators in raising green awareness and reducing environmental impact. The Division has been partnering with EarthCheck which is the leading international sustainability benchmarking and certification service for the travel and tourism industry. In 2016, The Langham, Auckland became the first hotel in the Australasia to achieve EarthCheck Platinum certification, which is also the first in the Division. Seven hotels also retained their Gold Certified status whilst one hotel attained Silver Certified status and four hotels were Bronze Benchmarked.

EarthCheck Platinum Certification

Nurturing a green corporate culture is vital in moving environmental protection forward. As such, the Division launched a global environmental event named as "Loving Earth Month". Activities of the event included:

- holding the "lights out" campaign at the hotels in support of Earth Hour;

- offering meatless dishes at restaurants and colleague cafeterias on Monday to promote healthy green diet; and

CORPORATE SOCIAL RESPONSIBILITY

- launching "10,000 Steps Challenge" campaign which encouraged colleagues to walk more and use less transportation.

Earth Hour

Other than the "Loving Earth Month", the Division also took other green practices actions in 2016:

- the Division has been a keen supporter in the sustainable seafood movement. To further enhance the commitment in this initiative, a sustainable seafood supplier forum was organised in Hong Kong for colleagues and major seafood suppliers to learn more about the initiative. Speakers from World Wildlife Fund, Marine Stewardship Council and industry leaders were invited to share the latest sustainable seafood market trend and business practices in adopting sustainable seafood;

- the major refurbishment of guest rooms and back of house area was completed at The Langham, London. The project aimed at not only enhancing the overall guest experience, but also saving energy and conserving water by installing features such as LED light fittings, energy efficient hot water systems, water saving flushing systems and sanitary fitting appliances at bathrooms; and

- The Langham, Auckland started a pilot project of rooftop beehive installation. The project included a beehive installed on the hotel rooftop which is closely monitored to ensure the location is suitable for bees and the hive remains healthy. The project could support rehabilitation of bees as well as pollination in urban areas. In the long run, the Division targets to sustain the hotel's honey supply simply by these rooftop bees.

Sustainable Seafood Supplier Forum

Hotel Refurbishment at The Langham, London

Beehives on Rooftop of The Langham, Auckland

Our Property Management Division also strives to reduce their environmental footprints as well as improve their environmental performance. As such, the Division has:

- implemented ISO 14001 Environmental Management System Standard at the properties they manage;
- formulated a Green Purchasing Policy for colleagues, tenants, contractors and suppliers as a reference when making green purchasing decisions;
- retrofitted fluorescent luminaries with LED luminaries fitted with motion sensors at staircases, corridors and lavatories;
- installed Variable Speed Drive (VSD) for chilled water pumps and air handling units;
- participated in Earth Hour whilst encouraged retail tenants, office occupiers and shoppers to join the meaningful event;
- installed automatic low flow water faucet for wash basin; and
- drawn underground water for irrigation.

In 2016, the Division implemented a breakthrough measure in utilising renewable energy. Six sets of solar panels, which were installed at the rooftop of Langham Place Retail Tower, could collect and transform solar energy to electricity for supporting daily operations of Langham Place Shopping Mall.


Installation of Solar Panels

To protect the environment, Property Management Division understands it cannot be done solely by themselves and must seek partnership with tenants. In view of this, the Division has:

- introduced a few recycling initiatives to collect paper, glass, used computers and mooncake boxes from tenants;
- collected used books and stationery from tenants for donation to The Salvation Army;
- co-organised "Food Waste Recycling Partnership Scheme" with Environmental Protection Department and Green Council for F&B tenants to participate;
- organised green workshops such as Glass Recycling Workshop and Upcycling Red Pocket Workshop; and

CORPORATE SOCIAL RESPONSIBILITY

- recognised tenants' efforts by presenting souvenirs to the outstanding participants at Green Christmas Celebration.

Glass Recycling Workshop

Energy Consumption (GJ)

Business	Direct energy consumption	Indirect energy consumption
Hotel[1]	248,660	469,687
Property & Others[2]	123	193,372

Carbon Emissions (tonnes CO_2-eq)

Business	Direct carbon emission	Indirect carbon emission
Hotel[1]	14,074	58,073
Property & Others[2]	9	42,673

Water Consumption (m^3)

Business	
Hotel[1]	1,489,855
Property & Others[2]	365,000

Note:

1. Hotel includes owned hotels only

2. Property & Others includes communal area of three owned and/or managed major properties: Great Eagle Centre, Langham Place (Office Tower & Shopping Mall) and Three Garden Road only

Our Development and Project Management Division is committed to pursuing environmental initiatives during the development and project management process. Starting from planning, design, construction, to subsequent collaboration with Hotel Division and Property Management Division, the environmental impacts in the life cycle of new development and renovation projects are evaluated. The Division researches building rating schemes for each of their projects, which are appropriate for the specific asset:

- the new residential development in Pak Shek Kok, Tai Po, Hong Kong, comprising 600 to 700 luxury residential units, is following the BEAM Plus certification process (Gold), and is being designed to comply with the Sustainable Building Design Guidelines;

- in San Francisco, the Pine Street Condominium follows both Title 24 standards as well as Greenpoint certification and will be completed in mid-2017. Furthermore, the future developments in San Francisco are also being designed to achieve LEED Accreditation – the Howard Condominium/Hotel (Platinum), and the Market Street Hotel (Gold at a minimum); and

- in Washington DC, The Eaton Hotel is being renovated to achieve LEED Accreditation (Gold) and will be a key asset to demonstrate the new Eaton Brand which has strong links to sustainable property development, operation and lifestyle.

Looking forward our property developments in the future will continue to seek out new standards, methods and materials to minimise negative impacts and enhance our positive contributions to environmental control and sustaining quality of life.

In our corporate office, our Administration Division continued to implement green practices according to the slogan "ER^3" (Environmental Protection, Recycle, Reduce and Reuse). The following green practices have been implemented:

- Electricity Saving: setting timer control to turn off copiers, escalators and lightings at common area;
- Green Procurement: sourcing green products such as air purifiers for restrooms, LED light tubes and stationery made of recycled materials;
- Paper Reduction: placing waste paper collecting bags at printer rooms for paper recycling;
- Old Furniture Reuse: relocating old furniture for new offices to use; and
- Wood & Tree Conservation Scheme: participating in Hong Kong Environmental Production Association's scheme by recycling Peach Blossom and Chinese New Year plants.

Recognition and Signatories

In recognition of our efforts in environmental protection, our Hotel Division and Property Management Division were honoured by the following green awards:

- The Langham Auckland:
  - Environmental Initiative of the Year Award by New Zealand Hotel Industry Conference
  - The New Zealand Tourism Award Finalist (Environmental Tourism Award) by Tourism Industry Aotearoa
  - Qualmark Enviro Awards – Gold by Qualmark New Zealand Limited
- Cordis, Hong Kong:
  - 2016 Winner of Eco Friendly Hotel by Haute Grandeur Global Hotel Awards
- Green Leader by TripAdvisor:
  - The Langham Auckland: Silver Level
  - The Langham, Melbourne: Silver Level
  - The Langham, Boston: Bronze Level
- Hong Kong Green Council's 2016 Green Management Awards (Large Corporation) – Service Provider:
  - Great Eagle Centre: Platinum
  - Langham Place: Gold
- Hong Kong Green Organisation Certificate by Environmental Campaign Committee:
  - Great Eagle Centre
  - Three Garden Road

The awards demonstrate our environment consciousness and excellent operational environmental management.


Photo credit: Tourism Industry Aotearoa

The New Zealand Tourism Award

CORPORATE SOCIAL RESPONSIBILITY

Hong Kong Green Council Awards

The Group also supports many of the government's green initiatives. We are the signatories to:

- Energy Saving Charter
- Charter on External Lighting
- Carbon Footprint Repository

Charter on External Lighting

OPERATING PRACTICES

Anti-corruption and Supply Chain Management

The Group is committed to adhering to the highest ethical standards as well as relevant laws and regulations, both in employee and supplier level. To this end:

- all employees are given a Code of Conduct which they are required to adhere to. The Code explicitly prohibits employees from soliciting, accepting, or offering bribes or any other form of advantage. The Code also outlines the Group's expectations on colleagues with regard to conflicts of interest as well as whistle-blowing procedure;

- The Group recognises that through leadership and monitoring along the supply chain, we can promote adoption and support of fair operating practices as well as CSR. To guide these aspects in our supply chain more systematically, the Supplier Code of Conduct has been formulated and communicated through our tendering documents. As we reckon that child and forced labour likely occur in developing countries where our suppliers are based, we have stipulated prevention of such practices in the Code; and

- to ensure further suppliers' commitment to adopt CSR, the Group started to enhance the process by using a checklist in 2016. The checklist is transformed from the requirements as stated in the Supplier Code of Conduct to a Q&A format and has been sent to the suppliers along with tendering documents. The suppliers are required to fill in the checklist every three years, keeping us informed about their CSR performance status.

Superior Quality Services

As our business nature does not involve any manufacturing process, product responsibility issues are not directly related to us. However, we are committed to offering superior quality services to our customers by satisfying their expectations and needs – whether they are guests at our hotels or tenant/shoppers at properties under our management.

The Hotel Division is committed to continuously improving and delivering excellent services to increase guest loyalty. Here are their measures to achieve the commitment:

- "Quality League", a Total Quality Management system, is one of the Division's core management strategies to drive the best performance in the business. This team-oriented system is based on the renowned Malcolm Baldridge Performance Excellence Framework from the United States. It focuses on engaging every colleague towards the same goal from a systematic perspective on continuous improvement;

- the Division has utilised a robust voice-of-the-customers (VOC) system to collect guests' feedback in order to tailor services to enhance guest experience and eventually raise guest loyalty. VOC system includes multiple channels such as online surveys and social media. Data collected from all VOC channels are integrated into one single platform to facilitate the analysis on guests' preferences. Based on the results, service delivery and business strategy could be further enhanced;

- Net Promoter Score (NPS) and Defect Free Index (DFI) derived from online survey are the two key performance indicators for measuring guest loyalty to our hotels. NPS is used to assess the guests' willingness to recommend our hotels to their colleagues and friends. DFI helps the Division to encourage a zero defect culture within the hotels; and

- to ensure the consistency of service delivery and provide every guest with the most professional services and a delightful experience, independent professionals in mystery shopping are invited to conduct a quality assessment at the hotels every year. Through the assessment, professional opinion is provided to the Division to ensure the services and facilities comply with the brand and operational standards, as well as the latest international quality standards.

Raising Guest Loyalty

Our Property Management Division continued to implement ISO 9001 Quality Management System which ensures their services meet the needs of customers and enhance customer satisfaction. Requirements of the system include:

- establishing a Customer Feedback System to collect appreciations, complaints and general enquiries from customers;

- regularly sending questionnaires to tenants to obtain their feedback; and

- timely giving feedback to customers and determining improvement actions.

Other than implementing the quality management system, in 2016, the Division put in place other measures at Langham Place to strengthen the customer services:

- upgraded electrical vehicle (EV) charging station, including installing semi-quick charging devices and adding two charging stations. These three stations would be able to cope with the uprising trend of shoppers driving EV;

- added one more nursery room at level 11 of the shopping mall so as to satisfy family customers' needs; and

CORPORATE SOCIAL RESPONSIBILITY

- developed and implemented a Customer Relationship Management System (CRM) which facilitates colleagues to be more effective and efficient to follow up customers' requests.

Upgrade of EV Charging Station

Recognition

In recognition of our commitment in providing superior quality services, our Hotel Division and Property Management Division have received the following outstanding awards:

- 2016 World's Best Awards by Travel + Leisure Magazine:
  - Langham Hotels & Resorts: No.12 out of 15 on the list of World's Best Hotel Brands
  - The Langham, Chicago: No.8 out of 15 on the list of Best City Hotels in the United States and No.1 out of 10 on the list of Best Hotels in Chicago
  - The Langham, Hong Kong: No.4 out of 10 on the list of Best Hotels in Hong Kong
  - The Langham, Melbourne: No.1 out of 5 on the list of Best City Hotels in Australia and New Zealand
  - The Langham, Sydney: No.4 out of 5 on the list of Best City Hotels in Australia and New Zealand

World's Best Hotel Brands Award

- 2016 Readers' Choice Awards by Condé Nast Traveler:
  - The Langham, Melbourne: No.2 hotel in Australia/Pacific
  - The Langham, London: No.3 in London
  - The Langham, Chicago: No.4 in Chicago
  - The Langham Huntington, Pasadena: No.6 in Los Angeles
  - The Langham, Boston: No.7 in Boston
  - Langham Place, New York, Fifth Avenue: No.7 in New York
- The 2017 Michelin Guide, Hong Kong and Macau:
  - T'ang Court at The Langham, Hong Kong: Three Michelin Stars Rating
  - Ming Court at Cordis, Hong Kong: Two Michelin Stars Rating
  - Yat Tung Heen at Eaton, Hong Kong: One Michelin Star Rating

- The 2017 Michelin Guide, Shanghai:
  - o T'ang Court at The Langham, Shanghai, Xintiandi: Three Michelin Stars Rating
- The Langham, Hong Kong:
  - o Five-Star Hotel Rating by 2016 Forbes Travel Guide
- The Langham, Chicago:
  - o Five-Star Hotel Rating by 2016 Forbes Travel Guide
  - o Five-Star Spa Rating by 2016 Forbes Travel Guide
- Langham Place:
  - o RICS Awards, Hong Kong 2016 – Winner of Property/Facility Management Team of the Year by The Royal Institution of Chartered Surveyors
  - o Hong Kong Star Brands Award 2016 (Enterprise) by Hong Kong Small and Medium Enterprises Association

Michelin 3-Star Restaurants (Hong Kong and Macau)

Michelin 3-Star Rating (Shanghai)

RICS Award

COMMUNITY

Community Involvement Strategy

Our community involvement strategy focuses on three thematic areas – ***Art, Children Education, and Environmental Protection***:

- we believe art is important to the community. Art could enrich the daily lives of people and promote social progress and cultural development;
- we believe that the world's future relies heavily on the next generation. Children in preschool education and kindergarten, in particular, are in their prime period to learn and acquire knowledge; and
- environmental protection is a subject which is essential to our organisational culture and it should be extended to the community at large.

CORPORATE SOCIAL RESPONSIBILITY

Community Investment

Based on the themes, we partner with non-profit organisations to design a few deserving projects in these areas. We believe by focusing all of our philanthropic resources – financial, volunteer, and in-kind – on these projects, we can engender greater social impact. The following projects were sponsored by us in 2016:

- Art: to groom the interest of children in classical music within the community, we sponsored Hong Kong Sinfonietta's "Great Eagle Family Series – Igudesman & Joo: Upbeat Concert". Igudesman & Joo, the highly entertaining musical duo, brought new life to classical music in the concert hall by combining theatre, music and comedy; we also co-sponsored (with Lo Ying Shek Chi Wan Foundation) Music Children@Sham Shui Po Project which aimed to transform grassroots children in Sham Shui Po district by helping them to develop their personal abilities and a sense of community. Ensemble-based instrumental classes, orchestra, choir and public performance were organised throughout the year for the children to participate;

Great Eagle Family Series – Igudesman & Joo: Upbeat Concert

Music Children@Sham Shui Po Project

- Children Education: with the success of "Great Eagle Playright Family Play Project" which has helped parents understand how important "free play" is for children development and family relationship, we partnered with Playright again to deepen the work and penetrate to wider audience. Parent training, outreach talks at kindergartens and family play time were organised for parents to learn more about "free play". The project also strengthened play resources for parents by establishing a play website and play booklet which have successfully empowered parents to apply the skills of "free play" in their families; and

Great Eagle Playright Family Play Project

CORPORATE SOCIAL RESPONSIBILITY

- Environmental Protection: as waste issue is more pressing than ever, we partnered with World Green Organisation ("WGO") again to launch "Great Eagle x WGO – Less Waste Let's Do It Project[2]". The project worked out a unique model that Youth Green Ambassadors were trained with environmental and waste knowledge. After attending the intensive training, they took the lead to organise various interesting community green programmes which intended to spread the waste reduction message to the community. Community green programmes including "Exchange Corner", "Transforming Waste to Art", "Upcycling Workshop" and "Green Carnival" have successfully engaged the general public in waste reduction.

Great Eagle x WGO - Less Waste Let's Do It Project[2]

Staff volunteering is another vital element of our community involvement strategy. We encourage our colleagues to explore the community and help people in need by joining volunteering services. Our volunteers assisted in setting up and being ambassadors at Playright's Family Play Time and WGO's green carnival. Our overseas colleagues volunteered for KIDS, a charity that works with disabled children, to clean their Chelsea Playground. They also raised money for the Heart & Stroke Foundation by joining their Big Bike Event.

Family Play Time

KIDS Chelsea Playground

CORPORATE SOCIAL RESPONSIBILITY

Other than designing a few deserving projects with non-profit organisations, we strive to contribute to the development of art and local talents in Hong Kong. As such, our Marketing Division has introduced Musica del Cuore (an Italian term for "Music of the Heart") at Three Garden Road. Musica del Cuore is a free weekly concert series which transforms the upper ground floor of Three Garden Road into a "community concert stage", presenting some of the finest Classical repertories to the general public. The concert series has provided a platform for local talents, well-established artists and chamber groups to showcase their artistry whilst visiting guests from other parts of the world inspire music lovers through cultural exchange.

Musica del Cuore

Memberships and Recognition

In addition to organising Musica del Cuore, we are the patrons of the following major art events:

- Hong Kong Arts Festival Patron's Club: Gold Membership
- Friends of Le French May Arts Festival: 2016 Patron Blue

To promote best practices in environmental excellence and exchange knowledge amongst the top CSR leaders, we are the members of:

- Business Environment Council: Council Member
- Hong Kong Green Building Council: Bronze Patron Member

Our community involvement efforts have enabled the Group and several subsidiaries to continue to be awarded the "10 Years Plus Caring Company", "5 Years Plus Caring Company" and "Caring Company" logos' accreditation by The Hong Kong Council of Social Service.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui
Chairman and Managing Director

Dr. LO Ka Shui, aged 70, has been a member of the Board since 1980. He is the Chairman, Managing Director of the Company, the Chairman of the Finance Committee and is also a director of various subsidiaries of the Company. He is the Chairman and a Non-executive Director of the Manager of the publicly listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. During the past two years, he was an Independent Non-executive Director of China Mobile Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and City e-Solutions Limited. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a member of the Board of Trustees of the Hong Kong Centre for Economic Research, a Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Dr. Lo graduated from Mc Gill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Mr. Lo Kai Shui, 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.

Mr. LO Kai Shui
Executive Director and Deputy Managing Director

Mr. LO Kai Shui, aged 57, has been a member of the Board since 1984. He is the Deputy Managing Director, a member of the Finance Committee and a director of various subsidiaries of the Company. Mr. Lo is also a Non-executive Director of the Manager of the publicly listed Champion Real Estate Investment Trust and the founder of Sun Fook Kong Group Limited. He has decades of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors. Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. 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, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, 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 LO TO Lee Kwan
Non-executive Director

Madam LO TO Lee Kwan, aged 97, 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 actively involved in the early stage development of the Group. She is the mother of Dr. Lo Ka Shui, Mr. Lo Kai 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. CHENG Hoi Chuen, Vincent, aged 68, 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 China Minsheng Banking Corp., Ltd., MTR Corporation Limited, Hui Xian Asset Management Limited (Manager of the publicly listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and CK Hutchison Holdings Limited. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Company Limited and a former Executive Director of HSBC Holdings plc. Mr. Cheng is also a former Independent Non-executive Director of Hutchison Whampoa Limited, which has been withdrawn from listing on 3 June 2015. Mr. Cheng is a Vice Patron of Community Chest of Hong Kong and was a member of the Advisory Committee on Post-service Employment of Civil Servants. In 2008, Mr. Cheng was appointed a member of the National 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 64, 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 Remuneration Committee of the Company. Professor Wong is 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 Orient Overseas (International) Limited, Pacific Century Premium Developments Limited, and Sun Hung Kai Properties Limited, all of which are companies whose shares are listed on the Stock Exchange. He is a former Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and Link Asset Management Limited (Manager of the publicly listed Link Real Estate Investment Trust).

Mrs. LEE Pui Ling, Angelina

Independent Non-executive Director

Mrs. LEE Pui Ling, Angelina, aged 68, 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 practicing solicitor in Hong Kong and a partner of the firm of solicitors, Woo, Kwan, Lee & Lo. She is also a Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited. She is active in public service and is a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She has a Bachelor of Laws Degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. LEE Siu Kwong, Ambrose

Independent Non-executive Director

Mr. LEE Siu Kwong, Ambrose, aged 68, was appointed as an Independent Non-executive Director of the Company in January 2016 and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is currently an independent non-executive director of HSBC Bank (China) Company Limited and was a Non-executive director of Digital Broadcasting Corporation Hong Kong Limited. Mr. Lee had served with the Hong Kong Government for 38 years and retired from it in 2012. He joined the Hong Kong Government as an Immigration Officer in 1974. He advanced through the ranks and in 1998, took charge of the Department as Director of Immigration. In 2002, Mr. Lee was appointed as Commissioner of the Independent Commission Against Corruption and one year later, he was appointed as Secretary for Security of the HKSAR Government. Throughout his years of service, Mr. Lee developed ample experience in government administration, executive management, law enforcement and crisis management. Mr. Lee is 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 49, was appointed as an Independent Non-executive Director of the Company in March 2016. He has been teaching marketing-related subjects for the Master's Degree in Science program, MBA program and Global Executive MBA program (One MBA) 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. 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 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LO Hong Sui, Antony
Executive Director

Mr. LO Hong Sui, Antony, aged 75, 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 Kai 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 80, is an Executive Director and a director of certain 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 Kai 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.

Mr. LO Hong Sui, Vincent
Non-executive Director

Mr. LO Hong Sui, Vincent, aged 69, 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 Twelfth National Committee of the Chinese People's Political Consultative Conference, the Chairman of the Hong Kong Trade Development Council, 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, an Honorary Court Chairman of The Hong Kong University of Science and Technology. He was awarded 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 Mr. Lo Kai Shui and 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. LO Ying Sui
Non-executive Director

Dr. LO Ying Sui, aged 64, 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, an elder brother of Mr. Lo Kai Shui, 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 32, joined the Group in 2010 and was appointed as an Executive Director of the Company in December 2015. Mr. Lo holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, Great Eagle (China) Limited, The Great Eagle Development and Project Management Limited, Eagle Property Management (CP) Limited, Langham Hotels International Limited and Pacific Eagle China Orient (US) Real Estate GP, LLC. He is also a Non-executive Director of Langham Hospitality Investments Limited and LHIL Manager Limited (Manager of the publicly listed Langham Hospitality Investments). Prior to joining the Group, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of The Real Estate Developers Association of Hong Kong 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 Kai Shui, 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 65, has been a Director of the Group since 1988. He is an Executive Director, the General Manager and a member of the Finance Committee of the Company. Mr. Kan also holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, Great Eagle (China) Investment Limited, The Great Eagle Properties Management Company, Limited, Great Eagle Tokyo TMK, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Pacific Eagle Holdings Corporation and Pacific Eagle China Orient (US) Real Estate GP, LLC. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has decades of experience in finance, accounting, strategic development and corporate administration in the real estate, finance and construction industries.

Mr. CHU Shik Pui
Executive Director

Mr. CHU Shik Pui, aged 55, joined the Group in 1989 and was appointed as an Executive Director of the Company in December 2015. He is 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, an associate of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. 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.

SENIOR MANAGEMENT

HOTEL

Mr. Robert Allen WARMAN, aged 58, joined Langham Hospitality Group in 2014 as Chief Executive Officer. With more than 36 years' experience in the global luxury hospitality industry, Mr. Warman provides strategic guidance in the Company's operations, drives innovation, and oversees all the development processes on a global level. A graduate of De Paul University in Chicago, Mr. Warman was the president and chief operating officer of Capella Hotel Group, as well as co-chairman of the Capella Asia board prior to joining the Langham Hospitality Group. Prior to that, Mr. Warman had served for 18 years in various senior operational and executive roles at The Ritz-Carlton Hotel Company, from the first hotel in Buckhead, Atlanta through its expansion into 50 luxury hotels around the world.

Ms. LO Bo Lun, Katherine, aged 35, joined the hotel division of Great Eagle Group in 2011 and acted as Executive Director of Langham Hospitality Group Limited. She is a hospitality industry professional. In 2014, she was appointed President of Eaton Hotels. As President, she is launching and overseeing the global rebranding of a new generation of Eaton. She leads the global Eaton team to execute the new Eaton vision in concept, innovation, design, programming, branding, development, project openings, operations, marketing, public relations, and strategic partnerships. She graduated from Yale University with a Bachelor of Arts with distinction in Sociocultural Anthropology, and subsequently earned her Master of Fine Arts Degree from the University of Southern California. She is a daughter of Dr. Lo Ka Shui, the Chairman and Managing Director of the Company. She is also a granddaughter of Madam Lo To Lee Kwan, a niece of Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and an elder sister of Mr. Lo Chun Him, Alexander, all being Directors of the Company.

Mr. LUK Chau Kwong, Eric, aged 57, is the Head of Finance and Legal of the Group's Hotel Division who rejoined the Group in 2002. He first joined the Group in 1994 and had held previous positions including Vice President – Finance and Group Financial Controller for Langham Hospitality Group and various capacities at hotel properties under the Group. He has more than 30 years' hotel management experience and works extensively on the management, operations and acquisition of the Group's hotel projects globally.

ASSET MANAGEMENT AND BUSINESS DEVELOPMENT

Mr. Brett BUTCHER, aged 57, is the Chief Executive Officer of GE Hospitality Asset Management Limited. He held previous senior executive positions in Langham Hospitality Group between 2002 and 2013. Mr. Butcher holds a Bachelor's Degree in Business (Hospitality Management) and has extensive experience in both hotel operations and sales and marketing. His hotel career now spans 37 years and has covered assignments in Asia, the Pacific and North America.

Mr. LAM Kin Kwok, Sherman, aged 57, joined the Group in September 2013 as Director of Strategy and Business Development and is the President of Pacific Eagle Holdings Corporation, overseeing Great Eagle's property investments and developments as well as real estate fund in the US. Mr. Lam held senior roles in both privately held and publicly listed organisations. Prior to Great Eagle Holdings, he served as the Chief Executive Officer of Rainbow Land Holdings Limited, the Chief Financial Officer of Langham Hotels International Limited, Strategic Planning and Development Director with the Fok Ying Tung Group and General Manager – Corporate Development of HKR International Limited. Mr. Lam had also worked with global petro-chemical giant, Shell in China and Hong Kong, and held various key roles with the HK-listed power company, CLP Group.

CHINA

Mr. LU Ning, Michael, aged 44, Managing Director of the Group's China and Trading Divisions, joined the Group in May 2008. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Mr. AU Ngai Ho, aged 59, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the PRC. Mr. Au joined the Group in 1977 and has over 36 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

PROJECT DEVELOPMENT

Mr. Allen MATIS, aged 57, is the Head of Development and Project Management Department. With over 36 years of experience in real estate development and private equity investment in Asia and USA, and specific expertise in Greater China, he oversees the project portfolio of the Group. Mr. Matis had held key positions in multi-national organisations. Prior to joining the Company in 2015, he was an Executive Vice President – Property of SilverNeedle Hospitality Group responsible for capital placement, acquisition and development of the group's real estate portfolio. He had also worked for LaSalle Investment Management's Opportunistic Funds, LaSalle Asia Opportunity Fund II and LaSalle Asia Opportunity Fund III as Regional Director of Development for a portfolio with an aggregate investment in excess of US$4 billion spread over 30 projects. Prior to that, he had worked for Bovis Lend Lease for 17 years and served in senior operational and executive roles including the Country Manager of Greater China. He graduated from The University of Illinois with a Bachelor of Science Degree in Civil Engineering.

Mr. Toby BATH, aged 59, is the Managing Director, Projects – Asia and Europe of The Great Eagle Development and Project Management Limited. He is a Member of the Royal Institute of British Architects (RIBA) and of the Association for Project Management (MAPM), an Associate of the American Institute of Architects and a LEED Accredited Professional. He graduated from Oxford School of Architecture and Urban Design, United Kingdom with a Bachelor of Architecture (Honors) Degree and is a holder of Post Graduate Diploma in both Architecture and Urban Design respectively conferred by Oxford Brooks University, United Kingdom. Prior to joining the Group in 2016, he had held directorate appointments in various multi-national architecture and interior design firms and acted as owner's representative playing vital roles in diverse stages of master planning, architecture and urban design for over 30 years. His all-round portfolio combines an array of projects including commercial and retail, hotels and resorts, residences, corporate offices and campuses, aviation and transportation projects, convention centers and auditoriums.

Mr. Simon BAXTER, aged 44 is the Managing Director of the Centre of Expertise (COE) within The Great Eagle Development and Project Management Limited. The COE supports all development and project management teams of the Group around the world with expertise in planning, architecture, engineering, procurement and scheduling. Prior to joining the group, Mr. Baxter held senior leadership positions in two large international project management and consulting organisations delivering construction projects in more than 30 countries around the world. He has extensive experience in all real estate development sub-sectors including hospitality, residential, retail, commercial office and public buildings. He graduated from the University of Northumbria in the United Kingdom with a Bachelor Science Degree in Quantity Surveying and Construction Economics.

Mr. KWAN Chun Bon, James, aged 56, is the General Manager – Development of The Great Eagle Development and Project Management Limited. He has over 30 years extensive working experience in real estate fields which includes development projects and investment properties. Mr. Kwan has been serving the Group since September 1994. He holds a Professional Diploma in Estate Management (Hong Kong Polytechnic) and is a member of the Hong Kong Institute of Real Estate Administrators. He is now overseeing the Group's Development Department and handling prospective development projects and real estate investments and acquisition.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

PROPERTY MANAGEMENT

Mr. LEUNG Tat Kai, Henry, aged 63, Director and the General Manager of The Great Eagle Properties Management Company, Limited, joined the Group in 2002. He is responsible for the management of the Group's property portfolio. Mr. Leung holds a Bachelor's Degree in Laws. He is a member of the Royal Institution of Chartered Surveyors and an associate member of The Institute of Chartered Secretaries and Administrators. He has over 33 years' experience in the real estate industry and property management.

COMPLIANCE AND ADMINISTRATION

Ms. WONG Mei Ling, Marina, aged 50, is the Group Company Secretary and the Head of Company Secretarial and Administration Department. Ms. Wong is also responsible for the company secretarial matters of the publicly listed trusts, Champion Real Estate Trust and Langham Hospitality Investments. Ms. Wong is a Fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration jointly awarded by the University of Wales and the University of Manchester and a Bachelor of Arts Degree in Accountancy from City Polytechnic of Hong Kong respectively. Ms. Wong had over 20 years of post qualification experience in company secretarial and compliance. Prior to joining the Company in 2008, Ms. Wong was the Company Secretary of a major red chip listed company in Hong Kong, where she obtained extensive working experience of China business.

FINANCE

Mr. MOK Siu Bun, Terry, aged 63, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 35 years' experience in accounting and finance in the real estate industry.

INTERNAL AUDIT

Mr. HO Hon Ching, Barry, aged 54, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom, a Master's Degree in Business Administration from The University of Hong Kong and a Postgraduate Diploma in IT Forensics. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Information Systems Auditor. In addition, Mr. Ho has also earned the Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors (IIA), and the qualification of Certified in Risk and Information Systems Control (CRISC) from the Information Systems Audit and Control Association (ISACA). He has extensive experience in accounting, statutory auditing, IT auditing, internal auditing, risk management and corporate governance.

LEGAL

Mr. HUNG Ka Wai, aged 52, the Head of Legal of the Group, joined the Group in December 2011. Mr. Hung holds a Bachelor of Laws degree, a Postgraduate Certificate in Laws and a Master of Laws degree. Besides, he is also a graduate of the Law School of the University of New South Wales with a Master Degree in the Australian law. He is also a holder of the diploma in arbitration awarded by the Royal Institution of Chartered Surveyors. He was admitted as a solicitor in Hong Kong in 1996 with more than 20 years of experience in corporate finance and compliance work in listed companies. He is also a member of the Chartered Institute of Arbitrators in the United Kingdom, the Institute of Chartered Accountants in England and Wales, Chartered Accountants Australia and New Zealand and The Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

Great Eagle Holdings Limited is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost Shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of our Shareholders. The Board of Directors of the Company will from time to time monitor and review the Company's corporate governance practices in light of the regulatory requirements and the needs of the Company to underpin our engrained value of integrity and accountability. The major activities since 1 January 2016 are set out below:

- **Changes in Board Composition**
  On 28 January 2016, Mr. Lee Siu Kwong, Ambrose was appointed as an Independent Non-executive Director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. On 18 March 2016, Professor Poon Ka Yeung, Larry was appointed as an Independent Non-executive Director of the Company, and Mr. Zhu Qi resigned as the Independent Non-executive Director of the Company and ceased to be a member of the Audit Committee of the Board. Professor Poon Ka Yeung, Larry was further appointed as a member of the Nomination Committee of the Board on 30 May 2016. Formal announcements and updated lists of Directors of the Company and their respective roles and functions in relation thereto were published.

- **Grant of Share Options**
  It is the normal practice of the Company to grant share options to the eligible employees (including Executive Directors) each year shortly after the publication of annual results announcement of the Company in the first quarter. During the year ended 31 December 2016, 4,426,000 share options were granted to the eligible employees (including Executive Directors and their associates) at the exercise price of HK$25.70 per share on 14 March 2016.

- **General Mandates to Buy-back and to Issue Shares of the Company**
  General mandates to buy-back no more than 10% of the shares and issue no more than 20% of the shares of the Company were granted by the Shareholders at the Annual General Meeting ("2016 AGM") of the Company held on 10 May 2016.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Board of Directors is responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report. It plays a central support and supervisory role in the Company's corporate governance duties. The governance framework of the Company is constituted by the Statement of Corporate Governance Practice of the Company. It serves as an ongoing guidance for the Directors to perform and fulfill their respective roles and obligations to the Company.

Corporate Governance Practice

The Company has in place a set of governance policies and procedures which constituted the core elements of the governance framework of the Group. They include:

- **Reporting and Monitoring Policy on Connected Transactions**
  The purpose of this policy is to set out the internal control systems and monitoring procedures of the Company in respect of executing, recording and reporting of all connected transactions and continuing connected transactions no matter they are exempted transactions or otherwise.

- **Schedule of Matters Reserved for the Board**
  It sets out a list of major issues preserved for the decision of full Board, except when an appropriate board committee is set up for the matter pursuant to a resolution passed by the full Board.

- **Policy on the Preservation and Prevention of Misuse of Inside Information**
  It sets out the Company's internal control systems and monitoring procedures to preserve and prevent the misuse of inside information and ensure all persons to whom the policy applies understand their obligations to preserve the confidentiality of unpublished inside information and assist them and the Company to comply with their obligations to disclose inside information.

- **Code of Conduct**
  It sets out the basic standards of behaviour expected of all employees (including Executive Directors) and the Group's policy on matters like acceptance of advantages and declaration of conflict of interest by employees in connection with their official duties.

- **Code of Conduct regarding Securities Transactions by Directors and Relevant Employees**
  It sets out the required standards against which the Directors and relevant employees of the Company must measure their conduct regarding transactions in securities of the Company or any listed entities in which the Company has 20% or above interest in share capital and the Director or the relevant employee is in possession of unpublished inside information of such entities.

- **Shareholder Communication Policy**
  It reflects the current practice of the Company in communications with Shareholders.

The Board regularly reviews these policies and procedures, and further enhancement will be made from time to time in light of the latest statutory and regulatory regime and applicable international best practices. Copies of the principal governance policies can be obtained from the Company's website at www.GreatEagle.com.hk.

Compliance with Corporate Governance Code and Listing Rules

During the year, the Company has complied with most of the code provisions and where appropriate, adopted some of the recommended best practices as set out in the CG Code. Set out below are the details of the deviations from the code provisions and non-fulfillment of Rule 3.10A of the Listing Rules:

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

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

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

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

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

Under the existing Bye-laws of the Company, the Executive Chairman and Managing Director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, Directors who hold the offices of either the Executive Chairman or the Managing Director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the Executive Chairman and Managing Director of the Company to retirement by rotation. Dr. Lo Ka Shui is the Executive Chairman and Managing Director of the Company. His interests in shares and underlying shares of the Company and associated corporations are set out in the Report of the Directors 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. A biography of Dr. Lo and details of his emoluments are also provided on page 149 of this Annual Report and in note 11 to the consolidated financial statement respectively.

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.

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

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

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

Following the appointment of two additional Executive Directors to the Board on 2 December 2015, the number of Independent Non-executive Directors of the Board was less than one-third of the members of the Board. Upon the appointment of Mr. Lee Siu Kwong, Ambrose as an Independent Non-executive Director with effect from 28 January 2016, the Company had then fulfilled the requirement of Rule 3.10A of the Listing Rules and within three months from 2 December 2015 as required under Rule 3.11 of the Listing Rules. No issues preserved for the decision of full Board was considered during the period from 3 December 2015 to 27 January 2016. The Board Meeting held on 28 January 2016 was solely for the approval of the appointment of additional Independent Non-executive Director.

BOARD OF DIRECTORS

Board Responsibilities

The Board of Directors assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Company. The Board is responsible for overseeing the management and operation of the Group, and is ultimately accountable for the Group's activities, strategies and financial performance.

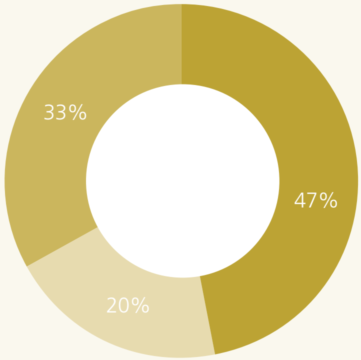
MEMBERS OF THE BOARD OF DIRECTORS

- The Board currently has fifteen members, seven Executive Directors and eight Non-executive Directors, five of whom are Independent Non-executive Directors.
- The Board comprises a relatively balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors representing one-third of the Board) that can ensure there is adequate independent judgment for the running of the Company's business.
- The members of the Board comprise experts from various professions with extensive experience and have appropriate professional qualifications or accounting or related financial management expertise.

Board Composition

The composition of the Board during the year is set out as follows:

Executive Directors
Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Kai Shui *(Deputy Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. LO Chun Him, Alexander
Mr. KAN Tak Kwong *(General Manager)*
Mr. CHU Shik Pui



Non-executive Directors
Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui

Independent Non-executive Directors
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. LEE Siu Kwong, Ambrose *(appointed on 28 January 2016)*
Professor POON Ka Yeung, Larry *(appointed on 18 March 2016)*
Mr. ZHU Qi *(resigned on 18 March 2016)*

The changes to the composition of the Board and Board Committees since 1 January 2016 were as follows:

- Mr. Lee Siu Kwong, Ambrose was appointed as an Independent Non-executive Director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board on 28 January 2016;
- Professor Poon Ka Yeung, Larry was appointed as an Independent Non-executive Director of the Company on 18 March 2016 and as a member of the Nomination Committee of the Board on 30 May 2016; and
- Mr. Zhu Qi resigned as an Independent Non-executive Director of the Company and ceased to be a member of the Audit Committee of the Board on 18 March 2016.

Madam Lo To Lee Kwan is the mother of Dr. Lo Ka Shui, Mr. Lo Kai 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. Saved as disclosed above, there are no family or other material relationships among members of the Board.

The Bye-laws of the Company requires that one-third of the Directors (other than the Executive Chairman and Managing Director) should retire by rotation. The re-election of each retiring Director is voted by poll on an individual basis.

CORPORATE GOVERNANCE REPORT

In all corporate communications, the Company has disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 47 to 54 of this Annual Report and maintained on the Company's website at www.GreatEagle.com.hk.

Independence of Independent Non-executive Directors

The participation of Independent Non-executive Directors in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all Shareholders of the Company have been duly considered.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence, and considers the five Independent Non-executive Directors of the Company fulfill the independence guidelines set out in Rule 3.13 of the Listing Rules. Re-election of all Directors will be subject to a separate resolution at the Annual General Meeting to be approved by Shareholders. Three of the Independent Non-executive Directors, namely Mr. Cheng Hoi Chuen, Vincent, Professor Wong Yue Chim, Richard and Mrs. Lee Pui Ling, Angelina have served on the Board for more than nine years. The Nomination Committee is fully satisfied that they demonstrate complete independence in character and judgement both in their designated roles and as Board members and is of the opinion that they continue to bring independent view of the Company's affairs to the Board notwithstanding their length of service. The Board believes that their in-depth knowledge of the Group's business and their extensive experience and expertise continue to provide invaluable contribution to the Board.

Directors Orientation and Continuing Development

The Company has established a Director Development Program that fosters the continuous education of Board members. The program has two components namely (1) New Director Orientation and (2) Ongoing Director Development.

Newly appointed Directors will receive a comprehensive induction package designed to provide a general understanding of the Group, its business, the operations of the Board and the main issues it faces. The induction package reviews the Board's policies and procedures; Great Eagle's Bye-laws and current organisation structure; the most recent annual and interim reports and key business issues. In addition, a new Director will have a one-on-one meeting with the Company Secretary with the purpose of assisting the new Director in understanding the role of the Board and its committees, and the commitment expected of a Director.

To keep abreast of the responsibilities of the Directors and infuse them with new knowledge, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director will be provided to each Director by the Company Secretary periodically. With regard to the Director Development Program in 2016, legal and regulatory updates on the Listing Rules, Securities and Futures Ordinance, Competition Ordinance and Personal Data (Privacy) Ordinance, various reading materials regarding global economics environment were circulated to the Directors. All Directors, except Madam Lo To Lee Kwan, participated in the Program and/or other continuous professional development and had provided a record of at least 10 hours' training they received to the Company.

SUMMARY OF KEY MATTERS RESERVED FOR THE BOARD

Strategy

- Approval of the Group's long term objectives and corporate strategy
- Extension of the Group's activities into new business of material nature
- Any decision to cease to operate all or any material part of the Group's business
- Any change in the Company's domicile or listing status

Structure and Capital

- Recommendations to the Shareholders of proposals relating to General Mandates to buy-back existing shares and issue new shares
- Changes relating to the Group's capital structure
- Major changes to the Group's corporate structure, management and control structure

Financial and Corporate Governance

- Approval of the annual report, interim report and results announcements
- Declaration of interim dividend and recommendation of final dividend
- Approval of any significant changes in accounting policies or practice
- Approval of substantial acquisition or disposal
- Approval of material connected transactions
- Approval of major capital expenditures
- Approval of terms of reference of Board committees
- Review of the Group's overall corporate governance arrangements
- Approval of the Group's governance policies

Board Membership and Other Appointments

- Appointment of membership of Board Committees
- Appointment or removal of the Company Secretary
- Appointment, re-appointment or removal of the external auditor to be put to Shareholders for approval, if required

Supply and Access to Information

Directors are provided with monthly reports covering highlights of the Company's major businesses to keep abreast the Directors of the Group's business performance and enable them to bring informed decisions in the best interests of the Company and Shareholders. More thorough and comprehensive management and financial updates were provided to all Board members on a quarterly basis to ensure each member is aware of the financial performance and position of the Company. The Directors are also kept updated of any material developments from time to time through notifications and circulars. Discussion sessions between the Board of Directors and the key members of management are held regularly twice a year. Directors also have access to Senior Management of the Company.

The Board Members may obtain independent professional advice for the purposes of discharging their duties and responsibilities. Such advice may be obtained at the Company's expense upon reasonable request. The Company Secretary is responsible to make all necessary arrangement. The Directors also have access to the advice and services of the Company Secretary, who is responsible to ensure Board procedures and all applicable rules and regulations are followed.

As an employee of the Company, the Company Secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed, advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of Directors. She is a fellow of The Hong Kong Institute of Chartered Secretaries and attained not less than 15 hours of professional training to update her knowledge and skill each year. Her biography is set out in the Biographical Details of the Directors and Senior Management section of this Annual Report.

Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals, to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters as set out in the Schedule of Matters Reserved for the Board.

PROCEEDINGS OF THE BOARD

- In accordance with the Bye-laws of the Company, a resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held. If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.

- At least 14 days' formal notice of a regular Board meeting will be given to all Directors and all Directors are given the opportunity to include any matters for discussion in the agenda for each regular Board Meeting. For special Board meeting, reasonable notice will be given.

- An agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting or Committee meeting. All Directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it.

- A Director may participate in a meeting of the Board by means of a conference telephone. Unless otherwise determined, two Directors shall be a quorum.

- Draft and final version of minutes are circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting. All Board and Board Committee minutes or resolutions shall be kept by the Company Secretary or the Committee Secretary and are available for Directors' inspection.

Directors' Attendance at Board Meetings

Six full physical Board meetings were held during the financial year ended 31 December 2016. The attendance of individual Directors at these Board meetings during the year ended 31 December 2016 is set out below:

Name of Directors	Number of Board Meeting Attended/ Eligible to Attend for the year ended 31 December 2016
Executive Directors	
LO Ka Shui [(1)]	6/6
LO Kai Shui [(2)]	3/6
LO Hong Sui, Antony	5/6
LAW Wai Duen	6/6
LO Chun Him, Alexander	6/6
KAN Tak Kwong [(3)]	6/6
Chu Shik Pui	6/6
Attendance Rate:	90.48%
Non-executive Directors	
LO TO Lee Kwan [(4)]	0/6
LO Hong Sui, Vincent	6/6
LO Ying Sui	5/6
Attendance Rate:	61.11%
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	6/6
WONG Yue Chim, Richard	4/6
LEE Pui Ling, Angelina	6/6
LEE Siu Kwong, Ambrose [(5)]	5/5
POON Ka Yeung, Larry [(6)]	4/4
ZHU Qi [(7)]	2/2
Attendance Rate:	93.10%
Overall Attendance Rate	**85.39%**

Notes:
(1) Chairman and Managing Director
(2) Deputy Managing Director
(3) General Manager
(4) Co-founder of the Company
(5) Appointed on 28 January 2016
(6) Appointed on 18 March 2016
(7) Resigned on 18 March 2016

Directors' and Officers' Insurance

During the year ended 31 December 2016, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Directors' Securities Transactions

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company 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. The Directors' interests in the securities of the Company and its associated corporations (within the meaning of the SFO) as at 31 December 2016, are set out on pages 85 to 88 of this Annual Report.

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 year ended 31 December 2016.

DELEGATION BY THE BOARD

Management Functions

Under the leadership and supervision by the Board, day-to-day management and operation of the Group are delegated to divisional management. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back. Apart from the above, the divisional management is also accountable for the execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant statutory requirements, rules and regulations.

Board Committees

The Board of Directors has established four standing Board Committees with clear terms of reference to review specific issues or items. They are the Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee. These Board Committees also adopted the same principles, procedures and proceedings of the Board of Directors.

Audit Committee

The Audit Committee of the Company was established in 1999. The role of the Audit Committee is to review the reports and proposals from management and to make recommendations to the Board of Directors of the Company in respect of the financial reporting and other statutory obligations, risk management and internal control systems, and audit process with a view to assist the Board to fulfill its duties in relation to internal control, risk management and financial management. The Audit Committee is advisory and not supervisory in nature and its principal duties are as follows:

(a) to review the Company's half-year and annual report and financial statements of the Company and provide comments and advices thereon to the Board;

(b) to discuss with the management the Company's statement on risk management and internal control systems, to review the internal audit programme and internal auditors' reports, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(c) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the audit fee and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(d) to review the external auditor's management letter, any material queries from the auditor to management in respect of the accounting records, financial accounts or system of internal control and management's response to the points raised;

(e) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(f) to review the implementation and compliance of the Deed of Right of First Refusal dated 10 May 2013 entered into between the Group and LHI regarding the grant of a right of first refusal by the Group to LHI in relation to certain investment and disposal of hotel properties by the Group as more particularly described in the prospectus of LHI in order to maintain a clear delineation of the respective businesses of LHI and that of the Group.

The written terms of reference of the Audit Committee are posted on the websites of the Company and HKEX.

The Audit Committee currently comprises four Independent Non-executive Directors, namely, Mr. Cheng Hoi Chuen, Vincent (who is the chairman of the Audit Committee), Professor Wong Yue Chim, Richard, Mrs. Lee Pui Ling, Angelina and Mr. Lee Siu Kwong, Ambrose (appointed on 28 January 2016).

AUDIT COMMITTEE MEETINGS HELD IN 2016

During the year ended 31 December 2016, two meetings of the Audit Committee were held and save that a member was absent from one of the meetings, all members were present at the meetings. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed various internal audit activities and approved the annual audit plan;
- reviewed the effectiveness of the risk management and internal control systems;
- reviewed the significant findings and recommendations from the internal auditor and monitored subsequent implementations;
- reviewed the external auditor reports for the year ended 31 December 2015 and for the period ended 30 June 2016 respectively which summarise the principal matters of governance interest that had arisen from their audit;
- reviewed the Group's accounting, finance and reporting functions, legal and regulatory, and governance and compliance issues;
- reviewed the audited financial statements for the year ended 31 December 2015 and the unaudited financial statements for the six months ended 30 June 2016, with particular regard to major judgmental issues including:
  (1) the Group's intention and ability to hold the held-to-maturity investments in light of its capital maintenance and liquidity requirements;
  (2) the changes in fair value of the Group's investment properties, situated in Hong Kong, the United States and the People's Republic of China that resulted in deferred taxation liabilities;
  (3) the Group's control over the U.S. Fund that was accounted for as a subsidiary of the Company in accordance with the HKFRS;
  (4) the accounting treatments of the valuation of the investment properties situated in Hong Kong, the United States and the People's Republic of China; and the fair value of non-quoted derivative financial instruments;
- reviewed and approved the draft 2015 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2016 Interim Report and interim results announcement of the Company; and
- reviewed and considered the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor and approved their remuneration.

Remuneration Committee

The Company established the Remuneration Committee in 2004. The Remuneration Committee adopts model of determining the remuneration packages for all Directors and Senior Management. It is also responsible for setting up formal and transparent procedures to formulate policy on Executive Directors' remuneration and to ensure remuneration levels are sufficient to attract and retain Directors to run the Company successfully without paying more than necessary. The principal duties of the Remuneration Committee are as follows:

(a) to have the delegated responsibility to determine the remuneration packages of the Company's employees including Executive Directors and Senior Management; and

(b) to decide on the grant of share options under such Share Option Scheme as may from time to time be adopted by the Company.

The written terms of reference of the Remuneration Committee are posted on the websites of the Company and HKEX.

The Remuneration Committee currently comprises four Independent Non-executive Directors, namely, Mrs. Lee Pui Ling, Angelina (who is the chairman of the Remuneration Committee), Mr. Cheng Hoi Chuen, Vincent, Professor Wong Yue Chim, Richard and Mr. Lee Siu Kwong, Ambrose (appointed on 28 January 2016).

REMUNERATION COMMITTEE MEETING HELD IN 2016

During the year ended 31 December 2016, one meeting of Remuneration Committee was held and all members were present at the meeting. As Mr. Lee Siu Kwong, Ambrose was appointed as a member of Remuneration Committee on 28 January 2016, he has no attendance record during the year. The following is a summary of the major work done of the Remuneration Committee at the meeting:

- reviewed and approved the proposals for 2016 general salary revision of and discretionary bonus distribution to the employees of the Group;
- reviewed and approved the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group;
- reviewed and recommended the Directors' fee and remuneration for Non-executive Directors for the year 2016; and
- reviewed and approved the annual grant of share options of the Group.

All Executive Directors are under salaried employment in the Company. Review of the emoluments of Directors and Senior Management by the Remuneration Committee during the year was based on the skill and knowledge of the Directors and Senior Management, their job responsibilities and involvement in the Group's affairs, the Company's performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions.

No Director should be involved in deciding his/her own remuneration. The remunerations of individual Director and Senior Management are determined by the Remuneration Committee which comprises only Independent Non-executive Directors. The remuneration package offered to the Directors and Senior Management of the Company comprises core fixed elements (including base salary, retirement benefits scheme contributions and other benefits) as well as discretionary variable elements (including discretionary bonuses). Details of Directors' emoluments are provided in note 11 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee in 2005. The written terms of reference of the Nomination Committee are posted on the websites of the Company and HKEX.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession. The principal duties of the Nomination Committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and

(d) to assess the independence of Independent Non-executive Directors.

The Nomination Committee recommends candidates for nomination to the Board. Appointments to the Board shall be on merit and against objective criteria and with due regard for the benefits of diversity. There are many considerations that factor into the Nomination Committee's nomination process including legal requirements, best practices, and skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. But it will not set any restrictions like gender, age, cultural or educational background when short listing candidates. The Board approves the final choice of candidates.

The Committee believes that independence is an important part of fulfilling the Directors' duty to supervise the management of the business and affairs of the Company. Non-executive Directors and Executive Directors are required to disclose his/her competing businesses to the Company. Cross-directorships in Hong Kong or overseas between Directors are also reviewed annually. The Nomination Committee is accountable for assessing whether any competing businesses or interlocking directorships could materially interfere with the exercise of objective and unfettered judgement by relevant Directors or their ability to act in the best interests of the Group.

The Nomination Committee currently comprises five Independent Non-executive Directors, namely, Professor Wong Yue Chim, Richard (who is the chairman of the Nomination Committee), Mr. Cheng Hoi Chuen, Vincent, Mrs. Lee Pui Ling, Angelina, Mr. Lee Siu Kwong, Ambrose (appointed on 28 January 2016) and Professor Poon Ka Yeung, Larry (appointed on 30 May 2016).

NOMINATION COMMITTEE MEETING HELD IN 2016

During the year ended 31 December 2016, one meeting of Nomination Committee was held and all members were present at the meeting. In addition, Committee members also participated in the consideration and approval of matters of the Committee by way of written resolutions circulated to them. As Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry were appointed as members of Nomination Committee on 28 January 2016 and 30 May 2016 respectively, they have no attendance records during the year. The following is a summary of the major work done of Nomination Committee at the meeting and by way of written resolutions:

- reviewed the structure, size and composition of the Board, and the contribution required from the Board members;
- reviewed the time commitment of Non-executive Directors to the affairs of the Company through, inter alia, their meeting attendance and other listed Company's directorships;
- reviewed the independence of Independent Non-executive Directors;
- approved the nomination of retiring Directors to seek for re-election at the 2016 Annual General Meeting; and
- approved the nominations of new Independent Non-executive Directors.

Finance Committee

The Company established the Finance Committee in 2003 which comprises three Executive Directors, namely Dr. Lo Ka Shui (who is the chairman of the Finance Committee), Mr. Lo Kai Shui and Mr. Kan Tak Kwong. Matters considered by the Finance Committee and the decisions reached are reported to the Board at regular Board meetings.

The role of the Finance Committee is to assist the Board in overseeing its policies and fulfilling its responsibilities with respect to financial matters. Apart from the day-to-day interactions, the principal duties of the Finance Committee are as follows:

(a) to review the financial position of the Company; and

(b) to review and consider the present or future borrowings and/or other financial obligations and/or liabilities, actual, contingent or otherwise of the Group.

A general mandate had been granted to the Finance Committee for the use of seal of the Company in relation to the provision of guarantee or indemnity by the Company as may be required to support any tender submissions to be made by the Group in order to streamline the administration procedures.

DIRECTOR'S FEE AND BOARD COMMITTEE REMUNERATION

A Director is entitled to receive a Director's fee of HK$160,000 for the year ended 31 December 2016. The Director's fee had been proposed by the Board on the recommendation of the Remuneration Committee based on the general duties and responsibilities as a Director of the Company and approved by Shareholders at the 2016 Annual General Meeting, and payable to each Director as ordinary remuneration.

The annual remunerations received by the chairman and the members of the respective Board Committees are set out below. These remunerations were determined by the Board with reference to the time and effort involved in his/her specific duties and services and the prevailing market conditions.

	2016 **HK$**	2015 HK$
Audit Committee		
• Chairman	**220,000**	220,000
• Committee Member	**170,000**	170,000
Remuneration Committee		
• Chairman	**70,000**	70,000
• Committee Member	**60,000**	60,000
Nomination Committee		
• Chairman	**50,000**	50,000
• Committee Member	**40,000**	40,000
Finance Committee		
• Chairman	**Nil**	Nil
• Committee Member	**Nil**	Nil

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group entered into certain connected transactions and continuing connected transactions. Disclosure requirements in accordance with the Listing Rules had been fully complied with.

Details of the non-exempted connected transactions and continuing connected transactions entered during the year and the annual review are set out on pages 89 to 94 in the Report of the Directors contained in this Annual Report.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Certain of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 42 to the consolidated financial statements.

AUDITOR'S REMUNERATION

During the year ended 31 December 2016, the total fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

	2016 HK$'000	2015 HK$'000
Services rendered		
Audit services	**8,405**	8,281
Non-audit services		
Taxation services	**972**	1,194
Interim review fee	**1,342**	1,320
Other review fees	**605**	332
	11,324	11,127

Note: The total amount of Auditor's Remuneration as disclosed in note 10 to the consolidated financial statements is HK$15,182,000 which comprises audit services provided by other auditors in the total amount of HK$6,777,000, but does not include the fees in respect of non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is entrusted with the overall responsibility on an ongoing basis for ensuring that appropriate and effective risk management and internal control systems are established and maintained for the Group. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure there are appropriate and effective risk management and internal control systems within the Group:

(a) a good control environment including well defined organisational structure, limit of authority, reporting lines and responsibilities;

(b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by major business entities of the Group;

(c) appropriate risk mitigating activities including clear and written company policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives;

(d) effective information platforms to facilitate internal and external information flow; and

(e) structural Internal Audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the Group's Internal Audit Department, the Board has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

With adoption of a risk-based approach, the Internal Audit Department takes the lead to evaluate the risk management and internal control systems of the Group by reviewing all its major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The annual audit plan and the long-term strategy plan of the Internal Audit Department are approved by the Audit Committee. The Head of Internal Audit Department reports directly to the Managing Director and the Audit Committee. Results of the audit reviews in the form of internal audit reports are submitted to the members of the Audit Committee for discussion at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Audit Department to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2016 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in risk management and internal controls systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the Group has maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2016.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board, supported by the Accounts and Finance Department, is responsible for the preparation of the accounts of the Company and its subsidiaries for the year ended 31 December 2016.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on pages 101 and 105 of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of maintaining an on-going dialogue with the Shareholders. A Shareholders' Communication Policy, which is reviewed by the Board on a regular basis, had been established to promote effective engagement with Shareholders, both individual and institutional investors, and other stakeholders, giving them ready access to balanced and understandable information about the Company and corporate proposals, and making it easy for Shareholders to participate in general meetings.

The Board is committed to promote consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information about the Company to the market. Corporate communications of the Company, including but not limited to annual reports, interim reports, and notices of meetings, announcements, circulars and other relevant Company's information are available on the website of the Company at www.GreatEagle.com.hk. The Company Secretary is responsible for overseeing and co-coordinating disclosure of information to the regulators and Shareholders, and providing guidance to Directors and employees on disclosure requirements and procedures.

One of the principal channels of communication with the Shareholders is the Annual General Meeting. The Company ensures the Shareholders' views are communicated to the Board. Proceedings of General Meetings are reviewed from time to time to ensure that the Company follows the best appropriate corporate governance practices.

PROCEEDINGS OF GENERAL MEETINGS

- At each general meeting, each substantially separate issue will be considered by a separate resolution.
- Printed copies of the corporate communications including annual reports, circulars, explanatory statements and related documents or their respective notification letters of publication (as the case may be) will be despatched to Shareholders no less than 20 clear business days prior to the Annual General Meeting and general meeting where a special resolution is proposed for consideration or no less than 10 clear business days for other general meeting. Detailed information on each resolution to be proposed will also be provided.
- The Chairman of the Board and the respective Board Committees or their duly appointed delegates and other Board members will attend the Annual General Meeting to answer questions from Shareholders.
- The external auditor will attend Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and any other related questions as may be raised by the Shareholders.
- All votes of Shareholders at general meeting will be taken by poll. The procedures for conducting a poll will be explained at the meeting.
- Independent scrutineer will be engaged to ensure all votes at general meeting are properly counted.
- Poll vote results will be posted on the websites of the Company and HKEX on the same day after the meeting.

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Shareholders, the Company has provided registered Shareholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of the Company for the information or action of Shareholders as defined in Rule 1.01 of the Listing Rules) by electronic means through the Company's website or in printed form.

To ensure mutual and efficient communications, the Company meets institutional investors, financial analysts and media regularly at analyst briefings, investor meetings, one-on-one group meetings, local and overseas conference and roadshows. Investors and Shareholders may visit the Company's website for details of the Company's recent press release and results announcement presentation and may also send enquiries to the Board through the Company's website or by email at enquiry@greateagle.com.hk. A financial calendar setting out the important dates is contained in this Annual Report on page 5.

General Meeting held in 2016

One General Meeting of the Company was held in 2016. Set out below are the details of the said Meeting:

2016 Annual General Meeting

The 2016 Annual General Meeting was held on 10 May 2016 at Yat Tung Heen, 2nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Dr. Lo Ying Sui, Mr. Lo Chun Him, Alexander, Mr. Kan Tak Kwong, Mr. Chu Shik Pui, Professor Wong Yue Chim, Richard, Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry had attended the Annual General Meeting in 2016. The matters resolved thereat are listed below.

	Ordinary Resolutions	Percentage* of Votes in favour of the Resolution
1.	Received the audited consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 December 2015 together with the Reports of the Directors and Independent Auditor thereon.	99.99%
2.	Approved the payment of a Final Dividend of HK47 cents per share and a Special Final Dividend of HK$2.00 per share.	99.99%
3.	Re-elected Mr. Lo Hong Sui, Vincent as a Non-executive Director.	81.91%
4.	Re-elected Dr. Lo Ying Sui as a Non-executive Director.	78.40%
5.	Re-elected Madam Law Wai Duen as an Executive Director.	99.41%
6.	Re-elected Mrs. Lee Pui Ling, Angelina as an Independent Non-executive Director.	98.76%
7.	Re-elected Mr. Lo Chun Him, Alexander as an Executive Director.	99.42%
8.	Re-elected Mr. Chu Shik Pui as an Executive Director.	99.42%
9.	Re-elected Mr. Lee Siu Kwong, Ambrose as an Independent Non-executive Director.	99.97%
10.	Re-elected Professor Poon Ka Yeung, Larry as an Independent Non-executive Director.	99.99%
11.	Fixed the ordinary remuneration of HK$160,000 payable to each Director for the year 2016.	99.99%
12.	Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor and authorised the Board of Directors to fix their remuneration.	99.60%
13.	Approved the grant of a general mandate to the Directors to buy-back shares not exceeding 10% of the issued share capital.	99.99%
14.	Approved the grant of a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital.	71.53%
15.	Approved the increase in authorised share capital.	79.43%

* truncated to two decimal places.

SHAREHOLDERS' RIGHTS

The Board and Senior Management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. The following rights of the Shareholders are set out in the Bye-laws and the Bermuda Companies Act 1981:

Convening a Special General Meeting by Shareholders

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company shall have the right, by written requisitions to the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisitions.

The written requisition must state the purposes of the meeting, and must be signed by the Shareholder(s) concerned and deposited at the principal office of the Company, for the attention of the Company Secretary. It may consist of several documents in like form each signed by one or more Shareholders concerned.

The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the Shareholder(s) concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholder(s) concerned in accordance with the statutory requirements to all registered Shareholders. Such general meeting shall be held within 6 weeks after deposit of such requisition.

If, within 21 days from such deposit of the requisition, the Board do not proceed to convene such special general meeting, the Shareholder(s) concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the date of the deposit of the requisition.

A meeting so convened by the requisitionist(s) shall be convened in the same manner as nearly as possible, as that in which meetings are to be convened by the Directors.

Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the Directors duly to convene a meeting shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

Shareholder(s) holding not less than one-twentieth of the total voting rights of all the Shareholders or not less than 100 Shareholders, may:

(i) put forward proposals at general meetings; or

(ii) circulate to other Shareholders written statement of not more than 1,000 words with respect to the matter to be dealt with at general meeting.

For further details on the Shareholders qualifications, and the procedure and timeline in connection with the above, Shareholders are kindly requested to refer to Section 79 of the Bermuda Companies Act 1981.

Furthermore, a Shareholder may propose a person other than a retiring Director of the Company for election as a Director of the Company at the general meeting, by lodging a written notice of nomination with the consent of nominated person at the principal office of the Company at least 7 days before the date of the general meeting.

Putting Enquiries to the Board

Shareholders may send their enquiries requiring the attention of the Board to the principal office of the Company, for the attention of the Company Secretary. Questions about the procedures for convening or putting forward proposals at an annual general meeting or special general meeting may also be put to the Company Secretary by the same means.

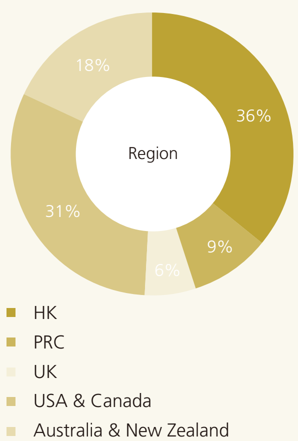
CONSTITUTIONAL DOCUMENTS

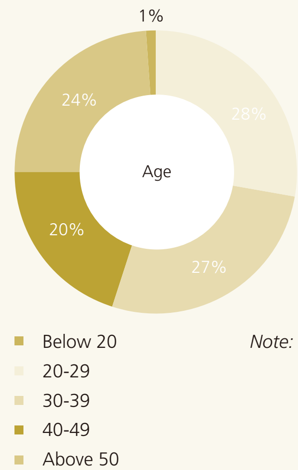
During the financial year 2016, there was no change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the websites of the Company and HKEX.

CORPORATE GOVERNANCE REPORT

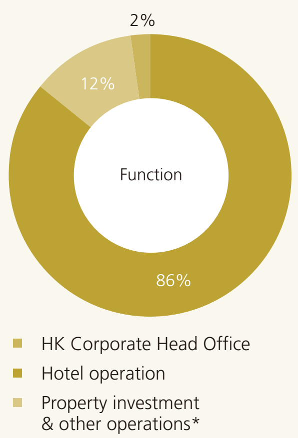
WORKFORCE SUSTAINABILITY

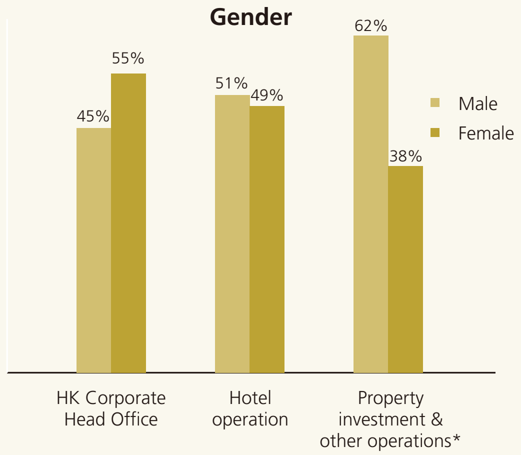
We recognise the importance of workforce sustainability which is about retaining and attracting right people to meet current and future business requirements. We offer competitive salary to the employees and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In line with our commitment to corporate social responsibility, staff wellness program (e.g. green workshop, mindfulness class), staff recreational activities as well as community involvement through volunteering projects are provided to employees. As at 31 December 2016, the number of employees of the Group, including our head office management team, and frontline hotel and property management and operation colleagues, was 6,171 (2015: 6,317). This slight drop in headcount was partially due to the search for the right candidates to fill up these positions for the some hotels. The following charts show the composition and functional grouping of employees of the Group as at 31 December 2016:





Note: The youngest employee was 18 years old.





* Other operations primarily include sales of building materials, restaurant operation, investment in securities and provision of property management, maintenance and property agency services.

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 briefing about recent business development of the Group;

(b) Departmental Meetings with light refreshment, 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 idea 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. Since 2014, a Great Eagle Innovation Program, which is an interactive and transparent platform, has been launched for employees to contribute their innovative ideas to various areas, including but not limited to, process improvement, productivity enhancement, service upgrade, product betterment and sales promotion of the Group. The theme of the 2016 Innovation Program was "Develop New Businesses, Generate More Income" and keen participation among employees was witnessed.

We believe that the provision of opportunities for training and development is an important component to attract and retain staff. Ever 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 has continuously been cultivated. We raise staff awareness through different channels such as training programs, promotional items, forming committee and intranet for staff to express their ideas. Since 2013, the Group has further promoted the innovation culture through establishing an on-line platform of Great Eagle Innovation Portal to facilitate exchange of innovative ideas among staff and Business Units/Departments. Besides, 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 strengthens the Group's organisational agility. The organisation strategies are sustainable due to staff involvement and management support. Since strategic alignment with the corporate Vision, Mission and Value plays an important role in organisational development, various strategic planning initiatives are organised to ensure business objectives are achieved.

Since the launch of the renewed Vision, Mission, Objectives and Values (VMOV) in 2015, the Hotel Division aimed at articulating a common future picture of the organisation to every colleague. The vision statement *"We will be recognised as the leading and visionary hospitality group in the world by offering unique brands for different market segments and building guest loyalty"* provides a clear picture to every employee on the direction of Hotel Division, i.e. the expansion of the portfolio as a hotel management company. The Hotel Division also introduces a set of "The Commitments" which outline the purpose of our business existence and provide a sense of meaning to the colleague instead of only a job.

CORPORATE GOVERNANCE REPORT

The Hotel Division continues to instill and promote this culture among all colleagues through a certification system "First60 Certification". The objective is to ensure all colleagues are well equipped with knowledge and skills right at the beginning of the first 60 days of the employment. Within the system, colleagues attend a 5-module customer service series named "Passion". "Passion" covers topics across the brands, genuine service and service recovery skill. The leadership module, "Service Leadership", introduces the Langham's leadership model and the tools available for our leaders to ensure our service culture sustainable.

In 2016, the corporate office senior management team of the Hotel Division conducted leaders briefings in the hotels to elaborate the overall business model, operations model as well as the leadership expectations. The briefing provided the opportunities for the hotel management team not only to understand the company philosophy and expectations directly from the senior corporate management, and also exchange ideas on how to make the hotel more successful and leading towards our Vision.

A series of colleague engagement programme has been introduced to foster over 5,000 colleagues globally in VMOV, focusing on 4 key stakeholders group: Colleagues, Guest, Investor and World. Upon the accomplishment of two successful global events covering Colleagues and Green in 2015, the Hotel Division launched the "My Langham Story" story writing competition internally to promote Guest Focus in 2016. The competition was designed to engage colleagues in sharing their guest service stories by revealing our unique service culture. The competition was well received with over sixty entries from colleagues. Another global event will be organised in 2017 with the focus on Investor.

Our Hotel Division is continued to be acknowledged as "Manpower Developer 1st." in the Manpower Developer Scheme by the Employee Retraining Board from 2010 to 2018. Three hotels in Hong Kong are awarded by The Hong Kong Joint Council for People with Disabilities and The Hong Kong Council of Social Services as 18 Districts Caring Employer 2016.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

The Group's operations are mainly located in Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan and Macau. An analysis of the Group's segment results for the year ended 31 December 2016 is set out in note 6 to the consolidated financial statements of this Annual Report.

Particulars of the Company's principal subsidiaries, interests in joint ventures and interests in associates as at 31 December 2016 are set out in notes 46, 17 and 18 to the consolidated financial statements of this Annual Report.

BUSINESS REVIEW

A detailed review on the Group's business performance and the material factors underlying its financial position during the reporting period, as well as the development and likely future prospects of the Group's business are provided throughout this Annual Report and in particular under the following separate sections:

(a) Review of the Company's business and financial position; and development and future prospects of the Company's business and important events affecting the Company that have occurred since the end of the year ended 31 December 2016 – Chairman's Statement comprising "Overview", "Business Review", "Financial Review" and "Outlook" on pages 7 to 25 of this Annual Report;

(b) The principal risks and uncertainties facing the Company – "Risks and Uncertainties" set out in the following section of this report; and

(c) Discussion on the Company's environmental policies and performance – "Corporate Social Responsibility" on pages 26 to 46 of this report.

The discussions referred to above form part of this Directors' Report.

RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Risks pertaining to Property Development

Property development is the Group's core business, primarily in Hong Kong, the United States, the PRC and Japan. Accordingly, this segment is exposing to the economic, political and legal developments in these regions. These inherent risks may affect the Group's investment strategy and business model as well as the performance in property development.

To mitigate the risks, the Group on one hand actively assesses the overall economic, political and legal developments as well as the property markets in these regions and on the other hand, it continues to review and evaluate its investment strategy to ensure the Group responds to market changes appropriately. For each potential project, detailed feasibility and stress test with regard to all aspects will be carried out before acquisition to minimise the commercial and legal risks.

Risks pertaining to Investment Properties

Investment properties segment is the Group's another core business with investment property asset accounted for over 69% of the Group's total assets. With the majority of the properties locating in Hong Kong and the United States, the general economic climate, regulatory changes, government policies and the political conditions in both Hong Kong and the United States may have a significant impact on the Group's overall financial results and positions. In this respect, the Group regularly assesses changes in economic environment and keeps alert to market needs and competitors' reaction in order to maintain our competitiveness. Continuously up keeping the quality of the assets and maintaining sufficient diversity in tenant-mix also could help growing revenue and resisting sluggish economy.

Furthermore, investment properties of the Group are stated at fair value in its financial statement based on valuations carried out by independent professional property valuers. The results of operations of the Group will include unrealised revaluation adjustments and therefore the future fair value of these investment properties is likely to fluctuate from time to time and may increase or decrease significantly. In the case of losses arising from changes in the fair value of these properties, this could have an adverse impact on our ability to comply with the financial covenants under the loan facility as well as any external borrowings we may incur in the future, and may also lead to an adverse market perception of the performance of our business, even though such losses are not realised. Nonetheless, fair value gains (or losses) will not change our cash position and therefore do not increase or decrease respectively our liquidity in spite of the increased or decreased profit. The Group will closely monitor its debt and cash position. Cash flow forecasts with sensitivity analysis will be prepared to ensure that all sources of liquidity risk are identified to evaluate the impact of different levels of business activity in relation to the existing loan facilities.

Risks pertaining to Hotel Operations

A substantial portion of the Group's revenue is derived from its hotel operations. Since hotel guests are short-term occupants of hotel rooms, they are generally not committed to contracts of medium-term or long-term rental payment. Consequently, a hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to factors including seasonality, social stability, politics, natural hazards, disease and economic condition as well as the nature of hotel business.

In this respect, the Group regularly assesses changes in economic environment and keeps alert to market needs and competitors' reaction. The management will closely monitor hotels performance and booking pace. Besides, the Group shall continue to improve its hotel services and facilities to ensure the provision of unforgettable experience for our customers.

Financial Risks

The major financial instruments of the Group include available-for-sale investments, notes receivable, loan receivables, amount due from an associate, debtors, financial assets at fair value through profit or loss, pledged bank deposits, restricted cash, bank balances and cash, creditors, derivative financial instruments, medium term notes and borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out in note 44 to the consolidated financial statements of this Annual Report.

Operational Risks

The Group's operation is subject to a number of risk factors distinctive to the operation of property development, property investment, and property related businesses. For instances, default on the part of our buyers, tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation. Increased competition, cyclical over-supply of luxury hotels in some markets could also harm our business.

In this respect, the Group continuously monitors and analyses competitive and market information in order to anticipate unfavourable changes, focuses on brand and communication initiatives to drive revenue growth and strengthen our brands' market position and also reinvests into our properties to ensure competitiveness. Furthermore, the Group has also arranged a business interruption insurance which covers the loss of income that a business suffers after a disaster.

Risk of Cyber-Attacks

Loss of data and leakage of confidential information are the largest costs from cyber-crime that the Company is facing. The cost of recovering from cyber attacks, including reputational damage, where the trust in a company decreases and their brand loses value, is considerable. To mitigate the risk of cyber-attacks, the vulnerabilities of the Company's IT infrastructure are regularly scanned and patched. Risky external IP addresses are blocked. All severs and user computers are equipped with antivirus or endpoint protection. Emails are filtered for spam and malware. Password control and user access to the systems and network elements are regularly updated and reviewed. System backup and DR facilities provide addition layers of protections. All these measures increase the difficulty for a hacker. In addition, the respective business units have also acquired appropriate insurance which also help mitigating risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event.

Human Resources Risks

Our success in business operations depends on our ability to hire and retain suitable skilled employees, particularly in hotel management, property management and property development industries. Strong competition for talented staff and the tight labour markets in the these industries, together with the added demands from new projects, posted a challenge to the Group in providing adequate resources to support the existing and growing business. Furthermore, the sudden loss of key qualified professionals could affect our ability to deliver on our projects and might have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. To mitigate the situation, careful attention is given to human resources of the Group and contingency plans of human resources are in place to help reducing uncertainty.

Legal and Regulatory Compliance Risks

Whilst the Group has a diversified portfolio of business operations across Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand and the PRC, any failure to anticipate the trend of regulatory changes or cope with relevant requirements may result in non-compliance of local laws or regulations, leading to not only financial loss but also reputational damage to the Group. In mitigation of relevant risks, the Group actively assesses the effect of relevant developments and engages closely with regulatory authorities and external advisors on new laws and regulations, and also trending legislation to ensure relevant requirements are properly complied in an effective manner.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement.

The Directors have recommended the payment of a final dividend of HK48 cents per share and a special final dividend of HK50 cents per share to the Shareholders whose names appear on the Register of Members of the Company on Monday, 22 May 2017. Subject to the approval of the Shareholders at the forthcoming Annual General Meeting, the payment of the final dividend and special final dividend will be made on 22 June 2017. Taken together with the interim dividend of HK27 cents per share paid in October 2016, the total dividend for the year 2016 is HK$1.25 per share.

MOVEMENTS IN RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 49 to the consolidated financial statements.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in Appendix II to this Annual Report.

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the year are set out in note 14 to the consolidated financial statements. All of the Group's investment properties were revalued by independent professional property valuers as at 31 December 2016 using the income capitalisation method and the market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Details of the major properties of the Group as at 31 December 2016 are set out in Appendix I to this Annual Report.

ISSUE OF NEW SHARES

During the year, 8,623,818 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2015 final dividend and 4,121,000 shares were issued pursuant to the 2009 Share Option Scheme. As at 31 December 2016, the authorised capital of the Company was HK$600,000,000.00 divided into 1,200,000,000 shares of HK$0.50 each, 677,469,835 shares of which were issued and credited as fully paid. Details of the movements of the share options during the year are disclosed hereinbelow. Changes in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

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

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors
Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Kai Shui *(Deputy Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. LO Chun Him, Alexander
Mr. KAN Tak Kwong *(General Manager)*
Mr. CHU Shik Pui

Non-executive Directors
Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui

Independent Non-executive Directors

Mr. CHENG Hoi Chuen, Vincent	
Professor WONG Yue Chim, Richard	
Mrs. LEE Pui Ling, Angelina	
Mr. LEE Siu Kwong, Ambrose	(appointed on 28 January 2016)
Professor POON Ka Yeung, Larry	(appointed on 18 March 2016)
Mr. ZHU Qi	(resigned on 18 March 2016)

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Mr. Kan Tak Kwong and Mr. Cheng Hoi Chuen, Vincent, shall retire by rotation and, being eligible, have offered themselves for re-election at the 2017 Annual General Meeting of the Company.

The independence of Independent Non-executive Directors has been assessed by the Nomination Committee and the Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. The Board considers all the Independent Non-executive Directors of the Company to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the Senior Management of the Company are set out on pages 47 to 54 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensations).

DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are set out in note 11 to the consolidated financial statements.

PERMITTED INDEMNITY

The Bye-laws of the Company provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

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

As at 31 December 2016, 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 Director	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Total	Percentage of issued share capital[6]
Lo Ka Shui	Beneficial Owner	Personal Interests	45,115,435		
	Interests of Controlled Corporations	Corporate Interests	71,723,568[1]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	226,815,595[2]		
	Founder of a Discretionary Trust	Trust Interests	59,218,519		
	Beneficial Owner	Share Options	1,310,000	404,183,117	59.66
Lo Kai Shui	Beneficial Owner	Personal Interests	454,898		
	Interests of Controlled Corporations	Corporate Interests	569,830[3]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	226,815,595[2]		
	Beneficial Owner	Share Options	500,000	228,340,323	33.70
Lo To Lee Kwan	Beneficial Owner	Personal Interests	1,070,709		
	Interests of Controlled Corporations	Corporate Interests	4,966,900[4]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	226,815,595[2]	232,853,204	34.37
Cheng Hoi Chuen, Vincent	Interests of Spouse	Family Interests	10,000	10,000	0.00
Wong Yue Chim, Richard	Beneficial Owner	Personal Interests	10,000	10,000	0.00

REPORT OF THE DIRECTORS

Name of Director	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Total	Percentage of issued share capital[6]
Lo Hong Sui, Antony	Beneficial Owner	Personal Interests	449,068		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	226,815,595[2]		
	Beneficial Owner	Share Options	500,000	227,764,663	33.62
Law Wai Duen	Beneficial Owner	Personal Interests	1,399,716		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	226,815,595[2]		
	Beneficial Owner	Share Options	400,000	228,615,311	33.75
Lo Hong Sui, Vincent	Beneficial Owner	Personal Interests	293		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	226,815,595[2]	226,815,888	33.48
Lo Ying Sui	Beneficial Owner	Personal Interests	1,500,000		
	Interests of Controlled Corporations	Corporate Interests	35,628,206[5]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	226,815,595[2]	263,943,801	38.96
Lo Chun Him, Alexander	Beneficial Owner	Share Options	175,000	175,000	0.03
Kan Tak Kwong	Beneficial Owner	Personal Interests	1,871,583		
	Beneficial Owner	Share Options	1,220,000	3,091,583	0.46
Chu Shik Pui	Beneficial Owner	Share Options	600,000	600,000	0.09

Notes:

(1) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.

(2) These 226,815,595 shares were owned by a discretionary trust of which Dr. Lo Ka Shui, Mr. Lo Kai 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.

(3) These 569,830 shares comprise 369,630 shares held by certain companies wholly-owned by Mr. Lo Kai Shui and 200,200 shares held by a company controlled by him. Mr. Lo Kai Shui is also a director of these companies.

(4) These 4,966,900 shares were held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies.

(5) 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.

(6) This percentage has been compiled based on 677,469,835 shares of the Company in issue as at 31 December 2016.

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 31 December 2016, the Group owned 65.50% 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 31 December 2016 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Units/ Underlying Units Held	Total	Percentage of issued units(2)
Lo Ka Shui	Interests of Controlled Corporations	Corporate Interests	2,579,000(1)		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	19,000,000	21,579,000	0.37
Lo Ying Sui	Beneficial Owner	Personal Interests	239,000	239,000	0.00
Chu Shik Pui	Beneficial Owner	Personal Interests	8,000	8,000	0.00

Notes:

(1) These 2,579,000 units were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.

(2) This percentage has been compiled based on 5,798,237,327 units of Champion REIT in issue as at 31 December 2016.

REPORT OF THE DIRECTORS

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 31 December 2016, the Group owned 61.90% 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 31 December 2016 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of SSUs/ Underlying SSUs Held	Total	Percentage of issued SSUs[3]
Lo Ka Shui	Beneficial Owner	Personal Interests	8,073,500		
	Interests of Controlled Corporations	Corporate Interests	2,060,000[1]		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	44,000,000	54,133,500	2.62
Lo To Lee Kwan	Interests of Controlled Corporations	Corporate Interests	306,177[2]	306,177	0.01
Wong Yue Chim, Richard	Beneficial Owner	Personal Interests	150,000	150,000	0.01
Law Wai Duen	Beneficial Owner	Personal Interests	280,000	280,000	0.01
Lo Ying Sui	Beneficial Owner	Personal Interests	320,000	320,000	0.02

Notes:

(1) These 2,060,000 SSUs were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of this company.

(2) These SSUs were held by two companies wholly-owned by Madam Lo To Lee Kwan. Madam Lo To Lee Kwan and Dr. Lo Ka Shui are directors of these companies, and Mr. Lo Kai Shui and Madam Law Wai Duen are directors of one of these companies.

(3) This percentage has been compiled based on 2,067,226,456 SSUs of LHI in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, 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.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

The interests of Directors (other than Independent Non-executive Directors) in a business apart from the Group's business, which competes or is likely to compete either directly or indirectly, with the Group's business as informed by the relevant Directors pursuant to Rule 8.10(2) of the Listing Rules are as follows:

(a) Mr. Lo Hong Sui, Vincent is the founder and Chairman of the Shui On Group which was established in 1971 and also holds the key positions in the following subsidiaries of the Shui On Group:

- Chairman of Shui On Land Limited ("SOL"), the Shui On Group's flagship property development company in the Chinese Mainland. SOL through its subsidiaries and associates is one of the leading property developers in the People's Republic of China. It principally engages in the development, sale, leasing, management and long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the People's Republic of China.

- Chairman of China Xintiandi Limited ("CXTD"), a separately managed and wholly owned subsidiary of SOL. CXTD focuses principally on owning, managing, designing, leasing, marketing and enhancing premium retail, office and entertainment properties in affluent urban areas in the Chinese Mainland, including Shanghai, Chongqing, Wuhan and Foshan.

- Chairman of SOCAM Development Limited ("SOCAM"), through its subsidiaries, principally engages in property development and investment, asset management, construction and investment in cement operations in Hong Kong, Macau, and the Chinese Mainland.

(b) Mr. Lo Kai Shui is the Chairman of Sun Fook Kong Group Limited ("SFK Group") and also the ultimate controlling shareholder of SFK Group and its subsidiaries (including SFK Construction Holdings Limited) ("SFK Group Companies"). The principal activities of SFK Group Companies are, among others, building construction, civil engineering, real estate and property development in Mainland China.

As the Board of Directors of the Company is independent of the Board of Directors of SOL, CXTD, SOCAM and SFK Group, the Group has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The following are connected transactions and continuing connected transactions of the Company which were subject to reporting, announcement and, if appropriate, independent shareholders' approval requirements under Chaper 14A of the Listing Rules. Further details are set out in note 42 to the consolidated financial statements. Save as disclosed herein, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

1. Connected Transaction in relation to the Sub-Contract Works for a Fit-Out Project in Macau

On 13 June 2013, Toptech (Macau) Limited ("Toptech"), an indirect non-wholly owned subsidiary of the Company, accepted the engagement by Pat Davie (Macau) Limited ("Pat Davie"), an indirect non-wholly owned subsidiary of SOCAM, as a sub-contractor to carry out the supply and installation of raised floor system and ancillary services for the upper ground floor gaming fit-out works for an integrated resort complex known as "Studio City" at Cotai, Macau (the "Fit-out Project") as specified in the letter of acceptance (the "Letter of Acceptance") issued by Pat Davie on 13 June 2013 and acknowledged by Toptech on the same date in respect of the engagement of Toptech to carry out the sub-contract works (the "Sub-contract Works") for a sub-contract sum of approximately MOP15 million (equivalent to approximately HK$14.44 million), subject to adjustment pursuant to the Letter of Acceptance.

Mr. Lo Hong Sui, Vincent, a Non-executive Director of the Company, is the chairman of SOCAM and together with his associates are entitled to control the exercise of more than 30% of the voting power at general meetings of SOCAM as at the date of the transaction. Accordingly, Pat Davie, being an indirect non-wholly owned subsidiary of SOCAM, was a connected person of the Company and hence the transaction contemplated under the Letter of Acceptance constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Letter of Acceptance was more than 0.1% but less than 5%, the transaction contemplated under the Letter of Acceptance was subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. An announcement in relation to this transaction was made by the Company on 13 June 2013. The Sub-contract Works were completed with settlement of HK$245,000 in the financial year 2016.

2. Connected Transaction in relation to the Acquisition of a Hotel Development Project in Minhang District, Shanghai, the PRC

As disclosed, among others, in the announcement of the Company dated 27 August 2014 and in its circular dated 26 September 2014, Wisdom Joy Investments Limited ("Wisdom Joy"), an indirect wholly-owned subsidiary of the Company, entered into a framework deed with Shine First Limited ("Shine First") for the acquisition of The HUB Hotel located at Building #4, D17 Block, Land Plot 06, Phase I of Hongqiao Commercial Core Zone, Minhang District, Shanghai, PRC (together with the land use rights underlying such assets at a consideration of RMB965,000,000 (the "Asset Acquisition"). RMB96,500,000 had been paid by the Group on 27 August 2014 as deposit, which was returned to the Group upon initial payment of RMB772,000,000 by the Group during the year ended 31 December 2015. The balance of RMB193,000,000 was settled in the financial year 2016.

Mr. Lo Hong Sui, Vincent is a Non-executive Director of the Company and by virtue of being a discretionary beneficiary of a trust which holds more than 30% of the issued share capital of the Company, he is an associate of the controlling Shareholder of the Company. Shine First is an indirect wholly-owned subsidiary of Shui On Land Limited ("SOL"). Mr. Vincent Lo, the chairman and an executive director of SOL, and his associates are together entitled to control the exercise of more than 30% of the voting power at general meetings of SOL. As such, the Asset Acquisition constituted a connected transaction for the Company under the Listing Rules.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Asset Acquisition and another acquisition in aggregate is/are more than 5%, the acquisitions were subject to the reporting, announcement, annual review and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. At the special general meeting of the Company held on 31 October 2014, the acquisitions were approved by the independent Shareholders.

3. Continuing Connected Transactions in relation to the Tenancies of Suites 3201-2 and 3206-10 on the 32nd Floor of Great Eagle Centre

On 21 September 2015, Moon Yik Company, Limited, an indirect wholly-owned subsidiary of the Company, and Sun Fook Kong Construction Management Limited ("SFK Management") entered into a Tenancy Agreement (the "Renewed Tenancy Agreement") in respect of the renewal of tenancies of Suites 3201-2 and 3206-10, 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong (the "Premises") for a term of three years commencing from 1 April 2016 and expiring on 31 March 2019. The then existing tenancies of the Premises were covered under the Tenancy Agreement entered into between the same parties on 20 December 2012 (the "2012 Tenancy Agreement", together with the Renewed Tenancy Agreement, the "SFK Tenancy Agreements").

As disclosed in the announcement of the Company dated 20 December 2012, the annual caps of the 2012 Tenancy Agreement for the year ended 31 March 2015 was HK$8,945,000 and for the year ended 31 March 2016 was HK$9,139,000.

Furthermore, the Parties also had entered into a Carpark Licence Agreement on 21 May 2015 and the transactions thereof fell below the de minimis threshold stipulated under Rule 14A.76(1) of the Listing Rules.

Mr. Lo Kai Shui, the Deputy Managing Director of the Company, through his 30%-controlled companies, is entitled to control the exercise of more than 70% of the voting power at general meetings of SFK Management. Accordingly, SFK Management constitutes an associate of a connected person of the Company and transactions entered into between the Group and SFK Management constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the Renewed Tenancy Agreement and the Carpark Licence Agreement were entered into within a 12-month period, the transactions contemplated under the Renewed Tenancy Agreement would be aggregated with the transactions under the Carpark Licence Agreement pursuant to Rule 14A.81 of the Listing Rules.

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules calculated with reference to the Annual Caps for the Renewed Tenancy Agreement and the Carpark Licence Agreement on aggregation basis was more than 0.1% but less than 5%, the transactions contemplated thereunder were only subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Announcements regarding the 2012 Tenancy Agreement and Renewed Tenancy Agreement were made by the Company on 20 December 2012 and 21 September 2015 respectively.

Period	Annual Cap
For the year ended 31 March 2016	HK$9,139,000
For the year ending 31 March 2017	HK$9,507,000
For the year ending 31 March 2018	HK$9,765,000
For the year ending 31 March 2019	HK$10,065,000

Note: The actual transaction amount during the twelve-month period ended 31 March 2016 was HK$8,146,000.

4. Continuing Connected Transactions in relation to the New Cleaning Services Contracts with Sun Fook Kong Housing Services Limited ("SFK Services")

The Group had entered into Supplemental Agreements of the 2013 Cleaning Services Contracts (the "Supplemental Agreements") with SFK Services to extend the term of certain cleaning services to the Group by SFK Services under the Great Eagle Centre Cleaning Contract, the Common Areas Cleaning Contract, the Public Carpark Cleaning Contract and the High Block Langham Place Cleaning Contract (the "2013 Cleaning Services Contracts") for four more months to 30 April 2015 with increased monthly basic fees.

On 17 April 2015, the same parties entered into new services agreements under the New Great Eagle Centre Cleaning Contract, the New Great Eagle Centre Development Common Areas Cleaning Contract, the New Eagle Harbour Public Car Parks Cleaning Contract, the New High Block of Langham Place Cleaning Contract and the Langham Place Retail Tower, Carpark and Other Portions Cleaning Contract for a term of two years commencing from 1 May 2015 and expiring on 30 April 2017 (the "New Cleaning Services Contracts", together with the Supplemental Agreements, collectively the "SFK Cleaning Services Contracts").

Mr. Lo Kai Shui, the Deputy Managing Director of the Company, through his 30%-controlled companies, is entitled to control the exercise of more than 30% of the voting power at general meeting of SFK Construction Holdings Limited which in turn indirectly holds the entire issued share capital of SFK Services. Accordingly, SFK Services constitutes an associate of a connected person of the Company and transactions entered into between the Group and SFK Services constituted connected transactions of the Company.

Given that the New Cleaning Services Contracts and the Supplemental Agreements between the Company and SFK Services had been entered into within a 12-month period, the continuing connected transactions contemplated under the New Cleaning Services Contracts would be aggregated with the continuing connected transactions under the Supplemental Agreements pursuant to Rule 14A.81 of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules, calculated with reference to the maximum aggregate annual amount of the continuing connected transactions contemplated under the SFK Cleaning Services Contracts, were more than 0.1% but less than 5%, the continuing connected transactions contemplated under the SFK Cleaning Services Contracts were only subject to the reporting, announcement and annual review requirements, and exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Announcements regarding the New Cleaning Services Contracts and the 2013 Cleaning Services Contracts were made by the Company on 17 April 2015 and 27 February 2013 respectively.

Period	Annual Cap
For the year ended 31 December 2016	HK$41,995,000
For the period from 1 January 2017 to 30 April 2017	HK$13,999,000

Note: The actual transaction amount during the year ended 31 December 2016 was HK$39,995,000.

Review of Continuing Connected Transactions

The Group has put in place a Reporting and Monitoring Policy on Connected Transactions (the "Policy") to set out the internal control systems and monitoring procedures of the Group in respect of executing, recording and reporting of all connected transactions and continuing connected transactions. Under the Policy, each specified department/business unit is required to submit a monthly report with detailed description of all connected transactions and continuing connected transactions (including transactions that are exempt from the disclosure requirements of the Listing Rules) that are expected to be finalised within the next reporting month and the actual transaction amount during the reporting period. For the year ended 31 December 2016, the Internal Audit Department had reviewed connected transactions and continuing connected transactions of the Group and confirmed that there are adequate and effective internal control policies and procedures to ensure that the transactions were so properly conducted.

The amount of continuing connected transactions for the agreements/contracts as mentioned in paragraphs 3 and 4 above for the year ended 31 December 2016 are as follows:

	For the year ended 31 December 2016	
	Actual Transaction Sum HK$'000	Annual Cap HK$'000
Under the SFK Tenancy Agreements	8,431	9,415*
Under the New Cleaning Services Contracts	39,995	41,995

* The Annual Cap for the transactions under the SFK Tenancy Agreements for the year ended 31 December 2016 is the aggregate of the announced annual caps for the years ended 31 March 2016 and 2017 calculated on a pro rata basis covering the period from 1 January to 31 March 2016 and 1 April 2016 to 31 December 2016, being HK$2,284,750 and HK$7,130,250 respectively.

The Company's auditor was engaged to report on the Group's above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Independent Non-executive Directors have reviewed the details of the Non-exempt Continuing Connected Transactions, the Register of Non-exempt Continuing Connected Transactions containing all entries during the year and the list of connected transactions (including continuing connected transactions) of the Company during the year ended 31 December 2016 as set out in note 42 of the consolidated financial statements. Based on the Independent Assurance Report on Continuing Connected Transactions issued by the auditor and the comments from Internal Audit Department, the Independent Non-executive Directors of the Company concluded that nothing has come to their attention that causes them to believe that the continuing connected transactions had not been carried out, in all material respects, in accordance with the pricing policies and guidelines under the respective agreements approved by the Board of Directors.

In accordance with Rule 14A.55 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Company confirmed the above continuing connected transactions for the year ended 31 December 2016 have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

SHARE OPTION SCHEME

In accordance with the 2009 Share Option Scheme of the Company, the Board of Directors may grant options to eligible employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Further details of the 2009 Share Option Scheme are set out in note 36 to the consolidated financial statements.

Movements of the Share Options granted to Employees (including Directors)

During the year ended 31 December 2016, the details of the movements in the share options granted to the Company's employees (including Directors) under the 2009 Share Option Scheme are as follows:

	Number of Share Options						
Date of grant[1]	Outstanding as at 01/01/2016	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31/12/2016	Exercisable period	Exercise price per share (HK$)
07/03/2011	1,277,000	–	–	(1,277,000)	–	08/03/2013–07/03/2016	26.18
08/03/2012	2,139,000	–	(1,601,000)	(5,000)	533,000	09/03/2014–08/03/2017	23.20
06/06/2013	2,777,000	–	(1,048,000)	(56,000)	1,673,000	07/06/2015–06/06/2018	31.45
27/02/2014	3,163,000	–	(1,472,000)	(64,000)	1,627,000	28/02/2016–27/02/2019	26.05
17/03/2014	300,000	–	–	–	300,000	18/03/2016–17/03/2019	27.55
11/03/2015	3,830,000	–	–	(308,000)	3,522,000	12/03/2017–11/03/2020	26.88
14/03/2016	–	4,426,000[2]	–	(304,000)	4,122,000	15/03/2018–14/03/2021	25.70
Total	**13,486,000**	**4,426,000**	**(4,121,000)**	**(2,014,000)**	**11,777,000**		

Notes:

(1) Share options were granted under the 2009 Share Option Scheme.

(2) During the year ended 31 December 2016, 1,565,000 and 2,861,000 share options were granted to the Directors and employees of the Group respectively.

(3) During the year ended 31 December 2016, no share option was cancelled.

(4) Consideration paid for each grant of share options was HK$1.00.

(5) The vesting period for the share options granted is 24 months from the date of grant.

(6) The closing price of the shares of the Company immediately before the date of grant of 14 March 2016, i.e. 11 March 2016 was HK$25.55 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK$23.94).

Movements of the Share Options granted to Directors

During the year ended 31 December 2016, the details of the movements in the share options granted to Directors of the Company (some are also substantial Shareholders) under the 2009 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules are as follows:

		Number of Share Options						
Directors	Date of grant(1)	Outstanding as at 01/01/2016	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31/12/2016	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Lo Ka Shui	08/03/2012	628,000	–	628,000	–	–	23.20	29.75
	06/06/2013	630,000	–	630,000	–	–	31.45	29.75
	27/02/2014	630,000	–	630,000	–	–	26.05	29.75
	11/03/2015	655,000	–	–	–	655,000	26.88	–
	14/03/2016	–	655,000	–	–	655,000	25.70	–
		2,543,000	655,000	(1,888,000)	–	1,310,000		
Lo Kai Shui	07/03/2011	100,000	–	–	(100,000)	–	26.18	–
	08/03/2012	100,000	–	–	–	100,000	23.20	–
	06/06/2013	100,000	–	–	–	100,000	31.45	–
	27/02/2014	100,000	–	–	–	100,000	26.05	–
	11/03/2015	100,000	–	–	–	100,000	26.88	–
	14/03/2016	–	100,000	–	–	100,000	25.70	–
		500,000	100,000	–	(100,000)	500,000		
Lo Hong Sui, Antony	07/03/2011	125,000	–	–	(125,000)	–	26.18	–
	08/03/2012	100,000	–	–	–	100,000	23.20	–
	06/06/2013	100,000	–	–	–	100,000	31.45	–
	27/02/2014	100,000	–	–	–	100,000	26.05	–
	11/03/2015	100,000	–	–	–	100,000	26.88	–
	14/03/2016	–	100,000	–	–	100,000	25.70	–
		525,000	100,000	–	(125,000)	500,000		
Law Wai Duen	07/03/2011	100,000	–	–	(100,000)	–	26.18	–
	08/03/2012	100,000	–	(100,000)	–	–	23.20	29.75
	06/06/2013	100,000	–	–	–	100,000	31.45	–
	27/02/2014	100,000	–	–	–	100,000	26.05	–
	11/03/2015	100,000	–	–	–	100,000	26.88	–
	14/03/2016	–	100,000	–	–	100,000	25.70	–
		500,000	100,000	(100,000)	(100,000)	400,000		

		Number of Share Options						
Directors	Date of grant[1]	Outstanding as at 01/01/2016	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31/12/2016	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Lo Chun Him, Alexander	06/06/2013	5,000	–	–	–	5,000	31.45	–
	27/02/2014	20,000	–	–	–	20,000	26.05	–
	11/03/2015	50,000	–	–	–	50,000	26.88	–
	14/03/2016	–	100,000	–	–	100,000	25.70	–
		75,000	100,000	–	–	175,000		
Kan Tak Kwong	07/03/2011	300,000	–	–	(300,000)	–	26.18	–
	08/03/2012	300,000	–	(300,000)	–	–	23.20	29.75
	06/06/2013	300,000	–	–	–	300,000	31.45	–
	27/02/2014	300,000	–	–	–	300,000	26.05	–
	11/03/2015	310,000	–	–	–	310,000	26.88	–
	14/03/2016	–	310,000	–	–	310,000	25.70	–
		1,510,000	310,000	(300,000)	(300,000)	1,220,000		
Chu Shik Pui	07/03/2011	90,000	–	–	(90,000)	–	26.18	–
	08/03/2012	90,000	–	–	–	90,000	23.20	–
	06/06/2013	90,000	–	–	–	90,000	31.45	–
	27/02/2014	100,000	–	–	–	100,000	26.05	–
	11/03/2015	120,000	–	–	–	120,000	26.88	–
	14/03/2016	–	200,000	–	–	200,000	25.70	–
		490,000	200,000	–	(90,000)	600,000		
Employees (other than Directors of the Company)	07/03/2011	562,000	–	–	(562,000)	–	26.18	–
	08/03/2012	821,000	–	(573,000)	(5,000)	243,000	23.20	29.75
	06/06/2013	1,452,000	–	(418,000)	(56,000)	978,000	31.45	29.75
	27/02/2014	1,813,000	–	(842,000)	(64,000)	907,000	26.05	29.75
	17/03/2014	300,000	–	–	–	300,000	27.55	–
	11/03/2015	2,395,000	–	–	(308,000)	2,087,000	26.88	–
	14/03/2016	–	2,861,000	–	(304,000)	2,557,000	25.70	–
		7,343,000	2,861,000	(1,833,000)	(1,299,000)	7,072,000		

Notes:

(1) Share options were granted under the 2009 Share Option Scheme.

Share options granted on 07/03/2011 are exercisable during the period from 08/03/2013 to 07/03/2016.

Share options granted on 08/03/2012 are exercisable during the period from 09/03/2014 to 08/03/2017.

Share options granted on 06/06/2013 are exercisable during the period from 07/06/2015 to 06/06/2018.

Share options granted on 27/02/2014 are exercisable during the period from 28/02/2016 to 27/02/2019.

Share options granted on 17/03/2014 are exercisable during the period from 18/03/2016 to 17/03/2019.

Share options granted on 11/03/2015 are exercisable during the period from 12/03/2017 to 11/03/2020.

Share options granted on 14/03/2016 are exercisable during the period from 15/03/2018 to 14/03/2021.

(2) During the year ended 31 December 2016, no share option was cancelled.

(3) Consideration paid for each grant of share options was HK$1.00.

(4) The vesting period for the share options granted is 24 months from the date of grant.

(5) The closing price of the shares of the Company immediately before the date of grant of 14 March 2016, i.e. 11 March 2016 was HK$25.55 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK$23.94).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, 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	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Total	Percentage of issued share capital[6]
HSBC International Trustee Limited	Trustee	Trust Interests	289,395,498[1]	289,395,498	42.71
Powermax Agents Limited[2]	Beneficiary	Corporate Interests	168,242,970	168,242,970	24.83
Surewit Finance Limited[3]	Beneficiary	Corporate Interests	40,383,636	40,383,636	5.96
Eagle Guardian Limited[4]	Beneficiary	Corporate Interests	37,216,070	37,216,070	5.49
Adscan Holdings Limited[5]	Beneficiary	Corporate Interests	35,628,206	35,628,206	5.26

Notes:

(1) The number of shares disclosed was based on the latest Disclosure of Interest Form (with the date of relevant event as at 3 January 2017) received from HSBC International Trustee Limited ("HITL"). According to the latest disclosures made by the Directors of the Company, as at 31 December 2016:

(i) 226,815,595 shares representing 33.48% 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, Mr. Lo Kai 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) 59,218,519 shares representing 8.74% 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 168,242,970 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 40,383,636 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of this company.

(4) Eagle Guardian Limited is a company wholly-owned by Dr. Lo Ka Shui, who is also a director of this company.

(5) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui, who is also a director of this company.

(6) This percentage has been compiled based on 677,469,835 shares of the Company in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, no person (other than the Directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 85 to 88) 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.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save and except the 2009 Share Option Scheme established by the Company as disclosed under section headed "Share Option Schemes" on pages 94 to 98 of this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total sales and purchases respectively. Further details regarding trade debtors and prepayments are set out in note 26 to the consolidated financial statements.

DONATIONS

The Group's charitable and other donations during the year amounted to HK$1,619,765 (2015: HK$1,193,161). In addition, the Group sponsored a few deserving projects in the community during the year. Details of our sponsorships are set out in "Corporate Social Responsibility – Investment" on pages 44 to 46 of this Annual Report.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting to be held on Wednesday, 10 May 2017.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. 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 throughout the year under review, with the exception of a few deviations.

Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 55 to 78 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

Our commitment to CSR stems from a core belief that our business will prosper as the community and environment around us flourish. A full report on CSR is set out on pages 26 to 46 of this Annual Report.

On behalf of the Board
LO Ka Shui
Chairman and Managing Director

Hong Kong, 28 February 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Members of Great Eagle Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 106 to 211, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the Group's investment properties amounted to HK$73,046,520,000 represented 68.7% of the Group's total assets. Fair value changes on investments properties of HK$2,530,733,000 were recognised in the consolidated income statement for the year then ended. The Group's investment properties are carried at fair value based on valuation performed by independent professional property valuers. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations are dependent on certain key inputs that involve the management's and independent professional property valuers' judgments, including capitalisation rate, market rent per square foot, discount rate, terminal capitalisation rate, annual income and market observable transactions of similar properties. A table showing the relationship of significant unobservable inputs to fair value is also disclosed in this note.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the independent professional property valuers; • Obtaining an understanding from the independent professional property valuers about the valuation techniques, the performance of the property markets, significant assumptions adopted, critical judgmental areas, key inputs and data used in the valuations; • Evaluating the reasonableness of the key inputs used in the valuations by comparing the rentals, capitalisation rate and market observable transactions for valuation with other similar properties, and benchmarking discount rate against historical data, market trend and comparable data of companies within the same industry; • Assessing the integrity of information provided by the management to the independent professional property valuers by comparing details of rentals on a sample basis to the respective underlying existing lease agreements; and • Evaluating the accuracy of the relationship of unobservable inputs to fair value disclosed in note 14 to the consolidated financial statements by re-performing sensitivity analysis on the key inputs to evaluate the magnitude of their impacts on the fair values.

Key audit matter	How our audit addressed the key audit matter
Assessment of the net realisable value of stock of properties	
We identified the assessment of the net realisable values of stock of properties as a key audit matter due to the significant judgment involved in determining the net realisable values. As disclosed in note 24 to the consolidated financial statements, the Group's properties under development for sale and properties held for sale amounted to HK$3,080,892,000 and HK$557,178,000, respectively, as at 31 December 2016. The Group's stock of properties are carried at the lower of cost and net realisable value. The net realisable value takes into account the price ultimately expected to be realised and the anticipated costs to completion.	Our procedures in relation to the management's assessment of the net realisable values of stock of properties included: • Assessing the reasonableness of the net realisable values of the stock of properties, on a sample basis, the appropriateness of the anticipated unit selling prices used by management with reference to market prices achieved in the same projects or by comparable properties, including an evaluation of the appropriateness of the comparable properties used by the management of the Group based on our knowledge of the Group's business and the property markets in the relevant locations; and • Assessing the reasonableness of anticipated costs to completion of properties under development for sale by comparing the previous budget costs to actual development costs incurred, and checking to construction contracts committed and relevant market information showing the latest cost trend.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sze Ching Yiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 February 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	5	**8,648,500**	8,270,902
Cost of goods and services		**(4,745,415)**	(4,809,646)
Operating profit before depreciation		**3,903,085**	3,461,256
Depreciation		**(590,428)**	(606,464)
Operating profit		**3,312,657**	2,854,792
Other income	7	**107,549**	433,949
Fair value changes on investment properties	14	**2,530,733**	3,011,940
Reversal of impairment loss in respect of a hotel property	15	**–**	284,370
Fair value changes on derivative financial instruments		**52,230**	1,767
Fair value changes on financial assets at fair value through profit or loss		**1,113**	(45,041)
Impairment loss on available-for-sale investments		**–**	(45,824)
Impairment loss on loan receivable	19	**(199,143)**	–
Administrative and other expenses		**(449,168)**	(512,816)
Finance costs	8	**(643,875)**	(686,545)
Share of results of joint ventures		**(20,190)**	(19,925)
Share of results of associates		**438**	(3,442)
Profit before tax		**4,692,344**	5,273,225
Income taxes	9	**(572,598)**	(539,172)
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	10	**4,119,746**	4,734,053
Profit for the year attributable to:			
Owners of the Company		**2,769,792**	3,312,335
Non-controlling interests		**201,626**	174,432
		2,971,418	3,486,767
Non-controlling unitholders of Champion REIT		**1,148,328**	1,247,286
		4,119,746	4,734,053
Earnings per share:	13		
Basic		**HK$4.10**	HK$4.98
Diluted		**HK$4.09**	HK$4.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	14	73,046,520	73,975,154
Property, plant and equipment	15	18,611,570	17,155,227
Deposit for acquisition of property, plant and equipment	16	–	142,868
Interests in joint ventures	17	1,067,143	533,507
Interests in associates	18	80,886	69,164
Loan receivables	19	21,398	211,409
Notes receivable	20	244,062	253,514
Available-for-sale investments	21	1,276,988	1,467,334
Derivative financial instruments	22, 23	64,203	–
		94,412,770	93,808,177
Current assets			
Stock of properties	24	3,638,070	3,151,545
Inventories	25	105,810	127,906
Debtors, deposits and prepayments	26	963,492	868,814
Financial assets at fair value through profit or loss	27	299,361	368,903
Derivative financial instruments	22	9,951	–
Notes receivable	20	–	20,248
Tax recoverable		3,777	11,010
Pledged bank deposits	28	631,489	620,790
Restricted cash	29	289,953	132,652
Bank balances and cash	29	5,857,951	6,078,152
		11,799,854	11,380,020
Asset classified as held for sale	30	116,310	–
		11,916,164	11,380,020
Current liabilities			
Creditors, deposits and accruals	31	3,476,088	3,176,466
Derivative financial instruments	22	–	121
Provision for taxation		191,070	137,760
Distribution payable		240,286	221,933
Borrowings due within one year	32	2,495,416	9,968,284
		6,402,860	13,504,564
Net current assets (liabilities)		5,513,304	(2,124,544)
Total assets less current liabilities		99,926,074	91,683,633

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Derivative financial instruments	22, 23	**247**	70,319
Borrowings due after one year	32	**21,879,695**	13,581,971
Medium term notes	33	**3,814,384**	3,609,826
Deferred taxation	34	**1,303,566**	1,378,399
		26,997,892	18,640,515
NET ASSETS		**72,928,182**	73,043,118
Equity attributable to:			
Owners of the Company			
Share capital	35	**338,735**	332,363
Share premium and reserves		**55,508,577**	54,000,282
		55,847,312	54,332,645
Non-controlling interests		**(353,623)**	641,548
		55,493,689	54,974,193
Net assets attributable to non-controlling unitholders of Champion REIT		**17,434,493**	18,068,925
		72,928,182	73,043,118

The consolidated financial statements on pages 106 to 211 were approved and authorised for issue by the Board of Directors on 28 February 2017 and are signed on its behalf by:

Lo Ka Shui
DIRECTOR

Lo Kai Shui
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company														
	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	Amount attributable to non-controlling unitholders of Champion REIT HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	327,904	4,642,970	38,204	23,109	3,054	400,965	(104,886)	53,951	(148)	7,581,732	38,802,823	51,769,678	17,746,512	(138,627)	69,377,563
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,312,335	3,312,335	1,247,286	174,432	4,734,053
Change in fair value of cash flow hedges	–	–	–	–	–	–	–	–	(44,874)	–	–	(44,874)	(26,669)	–	(71,543)
Fair value gain on available-for-sale investments	–	–	18,361	–	–	–	–	–	–	–	–	18,361	–	–	18,361
Reclassification adjustment on impairment of available-for-sale investments	–	–	45,824	–	–	–	–	–	–	–	–	45,824	–	–	45,824
Reclassification adjustment upon disposal of available-for-sale investments	–	–	(76,539)	–	–	–	–	–	–	–	–	(76,539)	–	–	(76,539)
Exchange differences arising on translation of foreign operations	–	–	219	–	–	–	(413,065)	–	–	–	–	(412,846)	–	(99)	(412,945)
Share of other comprehensive income (expense) of associates	–	–	6,931	–	–	–	(950)	–	–	–	–	5,981	–	–	5,981
Share of other comprehensive expense of a joint venture	–	–	–	–	–	–	(26,116)	–	–	–	–	(26,116)	–	–	(26,116)
Total comprehensive income (expense) for the year	–	–	(5,204)	–	–	–	(440,131)	–	(44,874)	–	3,312,335	2,822,126	1,220,617	174,333	4,217,076
Transaction with non-controlling unitholders of Champion REIT:															
Distribution to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	(432,537)	–	(432,537)
	–	–	–	–	–	–	–	–	–	–	–	–	(432,537)	–	(432,537)
Transaction with owners:															
Dividend paid	–	–	–	–	–	–	–	–	–	–	(488,018)	(488,018)	–	–	(488,018)
Shares issued at premium	4,459	239,954	–	–	–	–	–	(6,173)	–	–	–	238,240	–	–	238,240
Share issue expenses	–	(89)	–	–	–	–	–	–	–	–	–	(89)	–	–	(89)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	12,943	–	–	–	12,943	–	–	12,943
Increase of interests in subsidiaries (note b)	–	–	–	–	–	–	–	–	–	53,675	–	53,675	(465,667)	93,846	(318,146)
Waiver of distribution from a subsidiary (note c)	–	–	–	–	–	–	–	–	–	–	(14,069)	(14,069)	–	14,069	–
Contribution from non-controlling interests (note d)	–	–	–	–	–	–	–	–	–	–	–	–	–	625,131	625,131
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(227,092)	(227,092)
Recognised on disposal of interests in subsidiary without losing control	–	–	–	–	–	–	–	–	–	(61,841)	–	(61,841)	–	99,888	38,047
At 31 December 2015	332,363	4,882,835	33,000	23,109	3,054	400,965	(545,017)	60,721	(45,022)	7,573,566	41,613,071	54,332,645	18,068,925	641,548	73,043,118

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company														
	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	Amount attributable to non-controlling unitholders of Champion REIT HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	332,363	4,882,835	33,000	23,109	3,054	400,965	(545,017)	60,721	(45,022)	7,573,566	41,613,071	54,332,645	18,068,925	641,548	73,043,118
Profit for the year	–	–	–	–	–	–	–	–	–	–	2,769,792	2,769,792	1,148,328	201,626	4,119,746
Change in fair value of cash flow hedges	–	–	–	–	–	–	–	–	64,703	–	–	64,703	37,123	–	101,826
Fair value loss on available-for-sale investments	–	–	(16,198)	–	–	–	–	–	–	–	–	(16,198)	–	–	(16,198)
Reclassification adjustment upon disposal of available-for-sale investments	–	–	(344)	–	–	–	–	–	–	–	–	(344)	–	–	(344)
Exchange differences arising on translation of foreign operations	–	–	132	–	–	–	(330,561)	–	–	(23)	–	(330,452)	–	(118)	(330,570)
Share of other comprehensive income of associates	–	–	15,437	–	–	–	–	–	–	–	–	15,437	–	–	15,437
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	(44,743)	–	–	–	–	(44,743)	–	–	(44,743)
Total comprehensive income (expense) for the year	–	–	(973)	–	–	–	(375,304)	–	64,703	(23)	2,769,792	2,458,195	1,185,451	201,508	3,845,154
Transaction with non-controlling unitholders of Champion REIT: Distribution to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	(476,186)	–	(476,186)
	–	–	–	–	–	–	–	–	–	–	–	–	(476,186)	–	(476,186)
Transaction with owners: Dividend paid	–	–	–	–	–	–	–	–	–	–	(1,832,292)	(1,832,292)	–	–	(1,832,292)
Shares issued at premium	6,372	359,081	–	–	–	–	–	(23,472)	–	–	–	341,981	–	–	341,981
Lapse of share options	–	–	–	–	–	–	–	(8,392)	–	–	8,392	–	–	–	–
Share issue expenses	–	(96)	–	–	–	–	–	–	–	–	–	(96)	–	–	(96)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	11,293	–	–	–	11,293	–	–	11,293
Increase of interests in subsidiaries (note b)	–	–	–	–	–	–	–	–	–	543,728	–	543,728	(1,343,697)	59,501	(740,468)
Waiver of distribution from a subsidiary (note c)	–	–	–	–	–	–	–	–	–	–	(8,142)	(8,142)	–	8,142	–
Contribution from non-controlling interests (note e)	–	–	–	–	–	–	–	–	–	–	–	–	–	243,623	243,623
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,507,945)	(1,507,945)
At 31 December 2016	338,735	5,241,820	32,027	23,109	3,054	400,965	(920,321)	40,150	19,681	8,117,271	42,550,821	55,847,312	17,434,493	(353,623)	72,928,182

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

Notes:

(a) Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Group is available for distribution to shareholders.

(b) It mainly represents the effect from the Group's increase in interests in Champion REIT and Langham upon the settlement of management fees in units and purchase of units of Champion REIT and Langham from the market by the Group.

(c) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, a subsidiary, has agreed to waive its entitlement to receive any distributions from its 100,000,000 (2015: 100,000,000) share stapled units in Langham. During the year, distribution of HK$8,142,000 (2015: HK$14,069,000) was waived by the Group.

(d) Pursuant to a limited partnership agreement, a new entity was formed in August 2014. As at 31 December 2015, the Group's net accumulated contributions represented certain investment properties and bank loan aggregately valued at HK$802,262,000 whereas other investor's net accumulated capital contribution amounted to HK$1,405,722,000. During the year ended 31 December 2015, an amount of HK$143,119,000 was returned to non-controlling interests.

(e) Pursuant to a limited liability agreement signed in March 2016, an investor had a capital contribution of HK$243,623,000 to a property development and a property held for sale project held by the limited partnership.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before tax	4,692,344	5,273,225
Adjustments for:		
Fair value changes on investment properties	(2,530,733)	(3,011,940)
Interest expense	643,875	686,545
Depreciation	590,428	606,464
Interest income	(55,967)	(167,663)
Gain on disposal of available-for-sale investments	(344)	(76,539)
Gain on disposal of listed equity securities held for trading	–	(2,784)
Gain on deemed disposal of an associate	–	(110,322)
Gain on repurchase of medium term notes	–	(2,686)
Impairment loss on available-for-sale investments	–	45,824
Impairment loss on loan receivable	199,143	–
Income arising from historical tax credit	(41,403)	(41,906)
Share of results of joint ventures	20,190	19,925
Dividends received from listed and unlisted available-for-sale investments	(14,820)	(20,392)
Dividends received from equity securities held for trading	(9,613)	(1,862)
Reversal of impairment loss in respect of a hotel property	–	(284,370)
Loss on disposal of property, plant and equipment	794	5,438
Recognition of share-based payments	11,293	12,943
Share of results of associates	(438)	3,442
Fair value changes on financial assets at fair value through profit or loss	(1,113)	45,041
Fair value changes on derivative financial instruments	(52,230)	(1,767)
Allowance for doubtful debts	56	1,157
Exchange differences	9,822	10,850
Operating cash flows before movements in working capital	3,461,284	2,988,623
Increase in debtors, deposits and prepayments	(105,896)	(240,068)
Decrease in inventories	22,096	27,459
Increase in creditors, deposits and accruals	228,264	114,761
Addition of stock of properties	(473,400)	(731,986)
Proceeds on disposal of derivative financial instruments	10,112	1,891
Decrease (increase) in equity securities held for trading	6,590	(296,145)
Cash generated from operations	3,149,050	1,864,535
Hong Kong Profits Tax paid	(248,020)	(237,875)
Other jurisdictions tax paid	(318,846)	(42,666)
Hong Kong Profits Tax refunded	4,703	12
Other jurisdictions tax refunded	–	4,367
Net cash from operating activities	**2,586,887**	**1,588,373**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Investing activities		
Proceeds on disposal of investment properties	**3,429,286**	–
Withdraw of time deposits with original maturity over three months	**914,086**	3,471,991
Proceeds on disposal of financial assets designated at fair value through profit or loss	**186,509**	1,039,856
Interest received	**61,360**	190,496
Proceeds on disposal of available-for-sale investments	**59,555**	663,156
Proceeds on redemption of notes receivable	**27,821**	122,919
Dividends received from listed and unlisted available-for-sale investments	**14,820**	17,713
Dividends received from equity securities held for trading	**8,903**	1,862
Proceeds on disposal of property, plant and equipment	**4,250**	1,808
Dividends received from associates	**4,153**	77,965
Additions of property, plant and equipment	**(2,352,167)**	(1,999,334)
Investment in a joint venture	**(490,000)**	–
Placement of time deposits with original maturity over three months	**(400,907)**	(914,086)
(Increase) decrease in restricted cash	**(157,301)**	102,385
Additions in financial assets designated at fair value through profit or loss	**(121,782)**	(893,083)
Additions of investment properties	**(93,556)**	(144,823)
(Increase) decrease in pledged bank deposits	**(10,699)**	242,081
Additions of available-for-sale investments	**(5,183)**	(528,517)
Increase in loan receivables	**(3,467)**	(211,409)
Proceeds on disposal of interest in an associate	**–**	44,044
Repayment from associates	**–**	12,054
Acquisitions of investment properties	**–**	(965,000)
Additions of notes receivable	**–**	(224,911)
Deposit for acquisition of property, plant and equipment	**–**	(142,868)
Net cash from (used in) investing activities	**1,075,681**	(35,701)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Financing activities		
New bank loans raised	21,036,038	2,696,205
Contribution from non-controlling interests	243,625	625,131
Proceeds from issuance of a medium term note	200,000	643,000
Issue of shares	108,352	17,933
Repayments of bank loans	(19,865,343)	(3,903,779)
Dividends paid to shareholders	(1,598,759)	(267,801)
Distribution paid to non-controlling interests	(1,406,960)	(227,092)
Acquisition of additional interests in subsidiaries	(740,468)	(318,147)
Interest paid	(538,516)	(606,186)
Distribution paid to non-controlling unitholders of Champion REIT	(457,899)	(430,575)
Bank origination fees	(163,161)	(23,326)
Transaction costs for issuance of a medium term note	(144)	–
Repurchase of medium term notes	–	(101,701)
Net cash used in financing activities	(3,183,235)	(1,896,338)
Net increase (decrease) in cash and cash equivalents	479,333	(343,666)
Effect of foreign exchange rates changes	(186,355)	(120,502)
Cash and cash equivalents at the beginning of the year	5,164,066	5,628,234
Cash and cash equivalents at the end of the year		
Included in bank balances and cash	5,457,044	5,164,066
Analysis of the bank balances and cash:		
Balance of cash and cash equivalents	5,457,044	5,164,066
Time deposits with original maturity over three months	400,907	914,086
	5,857,951	6,078,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The principal activity of the Company is investment holding.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The Directors anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 "Financial Instruments" (continued)

The Directors of the Company anticipate that the application of HKFRS 9 may not have significant impact on amounts reported in respect of the Group's financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the revenues reported (e.g. sales of building materials, provision of property management, maintenance and property agency services and sales of properties held for sale) and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

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

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 "Leases"

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

HKFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is twelve months less or the underlying asset has a low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Directors of the Company anticipate that the application of HKFRS 16 in the future will not have a material impact on the recognition and measurement of the Group's lease arrangements as the Group has already recognised prepaid lease payment for leasehold lands where the Group is a lessee, but its application may result in more disclosures.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 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.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holding of other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Hotel operation income is recognised upon the provision of services and the utilisation by guests of the hotel facilities.

Building management service income is recognised when building management services are provided.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that assets net carrying amount.

Dividend income from investments, including financial assets at fair value through profit or loss and listed available-for-sale investments, are recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Service income, including that from services provided for agency commission income, is recognised when services are provided.

Sales of goods are recognised when goods are delivered and titles have passed.

Membership fee is recognised as revenue on a straight-line basis over the membership period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties, including those held for sale, are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model and those that are intended to be sold in the ordinary course of business upon completion of the relevant property development project. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including owner occupied land and buildings held for use in the supply of services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Freehold land is stated at cost less accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than properties under construction and freehold land) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the medium-term lease period
Owner occupied properties and hotel buildings	Over the shorter of the term of the lease or 50 years
Furniture, fixtures and equipment	
Hotel machinery	4%
Fine art	4%
Hotel renovation	10%
Other furniture and fixtures	10%–20%
Plant and machinery	10%–20%
Motor vehicles	20%

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

When an investment property becomes an item of property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, the property, plant and equipment would be recognised at the fair value at the date of transfer. The fair value at the date of the transfer becomes the deemed cost for subsequent measurement and disclosure purposes.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

When building are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of building commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Interests in associates and joint ventures

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate or joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a gain or loss being recognised in profit or loss. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued and any proceeds from disposing of the interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties under development for sale and properties held for sale

Properties under development for sale and properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value is determined by management based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion.

Non-current asset held for sale

Non-current asset is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered the service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit before tax as reported in the consolidated income statement because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from initial recognition of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the following categories, including held-to-maturity investments, financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including notes receivable, debtors, loan receivables, pledged bank deposits, restricted cash and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not are classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
AFS financial assets (continued)
AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Financial assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item. Fair value is determined in the manner described in note 44(e).

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. The Group designated certain notes receivable as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policies on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS listed equity investments, impairment previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated in the investment revaluation reserve.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including creditors, distribution payable, borrowings and medium term notes) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Group uses cross currency swaps to hedge its exposure against changes in exchange and interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the obligations are discharged, cancelled or have expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, for share options with non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after vesting period or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Directors have been in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred taxation liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale. As a result, the Group has not recognised any deferred taxation on changes in fair value of investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. For the investment properties situated in the United States of America ("USA") and the People's Republic of China ("PRC"), the Group has recognised the deferred taxation on changes in fair value of investment properties as the Group is subject to income taxes on disposal of investment properties and land appreciation tax on disposal of its investment property, respectively.

Held-to-maturity investments

The Directors have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The aggregate carrying amount of the held-to-maturity investments was HK$221,121,000 (2015: HK$223,204,000). Details of these assets are set out in note 20.

Control over Pacific Eagle (US) Real Estate Fund, L.P. and its subsidiaries (collectively referred to as "US Real Estate Fund")

On 15 August 2014, US Real Estate Fund was newly formed upon a limited partnership agreement entered by Pacific Eagle China Orient (US) Real Estate GP, LLC (as general partner and referred to as "US Fund GP") and the limited partners (the "Limited Partnership Agreement"). In the formation of the US Real Estate Fund, the Group provided capital contributions by way of transferring certain investment properties. The Group as at 31 December 2016 effectively holds 49.97% (2015: 49.6%) interests in the US Real Estate Fund. In making their judgment, the Directors considered the Group's 80% ownership of the US Fund GP and in accordance with the Limited Partnership Agreement, the US Fund GP is able to direct the relevant activities of the US Real Estate Fund. After assessment, the Directors concluded that the Group is the principal and has control over the US Real Estate Fund and is accounted for as a subsidiary of the Company in accordance with the requirements of HKFRS 10 "Consolidated Financial Statements".

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional property valuers.

In determining the fair value of investment properties situated in Hong Kong and the PRC, the valuers have used income capitalisation approach which involves estimates of future cash flow determined by current leases and future leases with reference to current market conditions as of the end of the reporting period or direct comparison method which involves estimates of the fair value to similar properties adjusted to reflect current market conditions as of the end of the reporting period.

In determining the fair value of investment properties situated in the USA, the valuer has used yield capitalisation method which involves estimates of future cash flow supported by the terms of any existing lease and using discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

In relying on those valuation reports, the Directors have exercised their judgments and are satisfied that the methods of valuations are reflective of the current market conditions. Note 14 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

Stock of properties

As explained in note 3, the Group's properties under development for sale and properties held for sale are stated at the lower of cost and net realisable value. The Directors make significant judgments in determining the net realisable value of stock of properties based on estimated selling prices less anticipated costs to completion of these stock of properties.

Based on the nature of the subject properties, the Directors determine the net realisable value of these stock of properties by reference to the anticipated unit selling prices of the stock of properties, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and the prevailing and forecasted property markets in the relevant jurisdiction. The Directors estimate the anticipated costs to completion of the stock of properties by reference to the actual development costs incurred, construction contracts committed and relevant market information showing the latest cost trend.

If there is an increase in costs to completion or a decrease in net realisable value, this may result in write-downs for these stock of properties. Such write-downs require the use of judgment and estimates of the Directors.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Derivative financial instruments and financial assets designated at FVTPL

In addition, as described in notes 22, 23 and 27, the fair values of derivative financial instruments and financial assets designated at FVTPL that are not quoted in active markets are provided by counterparty financial institutions and determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps, derivative financial instruments and equity linked notes designated at FVTPL are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Note 44 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of derivative financial instruments.

Where the actual future market data varies, a material adjustment on the fair values of derivative financial assets, financial assets designated at FVTPL and cross currency swaps may result. In relying on the valuation provided by counterparty financial institutions, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

Estimated impairment of available-for-sale investments measured at cost

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows and any loss events at the end of the reporting period. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of future cash flows. The Directors have reviewed the financial position of the investments and estimated future cash flows and assessed that no objective impairment was identified.

5. REVENUE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. SEGMENT INFORMATION

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

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

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. The following is the analysis of the Group's revenue and results by reportable segment for the year under review:

6. SEGMENT INFORMATION (continued)

Segment revenue and results

2016

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

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

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

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6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2015

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

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

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

Note: There were no revenue and segment result recognised during the year as the properties directly held were under development. Details of the stock of properties are set out in note 24.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

31 December 2016

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Property investment (note a)	**5,697,128**	**129,356**	**5,567,772**
Property development (note a)	**3,759,371**	**857,725**	**2,901,646**
Hotel operation (note a)	**16,265,155**	**6,721,932**	**9,543,223**
Other operations (note a)	**572,861**	**206,290**	**366,571**
Unallocated	**5,297,201**	**269,699**	**5,027,502**
Great Eagle operations (note b)	**31,591,716**	**8,185,002**	**23,406,714**
Champion REIT (note c)	**44,784,097**	**11,227,632**	**33,556,465**
Langham (note c)	**11,651,774**	**4,423,994**	**7,227,780**
US Real Estate Fund (note d)	**1,068,052**	**645,226**	**422,826**

31 December 2015

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Property investment (note a)	5,409,003	153,773	5,255,230
Property development (note a)	2,489,272	4,906	2,484,366
Hotel operation (note a)	14,470,298	5,342,372	9,127,926
Other operations (note a)	512,758	187,645	325,113
Unallocated	6,322,570	174,730	6,147,840
Great Eagle operations (note b)	29,203,901	5,863,426	23,340,475
Champion REIT (note c)	41,372,755	10,600,153	30,772,602
Langham (note c)	11,413,442	4,322,470	7,090,972
US Real Estate Fund (note d)	2,786,764	1,173,057	1,613,707

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6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Notes:

(a) The segment assets include primarily investment properties, property, plant and equipment, deposit for acquisition of property, plant and equipment, equity securities classified as AFS investments, asset classified as held for sale, inventories, loan receivables, notes receivable, financial assets at FVTPL and debtors, deposits and prepayments attributable to respective operating segments. The segment liabilities include primarily creditors, deposits and accruals, borrowings, provision for taxation and deferred taxation attributable to respective operating segments.

(b) In addition to the major items discussed in note (a), included in the assets and liabilities are bank deposits, pledged bank deposits and restricted cash of HK$5,427,567,000 (2015: HK$5,106,205,000) and borrowings of HK$5,765,657,000 (2015: HK$3,585,004,000), representing net debt of HK$338,090,000 as at 31 December 2016 (2015: net cash of HK$1,521,201,000).

(c) Assets and liabilities of Champion REIT and Langham are based on published results of Champion REIT and Langham, excluding distribution payable attributable from Champion REIT of HK$456,195,000 (2015: HK$373,380,000) at the respective interests held by Great Eagle Holdings Limited, being 65.50% and 61.90% (2015: 62.72% and 60.70%), respectively. Additionally, the assets of Langham include the hotel properties' appraised value of HK$18,432,000,000 as at 31 December 2016 (2015: HK$18,381,000,000). Such hotel properties have a carrying amount (at cost less accumulated depreciation) of HK$4,138,167,000 (2015: HK$4,283,959,000) as recognised in the Group's consolidated statement of financial position.

(d) Assets and liabilities of the US Real Estate Fund are based on results of the fund at the 49.97% (2015: 49.6%) interest held by Great Eagle Holdings Limited.

Geographical information

The Group's operations are mainly located in Hong Kong, the USA, Canada, the United Kingdom, Australia, New Zealand, the PRC and Japan.

6. SEGMENT INFORMATION (continued)

Geographical information (continued)

A geographical analysis of the Group's revenue from external customers based on the geographical location of customers, except for property investment and hotel operations which are based on the geographical location of the properties, and information about the carrying amount of non-current assets excluding financial instruments, interests in associates and joint ventures by the geographical location of the assets are detailed as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**4,666,012**	4,399,155	**76,394,662**	74,199,788
The USA	**1,829,956**	1,725,714	**7,295,764**	10,382,691
Canada	**502,713**	437,562	**620,577**	617,168
The United Kingdom	**466,735**	535,602	**1,644,581**	1,811,888
Australia	**461,515**	467,380	**837,042**	841,211
New Zealand	**301,448**	262,677	**345,806**	345,327
The PRC	**402,963**	406,046	**2,997,887**	2,932,289
Japan	**–**	–	**1,521,771**	–
Others	**17,158**	36,766	**–**	19
	8,648,500	8,270,902	**91,658,090**	91,130,381

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for both years.

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7. OTHER INCOME

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

8. FINANCE COSTS

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

Note:

Interest and other finance costs were capitalised at an average annual rate of 1.14% (2015: nil) to property development projects.

9. INCOME TAXES

	2016 HK$'000	2015 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**320,270**	251,487
Other jurisdictions	**303,223**	47,357
	623,493	298,844
Under(over)provision in prior years:		
Hong Kong Profits Tax	**1,805**	(3,256)
Other jurisdictions	**439**	(10,563)
	2,244	(13,819)
	625,737	285,025
Deferred tax (note 34):		
Current year	**(49,859)**	263,693
Overprovision in prior years	**(3,280)**	(1,908)
Attributable to change in tax rate	**–**	(7,638)
	(53,139)	254,147
	572,598	539,172

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Taxation arising in other jurisdictions, mainly derived from the USA, is calculated at the rates prevailing in the respective jurisdictions. Taxation from the USA includes federal tax and state tax.

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2016 HK$'000	2015 HK$'000
Profit before tax	**4,692,344**	5,273,225
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**774,237**	870,082
Tax effect of expenses that are not deductible for tax purpose	**68,665**	66,069
Tax effect of income that is not taxable for tax purpose	**(413,606)**	(545,862)
Overprovision in prior years	**(1,036)**	(15,727)
Tax effect of share of results of associates	**(72)**	568
Tax effect of share of results of joint ventures	**3,331**	3,288
Tax effect of tax losses not recognised	**20,307**	43,053
Utilisation of tax losses previously not recognised	**(6,388)**	(5,483)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**107,608**	121,006
Others	**19,552**	2,178
Tax charge for the year	**572,598**	539,172

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10. PROFIT FOR THE YEAR

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the sixteen (2015: fourteen) Directors were as follows:

	2016					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	160	–	–	–	–	160
Dr. LO Ka Shui	160	12,784	6,203	2,613	532	22,292
Mr. LO Kai Shui	160	1,706	182	332	78	2,458
Mr. CHENG Hoi Chuen, Vincent	480	–	–	–	–	480
Professor WONG Yue Chim, Richard	440	–	–	–	–	440
Mrs. LEE Pui Ling, Angelina	440	–	–	–	–	440
Mr. ZHU Qi	70	–	–	–	–	70
Mr. LEE Siu Kwong, Ambrose	398	–	–	–	–	398
Mr. POON Ka Yeung, Larry	150	–	–	–	–	150
Mr. LO Hong Sui, Antony	160	1,516	177	332	76	2,261
Madam LAW Wai Duen	160	607	101	332	30	1,230
Mr. LO Hong Sui, Vincent	160	–	–	–	–	160
Dr. LO Ying Sui	160	–	–	–	–	160
Mr. KAN Tak Kwong	160	5,931	1,977	1,025	297	9,390
Mr. CHU Shik Pui	160	3,600	1,500	493	180	5,933
Mr. LO Alexander Chun Him	160	1,242	238	218	62	1,920
	3,578	27,386	10,378	5,345	1,255	47,942

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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2015					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	160	–	–	–	–	160
Dr. LO Ka Shui	160	12,074	8,282	3,389	497	24,402
Mr. LO Kai Shui	160	1,641	214	532	76	2,623
Mr. CHENG Hoi Chuen, Vincent	480	–	–	–	–	480
Professor WONG Yue Chim, Richard	440	–	–	–	–	440
Mrs. LEE Pui Ling, Angelina	440	–	–	–	–	440
Mr. ZHU Qi	330	–	–	–	–	330
Mr. LO Hong Sui, Antony	160	1,472	209	532	74	2,447
Madam LAW Wai Duen	160	589	83	532	29	1,393
Mr. LO Hong Sui, Vincent	160	–	–	–	–	160
Dr. LO Ying Sui	160	–	–	–	–	160
Mr. KAN Tak Kwong	160	5,676	1,230	1,611	284	8,961
Mr. CHU Shik Pui	13	2,592	754	545	130	4,034
Mr. LO Alexander Chun Him	13	793	200	125	40	1,171
	2,996	24,837	10,972	7,266	1,130	47,201

Details of services of Directors are disclosed in the board of directors section under the corporate governance report.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2015: two) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2015: three) individuals were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	10,197	16,731
Discretionary bonuses	1,454	1,591
Share options	585	1,465
Retirement benefits scheme contributions	673	830
	12,909	20,617

	2016 Number of employees	2015 Number of employees
Bands:		
HK$5,000,001 – HK$5,500,000	1	–
HK$5,500,001 – HK$6,000,000	–	1
HK$6,000,001 – HK$6,500,000	–	–
HK$6,500,001 – HK$7,000,000	–	–
HK$7,000,001 – HK$7,500,000	1	1
HK$7,500,001 – HK$8,000,000	–	1
	2	3

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12. DIVIDENDS

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

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

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

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

	2016 HK$'000	2015 HK$'000
Dividends:		
Cash	80,321	88,334
Share alternative (note 38)	233,533	220,216
	313,854	308,550

12. DIVIDENDS (continued)

	2016 HK$'000	2015 HK$'000
Dividends proposed:		
– Proposed final dividend of HK48 cents in respect of the financial year ended 31 December 2016 (2015: HK47 cents in respect of the financial year ended 31 December 2015) per ordinary share	**325,186**	312,421
– Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2016 (2015: HK$2 in respect of the financial year ended 31 December 2015) per ordinary share	**338,735**	1,329,450
	663,921	1,641,871

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

13. EARNINGS PER SHARE

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

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

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

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14. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
FAIR VALUE		
At 1 January	**73,975,154**	69,867,294
Exchange adjustments	**(14,874)**	(13,903)
Acquisitions of investment properties	**–**	965,000
Additions	**93,556**	144,823
Transfer to assets classified as held for sale/disposals	**(3,538,049)**	–
Increase in fair value recognised in the consolidated income statement	**2,530,733**	3,011,940
At 31 December	**73,046,520**	73,975,154

(a) The Group's property interests situated in Hong Kong of HK$71,809,800,000 (2015: HK$69,460,000,000) and in the PRC of HK$236,454,000 (2015: HK$245,128,000) which are held under leasehold interests to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) In October 2015, the Group completed the acquisition of an investment property located in Seattle, the USA for a consideration of US$124,500,000 (equivalent to approximately HK$964,875,000).

(c) During the year, the Group disposed of certain investment properties located in San Francisco, the USA at an aggregate consideration of US$460,500,000. The realised disposal gain calculated based on the excess of consideration receivable less original cost and transaction costs would amount to US$153,717,000 (equivalent to HK$1,193,182,000). In addition, an investment property amounting to HK$116,310,000 was classified as held for sale as disclosed in note 30.

(d) In determining the fair value of the relevant investment properties, the Group engages in independent professional property valuers to perform the valuation. The management works closely with the independent professional property valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (continued)

(e) Included in the fair value of investment properties as at 31 December 2016 is HK$72,954,220,000 (2015: HK$73,875,654,000) which is categorised as Level 3 fair value hierarchy with movement as follows:

	2016 HK$'000	2015 HK$'000
FAIR VALUE		
At 1 January	73,875,654	69,867,294
Exchange adjustments	(14,874)	(13,903)
Acquisitions of investment properties	–	965,000
Additions	93,348	144,823
Transfer to assets classified as held for sale/disposals	(3,538,049)	–
Transfers out of Level 3 due to change in valuation methodology	–	(94,920)
Increase in fair value recognised in the consolidated income statement	2,538,141	3,007,360
At 31 December	72,954,220	73,875,654

Unrealised gain on property revaluation included in profit or loss amounted to HK$2,331,081,000 (2015: HK$3,007,360,000).

(f) The carrying amount of investment properties includes land and buildings situated in Hong Kong and outside Hong Kong as follows:

	2016 HK$'000	2015 HK$'000
Leases in Hong Kong	71,809,800	69,460,000
Leases outside Hong Kong	236,454	245,128
Freehold land outside Hong Kong	1,000,266	4,270,026
	73,046,520	73,975,154

(g) The fair value of the Group's investment properties at 31 December 2016 and 2015 has been arrived at on a basis of valuation performed by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Knight Frank Petty Limited, Savills Valuation and Professional Services Limited

Investment properties in the PRC – Knight Frank Petty Limited

Investment properties in the USA – Cushman & Wakefield of Washington, Inc.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

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For the year ended 31 December 2016

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2016						
Commercial property in Wan Chai, Hong Kong	3,971,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.60% for office and 4.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	39,330,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.60% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	27,511,500	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for both the office and retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished Apartments in Hong Kong	905,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.50% to 4.00%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (i)

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14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2016 (continued)						
Commercial properties in Shanghai, the PRC	236,454	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.50% for the retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	92,300	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	
Commercial properties in West Coast of the USA	1,000,266	Level 3	Yield capitalisation method – income capitalisation approach The key inputs are: (i) discount rate; (ii) terminal capitalisation rate; and annual income	Discount rate, taking into account the internal rate of return, 7.00%.	The higher the discount rate, the lower the fair value.	Note (ii)
				Termination capitalisation rate, taking into account net realisable value at the end of the holding period, of 6.00%.	The higher the termination capitalisation rate, the lower the fair value.	Note (i)
				Annual income, taking into account projected net operating income and capital expenditures.	The higher the annual income, the higher the fair value.	Note (i)
As at 31 December 2015						
Commercial property in Wan Chai, Hong Kong	3,661,500	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.90% for office and 4.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2015 (continued)						
Commercial properties in Central, Hong Kong	37,587,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.30% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	27,196,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for both the office and retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished Apartments in Hong Kong	916,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.50% to 4.00%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (i)
Commercial properties in Shanghai, the PRC	245,128	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.50% for the retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	99,500	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	

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14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2015 (continued)						
Commercial properties in West Coast of the USA	4,270,026	Level 3	Yield capitalisation method – income capitalisation approach	Discount rate, taking into account the internal rate of return, 6.75% to 8.00%.	The higher the discount rate, the lower the fair value.	Note (ii)
			The key inputs are: (i) discount rate; (ii) terminal capitalisation rate; and annual income	Termination capitalisation rate, taking into account net realisable value at the end of the holding period, of 5.75% to 7.25%.	The higher the termination capitalisation rate, the lower the fair value.	Note (i)
				Annual income, taking into account projected net operating income and capital expenditures.	The higher the annual income, the higher the fair value.	Note (i)

Notes:

(i) A significant change in the unobservable inputs would result in a significant higher or lower fair value measurement.

(ii) There is no indication that any slight change in the unobservable input would result in a significant higher or lower fair value measurement.

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15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST									
At 1 January 2015	1,632,651	2,349,418	14,696,859	–	380,014	2,101,032	3,092	128	21,163,194
Exchange adjustments	(71,834)	–	(474,056)	–	–	(103,719)	–	(3)	(649,612)
Additions	–	–	7,693	1,441,925	19,470	639,281	459	–	2,108,828
Transfer in (out)	527,462	–	(527,462)	–	–	–	–	–	–
Disposals/written off	–	–	–	–	–	(36,891)	–	(26)	(36,917)
At 31 December 2015	2,088,279	2,349,418	13,703,034	1,441,925	399,484	2,599,703	3,551	99	22,585,493
Exchange adjustments	(76,702)	–	(376,181)	(59,706)	–	(37,560)	(30)	(4)	(550,183)
Acquisitions	1,598,022	–	–	77,943	–	–	–	–	1,675,965
Additions	–	–	4,045	261,114	–	560,008	–	–	825,167
Transfer in (out)	–	–	30,790	–	–	(30,790)	–	–	–
Disposals/written off	–	–	(3,310)	–	–	(8,025)	–	–	(11,335)
At 31 December 2016	**3,609,599**	**2,349,418**	**13,358,378**	**1,721,276**	**399,484**	**3,083,336**	**3,521**	**95**	**24,525,107**
DEPRECIATION AND IMPAIRMENT									
At 1 January 2015	198,523	867,621	3,158,509	–	48,583	1,068,740	2,021	93	5,344,090
Exchange adjustments	(3,272)	–	(137,854)	–	–	(65,117)	(2)	(2)	(206,247)
Charge for the year	–	44,764	346,668	–	17,828	196,707	479	18	606,464
Eliminated on disposals/ written off	–	–	–	–	–	(29,655)	–	(16)	(29,671)
Reversal of impairment loss	(81,045)	–	(201,938)	–	–	(1,387)	–	–	(284,370)
At 31 December 2015	114,206	912,385	3,165,385	–	66,411	1,169,288	2,498	93	5,430,266
Exchange adjustments	367	–	(86,104)	–	–	(15,117)	(8)	(4)	(100,866)
Charge for the year	–	44,764	319,261	–	18,288	207,773	338	4	590,428
Eliminated on disposals/ written off	–	–	–	–	–	(6,291)	–	–	(6,291)
At 31 December 2016	**114,573**	**957,149**	**3,398,542**	**–**	**84,699**	**1,355,653**	**2,828**	**93**	**5,913,537**
CARRYING AMOUNTS									
At 31 December 2016	**3,495,026**	**1,392,269**	**9,959,836**	**1,721,276**	**314,785**	**1,727,683**	**693**	**2**	**18,611,570**
At 31 December 2015	1,974,073	1,437,033	10,537,649	1,441,925	333,073	1,430,415	1,053	6	17,155,227

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the additions of furniture and fixtures of HK$560,008,000 (2015: HK$639,281,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK$427,092,000 (2015: HK$387,320,000), HK$12,975,000 (2015: HK$17,401,000) and HK$702,000 (2015: HK$22,057,000), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years, respectively.

At 31 December 2016, the leasehold land with carrying amounts of HK$1,392,269,000 (2015: HK$1,437,033,000) are situated in Hong Kong and are finance lease in nature. Freehold land is situated outside Hong Kong.

Owner occupied properties situated in Hong Kong are land and buildings that are finance lease in nature.

At 31 December 2016, the Directors considered no reversal or further recognition of impairment was required as the recoverable amount exceeded the carrying amount.

At 31 December 2015, the Directors conducted an impairment assessment on hotel properties. The recoverable amounts of the hotel properties located in the USA at 31 December 2015 were determined higher than their carrying amounts and the carrying amount was increased to an amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The recoverable amount of the hotel properties (comprising freehold land and hotel buildings) were determined by value in use which were estimated using the future cash flows expected to arise and suitable discount rate of 9.75% in order to calculate the present values. Accordingly, during the year ended 31 December 2015, a reversal of impairment loss in the amount of HK$284,370,000 was made for a hotel property located in the USA.

16. DEPOSIT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2015, purchase deposit of 2,221,900,000 yen (equivalent to approximately HK$142,868,000) was paid for the acquisition of a hotel development project in Tokyo, Japan. The acquisition was completed in June 2016.

17. INTERESTS IN JOINT VENTURES

	2016 **HK$'000**	2015 HK$'000
Cost of investments in joint ventures	**1,231,168**	632,612
Share of post-acquisition results and other comprehensive income	**(164,025)**	(99,105)
	1,067,143	533,507

Pursuant to a subscription and shareholders' agreement signed between an indirect wholly-owned subsidiary of the Company and an independent third party investor (the "Wealth Joy Investor") in February 2010, the financial and operating policies of Wealth Joy Holdings Limited ("Wealth Joy") that significantly affect the return of Wealth Joy, require unanimous consent from the Group and the Wealth Joy Investor, accordingly Wealth Joy is accounted for as a joint arrangement. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Wealth Joy, the Group has accounted for Wealth Joy as a joint venture.

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17. INTERESTS IN JOINT VENTURES (continued)

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

Pursuant to the agreements signed between an indirect wholly-owned subsidiary of the Company and an independent third party investor (the "8701 Investor") regarding the Group's AFS investment in 8701 Associates 2, LLC ("8701"), the 8701's major decisions require unanimous consent from the Group and the 8701 Investor. Accordingly, the Group accounted for 8701 as a joint arrangement. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of 8701, the Group accounted for 8701 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$1,067,143,000 as at 31 December 2016 (2015: HK$533,507,000) are accounted for using the equity method in these consolidated financial statements.

In determining whether there exists any objective evidence of impairment of the Group's interests in joint ventures, the Directors consider the fair value of the property under development and the profits arising from pre-sales of the properties which may have an impact on the estimated future cash flows of its joint ventures. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

Particulars regarding the joint ventures are set out in note 47.

The summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

17. INTERESTS IN JOINT VENTURES (continued)

Wealth Joy Holdings Limited

	2016 HK$'000	2015 HK$'000
Current assets	**2,747,130**	2,973,820
Non-current assets	**4,001**	5,228
Current liabilities	**(747,842)**	(845,410)
Non-current liability	**(550,742)**	(1,066,624)
The above amounts of assets and liabilities include the following: Cash and cash equivalents	**419,162**	251,395
Current financial liabilities (excluding trade and other payables and provisions)	**(510,161)**	(589,278)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(550,742)**	(1,066,624)
Income recognised in profit or loss	**609,291**	2,223
Expenses recognised in profit or loss	**(605,899)**	(42,073)
Income tax expense	**(18,373)**	–
Other comprehensive expense for the year	**(89,486)**	(52,232)
The above income and expenses recognised for the year includes the following: Depreciation and amortisation	**(1,942)**	(2,204)
Interest income	**849**	622
Interest expense	**–**	–

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17. INTERESTS IN JOINT VENTURES (continued)

Wealth Joy Holdings Limited (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net assets of Wealth Joy	1,452,547	1,067,014
Capital contribution from the Group	(490,000)	–
	962,547	1,067,014
Proportion of the Group's ownership interest in Wealth Joy	50%	50%
	481,273	533,507
Capital contribution from the Group	490,000	–
Carrying amount of the Group's interest in Wealth Joy	971,273	533,507

Aggregate information of joint venture that is not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of loss for the year	12,700	–
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive expense	12,700	–
Dividends received from joint venture during the year	–	–
Aggregate carrying amount of the Group's interests in the joint venture	95,870	–

18. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Cost of investment in associates:		
Unlisted associates in Hong Kong	109	109
Share of post-acquisition profit and other comprehensive income, net of dividend received	80,777	69,055
	80,886	69,164

18. INTERESTS IN ASSOCIATES (continued)

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.

Particulars regarding the associates are set out in note 48.

At 31 December 2016 and 2015, the Group's investment in associates are not material to the Group.

Aggregate information of associates that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of profit for the year	**438**	788
The Group's share of other comprehensive income	**15,437**	6,931
The Group's share of total comprehensive income	**15,875**	7,719
Dividends received from associates during the year	**4,152**	76,666
Aggregate carrying amount of the Group's interests in these associates	**80,886**	69,164

19. LOAN RECEIVABLES

Loan receivables represented the following:

(i) Smart Easy Global Limited ("Smart Easy"), a wholly owned subsidiary of the Company, entered into a subordinated unsecured convertible promissory note dated 15 June 2015 (the "Note") with a third party for the loan receivable of US$25,000,000 (equivalent to approximately HK$193,775,000), which bears interest at 5% per annum and has a maturity date on 15 June 2020.

Subject to the terms in the Note, the loan receivable may, by Smart Easy's election, be converted into fully paid class D non-voting common units of the third party at an initial conversion price of US$6. Upon conversion, accrued and unpaid interest on the loan receivable shall be immediately due and payable in cash. Notwithstanding the above, the Note will also be mandatory converted at an initial conversion price of US$6 upon the occurrence of the earlier of (i) an initial public offering of the third party's equity securities at a price per share of US$12; and (ii) the sale of at least US$20 million of new capital of the third party's equity securities at the implied unit price of at least US$12.

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19. LOAN RECEIVABLES (continued)

Loan receivables represented the following: (continued)

(i) (continued)

Based on the market conditions and the operations of the third party at the end of the reporting period, the management considered that the loan receivable will not be converted into units. Accordingly, the fair value of the conversion right of the loan receivable is insignificant.

As the end of the reporting period, the Directors assessed whether there exists any objective evidence of impairment of the loan receivable. Taking into considerations of the current market conditions and financial performance of the third party at 31 December 2016, the carrying amount of the loan receivable exceeded the estimated future cash flows and, accordingly, an impairment loss of HK$199,143,000 is recognised in profit or loss.

(ii) Pacific Miami Corporation, a wholly-owned subsidiary of the Company, entered into an unsecured promissory note dated 30 December 2015 and 23 December 2016 with an investee classified as an AFS investment for a loan receivable of US$2,760,000 (equivalent to approximately HK$21,398,000) (2015: US$2,275,000 (equivalent to approximately HK$17,634,000)), which bears interest at 18% per annum and has a maturity date on 31 December 2022.

20. NOTES RECEIVABLE

	2016 HK$'000	2015 HK$'000
Unsecured bonds	244,062	273,762
Less: Amounts due within one year shown under current assets	–	(20,248)
Amounts due after one year	244,062	253,514

At 31 December 2016, the Group held unsecured bonds with principal amounts of HK$244,062,000 (2015: HK$273,762,000) issued by reputable financial institutions. The Group designated unsecured bonds amounting to HK$221,121,000 (2015: HK$223,204,000) as held-to-maturity investments.

The unsecured bonds issued by reputable financial institutions are detailed as follows:

(i) carrying amount of HK$244,062,000 (2015: HK$253,514,000) is denominated in US$ with nominal values ranging from US$1,000,000 to US$7,640,000 (2015: US$1,000,000 to US$7,640,000), bears interest at fixed interest rates ranging from 2.63% to 5.88% (2015: 2.63% to 5.88%) per annum and has maturity dates ranging from March 2018 to May 2024 (2015: January 2018 to May 2024); and

(ii) carrying amount as at 31 December 2015 of HK$20,248,000 was denominated in Renminbi ("RMB") with nominal values of ranging from RMB2,000,000 to RMB10,000,000, bore interest at fixed interest rate of 3% per annum and had maturity date of June 2016.

21. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments comprise:

	2016 HK$'000	2015 HK$'000
Listed equity securities in Hong Kong	**211,492**	234,543
Listed equity securities outside Hong Kong	**50,872**	64,415
Unlisted equity securities in Hong Kong	**8,000**	7,997
Unlisted equity securities outside Hong Kong	**1,006,624**	1,160,379
	1,276,988	1,467,334
Market value of listed securities	**262,364**	298,958

At the end of the reporting period, the Group's listed equity securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets. As at 31 December 2015, the Group's listed equity securities were individually determined to be impaired on the basis of significant or prolonged decline in their fair values below cost and an impairment loss of HK$45,824,000 was recognised in profit or loss.

Unlisted investments represent unlisted equity investments and club debentures. An aggregate amount of unlisted equity securities of HK$426,869,000 (2015: HK$466,524,000) are measured at fair values. The remaining amount of unlisted equity securities and club debentures of HK$587,755,000 (2015: HK$701,852,000) are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so widespread that the Directors are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity investments, which is carried at cost less impairment, is the Group's investment in an investor of China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund L.P. ("China Fund LP"), namely China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund Limited Partner, an exempted company incorporated with limited liability in the Cayman Islands. At 31 December 2016, the Group had invested HK$409,048,000 (2015: HK$418,300,000), which represents 40% equity interests in China Fund LP. China Fund LP is not regarded as an associate of the Group because the Group is unable to exercise significant influence under arrangements with other investors.

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22. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 Assets HK$'000	2016 Liabilities HK$'000	2015 Assets HK$'000	2015 Liabilities HK$'000
Interest rate swap	**31,795**	**–**	–	–
Foreign currency derivative contracts	**9,951**	**247**	–	619
	41,746	**247**	–	619
Less: Amounts due within one year shown under current assets/ liabilities	**(9,951)**	**–**	–	(121)
Amounts due after one year	**31,795**	**247**	–	498

The Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in Hong Kong.

The Group entered interest rate swaps with The Hongkong and Shanghai Banking Corporation Limited 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 to fixed rate.

Major terms of the interest rate swap are as follows:

Notional amount	Maturity	Pay fixed interest rate	Receive floating interest rate	Interest period
HK$1,000,000,000	10 November 2020	1.035%	Hong Kong Interbank Offered Rate ("HIBOR")	Monthly

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

23. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	2016 HK$'000	2015 HK$'000
Non-current asset		
Cash flow hedge – cross currency swaps	**32,408**	–
Non-current liability		
Cash flow hedge – cross currency swaps	**–**	69,821

23. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING (continued)

The Group entered cross currency swaps with The Hongkong and Shanghai Banking Corporation Limited to minimise the exposure to fluctuations in foreign currency and interest rate of the medium term note as described in note 33, which is denominated in US$, in respect of the principal and fixed rate interest payments.

The cross currency swaps and the corresponding medium term note have similar terms and the Directors considered that the cross currency swaps were highly effective hedging instruments.

Major terms of the cross currency swaps are set out below:

Notional amount	Maturity	Exchange rate	Interest rate	Interest period	Total hedged item
US$200,000,000	17 January 2023	HK$7.7598: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$100,000,000	17 January 2023	HK$7.76: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$50,000,000	17 January 2023	HK$7.7613: US$1	3.75%	Semi-annually	Medium term note principal and coupon payments
US$36,400,000 (2015: US$50,000,000)	17 January 2023	HK$7.7541: US$1	3.75%	Quarterly	Medium term note principal and coupon payments

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

During the year, the nominal amount of the cross currency swap was amended from US$400,000,000 to US$386,400,000.

During the year, the gain on changes in fair value of the cross currency swaps under cash flow hedge amounting to HK$105,378,000 (2015: loss on changes of HK$70,701,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK$3,552,000 (2015: HK$842,000) 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 payment.

24. STOCK OF PROPERTIES

	2016 HK$'000	2015 HK$'000
Properties under development for sale	**3,080,892**	2,669,027
Properties held for sale	**557,178**	482,518
	3,638,070	3,151,545

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24. STOCK OF PROPERTIES (continued)

Stock of properties comprised 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) which was acquired during the year ended 31 December 2015. The apartments are under renovation to convert into condominiums for sale.

(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) which was acquired during the year ended 31 December 2015. The site is under development of residential properties for sale.

(iii) A residential site in Pak Shek Kok, Tai Po at the land premium of HK$2,412,000,000. The site is under development of luxury residential properties for sale.

The properties under development for sale with carrying amount of HK$2,666,525,000 (2015: HK$2,489,272,000) are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

25. INVENTORIES

	2016 HK$'000	2015 HK$'000
Completed properties held for sale	**42**	42
Raw materials	**8,432**	13,081
Trading goods	**2,331**	2,228
Provisions and beverages	**43,946**	45,660
Work-in-progress	**51,059**	66,895
	105,810	127,906

26. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

26. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

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

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

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

Trade debtors as at 31 December 2016 and 2015 which are neither overdue nor impaired are in good quality. Included in the Group's trade debtors balance are debtors with a carrying amount of HK$154,832,000 (2015: HK$132,599,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade debtors balance past due but not impaired

	2016 HK$'000	2015 HK$'000
3–6 months	**20,277**	20,219
Over 6 months	**134,555**	112,380
	154,832	132,599

Movement in the allowance for doubtful debts

	2016 HK$'000	2015 HK$'000
At 1 January	**18,789**	22,328
Amounts recovered	**(1,062)**	(4,696)
Increase in allowance recognised in profit or loss	**56**	1,157
At 31 December	**17,783**	18,789

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Equity linked notes designated at FVTPL	**38,616**	103,455
Listed equity securities held for trading	**260,745**	265,448
	299,361	368,903

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. Also, the Group had entered into equity linked notes with banks and are detailed as follows:

(i) US$ equity linked notes with nominal values of US$5,000,000 (2015: US$1,000,000) have maturity period of four months (2015: twelve months). Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

(ii) As at 31 December 2015, HK$ equity linked notes with nominal values ranging from HK$5,000,000 to HK$10,000,000 had maturity period of three months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

28. PLEDGED BANK DEPOSITS

Pledged bank deposits represented the US$ deposit and HK$ deposit amounting to HK$631,489,000 (2015: HK$620,790,000) was pledged as security for short-term loan facilities.

29. RESTRICTED CASH, BANK BALANCES AND CASH

Restricted cash

Restricted cash represented an amount equivalent to HK$289,953,000 (2015: HK$132,652,000) was placed in designated bank account pursuant to applicable loan facilities requirements.

Bank balances and cash

Included in bank balances and cash as at 31 December 2016, were HK$400,907,000 (2015: HK$914,086,000) of time deposits with original maturity over three months. The remaining bank deposits were with original maturity of three months or less. The time deposits carry interest at market rates which range from 0.01% to 9.20% (2015: 0.001% to 9.20%) per annum.

30. ASSET CLASSIFIED AS HELD FOR SALE

The Group has classified an investment property located in Walnut Creek, the USA as asset held for sale which are separately presented in the consolidated statement of financial position.

On 4 October 2016, the Group entered into sales and purchase agreement to dispose of the investment property at a consideration of US$15,000,000 (equivalent to approximately HK$116,310,000). The closing of such transaction was completed in January 2017.

31. CREDITORS, DEPOSITS AND ACCRUALS

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

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

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

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

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

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32. BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank loans and revolving loans (secured)	24,529,461	23,277,164
Other non-current loans (secured)	–	372,548
	24,529,461	23,649,712
Loan front-end fee	(154,350)	(99,457)
	24,375,111	23,550,255

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

	2016 HK$'000	2015 HK$'000
Within one year	2,495,416	9,968,284
More than one year but not exceeding two years	1,803,477	4,709,096
More than two years but not exceeding five years	19,988,961	8,648,212
More than five years	87,257	224,663
	24,375,111	23,550,255
Less: Amounts due within one year shown under current liabilities	(2,495,416)	(9,968,284)
Amounts due after one year	21,879,695	13,581,971

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	–	371,870

The exposure of the Group's floating-rate borrowings and the contractual maturity dates are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	2,495,416	9,596,414
More than one year but not exceeding two years	1,803,477	4,709,096
More than two years but not exceeding three years	5,333,583	3,643,194
More than three years but not exceeding four years	8,674,581	3,918,041
More than four years but not exceeding five years	5,980,797	1,086,977
More than five years	87,257	224,663
	24,375,111	23,178,385

32. BORROWINGS (continued)

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

	2016	2015
Effective interest rate:		
Fixed-rate borrowings	**N/A**	3.84% to 4.88%
Variable-rate borrowings	**0.36% to 5.95%**	0.84% to 7.21%

33. MEDIUM TERM NOTES

	2016 HK$'000	2015 HK$'000
Medium term notes	**3,839,146**	3,637,986
Origination fees	**(24,762)**	(28,160)
	3,814,384	3,609,826

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

As at 31 December 2016, the outstanding medium term notes comprised of the following:

(i) 10-year unsecured notes at a fixed rate of 3.75% per annum with principal amount of US$386,400,000 (2015: US$386,400,000) (the "USD MTN"). The issued medium term note is repayable in full on 17 January 2023. The foreign currency rate and interest rate are hedged by the use of cross currency swaps.

(ii) 7-year unsecured notes at a floating rate of 3-month HIBOR plus 1.275% per annum with principal amount of HK$643,000,000 (2015: HK$643,000,000). The issued medium term note is repayable in full on 26 March 2022.

(iii) 8-year unsecured notes at a fixed rate of 2.75% per annum with principal amount of HK$200,000,000 (2015: nil). The issued medium term note is repayable in full on 7 October 2024.

During the year ended 31 December 2015, an aggregate principal amount of US$13,600,000 of the USD MTN was repurchased at a total consideration of HK$101,701,000 and a gain on repurchase of medium term notes amounting to HK$2,686,000 was recognised in profit or loss.

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34. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

	Investment properties and property, plant and equipment HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015	1,401,660	(248,601)	29,684	1,182,743
Exchange differences	(21,345)	922	(21)	(20,444)
Charge (credit) to profit or loss for the year	314,332	(51,390)	(1,157)	261,785
Others	(38,047)	–	–	(38,047)
Effect of change in tax rate	(7,638)	–	–	(7,638)
At 31 December 2015	1,648,962	(299,069)	28,506	1,378,399
Exchange differences	(21,397)	(287)	(10)	(21,694)
Charge (credit) to profit or loss for the year	(363,699)	290,994	19,566	(53,139)
At 31 December 2016	**1,263,866**	**(8,362)**	**48,062**	**1,303,566**

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities. Others amounting to HK$38,047,000 resulted from the disposal of interests in subsidiary without losing control during the year ended 31 December 2015.

At the end of the reporting period, the Group has unutilised tax losses of HK$2,071,813,000 (2015: HK$2,802,862,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$37,499,000 (2015: HK$822,050,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$2,034,314,000 (2015: HK$1,980,812,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$336,782,000 (2015: HK$336,782,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$336,782,000 (2015: HK$336,782,000) of such deductible temporary difference.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$1,616,000,000 (2015: HK$1,460,000,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

35. SHARE CAPITAL

		2016 Number of shares '000	2016 Nominal value HK$'000	2015 Number of shares '000	2015 Nominal value HK$'000
(a)	Authorised:				
	Shares of HK$0.50 each				
	Balance brought forward	**800,000**	**400,000**	800,000	400,000
	Increase on 10 May 2016	**400,000**	**200,000**	–	–
	Balance carried forward	**1,200,000**	**600,000**	800,000	400,000
(b)	Issued and fully paid:				
	Shares of HK$0.50 each				
	Balance brought forward	**664,725**	**332,363**	655,807	327,904
	Issued upon exercise of share options under the share option schemes	**4,121**	**2,060**	783	391
	Issued as scrip dividends	**8,624**	**4,312**	8,135	4,068
	Balance carried forward	**677,470**	**338,735**	664,725	332,363

During the year ended 31 December 2016, 8,623,818 (2015: 8,135,066) shares of HK$0.50 each in the Company were issued at HK$27.08 (2015: HK$27.07) per share as scrip dividends.

36. SHARE OPTIONS

In accordance with a share option scheme of Great Eagle Holdings Limited (formerly Executive Share Option Scheme), which was adopted pursuant to an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001 (the "1999 Share Option Scheme"), 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.

At the 2009 Annual General Meeting of the Company held on 27 May 2009, ordinary resolutions were proposed to approve the adoption of a new share option scheme ("2009 Share Option Scheme") and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the shareholders of the Company and the 2009 Share Option Scheme became effective for a period of 10 years commencing on 27 May 2009.

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36. SHARE OPTIONS (continued)

Further details of the 2009 Share Option Scheme

a. The purpose of the 2009 Share Option Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary (the "Participants") and to allow them to participate in the growth of the Company.

b. Participants of the 2009 Share Option Scheme include any person the Board of Directors may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any subsidiary, any executive or non-executive directors of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the 2009 Share Option Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the 2009 Share Option Scheme.

d. No option may be granted to any Participant under the 2009 Share Option Scheme which, if exercised in full, would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's Shares in issue.

e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36 months' period.

f. Any Participant who accepts an offer of the grant of an option in accordance with the terms of the scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the participant.

g. The subscription price shall be determined by the Board of Directors and notified to a Participant and shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange), and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant, and as subsequently adjusted pursuant to the terms of the 2009 Share Option Scheme, if relevant.

h. The 2009 Share Option Scheme has a life of 10 years commencing on 27 May 2009.

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36. SHARE OPTIONS (continued)

The following tables disclose details of the Company's share options held by employees, including Directors, and movements in such holdings under the 2009 Share Option Scheme during the year:

	Number of shares				
In 2016 Year of grant of options	**Outstanding options at 1 January 2016**	**Options granted**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2016**
2011	**1,277,000**	**–**	**–**	**(1,277,000)**	**–**
2012	**2,139,000**	**–**	**(1,601,000)**	**(5,000)**	**533,000**
2013	**2,777,000**	**–**	**(1,048,000)**	**(56,000)**	**1,673,000**
2014	**3,463,000**	**–**	**(1,472,000)**	**(64,000)**	**1,927,000**
2015	**3,830,000**	**–**	**–**	**(308,000)**	**3,522,000**
2016	**–**	**4,426,000**	**–**	**(304,000)**	**4,122,000**
	13,486,000	**4,426,000**	**(4,121,000)**	**(2,014,000)**	**11,777,000**
Exercisable at end of the year					**4,133,000**
Weighted average exercise price	**HK$26.99**	**HK$25.70**	**HK$26.32**	**HK$26.35**	**HK$26.85**

	Number of shares				
In 2015 Year of grant of options	Outstanding options at 1 January 2015	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2015
2010	763,000	–	(611,000)	(152,000)	–
2011	1,478,000	–	(34,000)	(167,000)	1,277,000
2012	2,407,000	–	(138,000)	(130,000)	2,139,000
2013	3,016,000	–	–	(239,000)	2,777,000
2014	3,765,000	–	–	(302,000)	3,463,000
2015	–	4,142,000	–	(312,000)	3,830,000
	11,429,000	4,142,000	(783,000)	(1,302,000)	13,486,000
Exercisable at end of the year					6,193,000
Weighted average exercise price	HK$26.71	HK$26.91	HK$23.02	HK$26.70	HK$26.99

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36. SHARE OPTIONS (continued)

Details of the share options held by the Directors under the 2009 Share Option Scheme included in the above table are as follows:

In 2016 Year of grant of options	Number of shares Outstanding options at 1 January 2016	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2016
2010–2016	**6,143,000**	**1,565,000**	**(2,288,000)**	**(715,000)**	**4,705,000**

In 2015 Year of grant of options	Number of shares Outstanding options at 1 January 2015	Reclassification (Note)	Options granted	Options exercised	Outstanding options at 31 December 2015
2010–2015	4,763,000	395,000	1,435,000	(450,000)	6,143,000

The weighted average price of the shares on the date the options were exercised was HK$29.75 (2015: HK$27.01) under the 2009 Share Option Scheme for the year ended 31 December 2016.

Note: During the year ended 31 December 2015, two employees were appointed as directors.

Details of options granted under the 2009 Share Option Scheme in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share HK$
2010	4.3.2010	5.3.2012–4.3.2015	22.80
2011	7.3.2011	8.3.2013–7.3.2016	26.18
2012	8.3.2012	9.3.2014–8.3.2017	23.20
2013	6.6.2013	7.6.2015–6.6.2018	31.45
2014	27.2.2014	28.2.2016–27.2.2019	26.05
2014	17.3.2014	18.3.2016–17.3.2019	27.55
2015	11.3.2015	12.3.2017–11.3.2020	26.88
2015	10.4.2015	11.4.2017–10.4.2020	28.25
2016	14.3.2016	15.3.2018–14.3.2021	25.70

36. SHARE OPTIONS (continued)

Notes:

(i) Consideration paid for each grant of options was HK$1.00.

(ii) The closing price of the shares of HK$0.50 each of the Company quoted on the Stock Exchange on 3 March 2010, 4 March 2011, 7 March 2012, 5 June 2013, 26 February 2014, 16 March 2014, 10 March 2015, 9 April 2015 and 11 March 2016 being the business date immediately before the date on which share options were granted, were HK$23.00, HK$26.10, HK$21.90, HK$31.40, HK$25.40, HK$27.00, HK$26.60, HK$27.85 and HK$23.94 (after adjustment of special dividend), respectively.

(iii) The vesting period for the option grant is 24 months from date of grant.

(iv) The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant	Exercise price HK$	Expected volatility (note a)	Expected dividend yield (note b)	Expected life from grant date	Risk free interest rate (note c)	Fair value per option HK$
4.3.2010	22.80	48.98%	2.46%	5 years	1.65%	8.51
7.3.2011	26.18	31.90%	2.28%	5 years	1.88%	6.57
8.3.2012	23.20	33.32%	2.79%	5 years	0.50%	5.44
6.6.2013	31.45	30.27%	2.35%	5 years	0.72%	6.98
27.2.2014	26.05	27.76%	2.89%	5 years	1.71%	5.06
17.3.2014	27.55	27.69%	2.70%	5 years	1.74%	5.46
11.3.2015	26.88	19.33%	3.58%	5 years	1.66%	3.22
10.4.2015	28.25	18.19%	3.34%	5 years	1.46%	3.36
14.3.2016	25.70	18.84%	3.83%	5 years	1.50%	3.09

Notes:

(a) The expected volatility was based on historical volatility of the Company's shares.

(b) The expected dividend yield was based on historical dividends of the Company.

(c) Risk free interest rate was approximated the yield of 5-year Exchange Fund Note on the date of grant.

The Group recognised the total expense of HK$11,293,000 for the year ended 31 December 2016 (2015: HK$12,943,000) in relation to share options granted by the Company.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

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37. RETIREMENT BENEFIT SCHEMES

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administrative Region in 2000.

From 1 December 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the scheme, subject to minimum and maximum relevant income levels.

Forfeited contributions to retirement schemes for the year ended 31 December 2016 amounting to HK$777,000 (2015: HK$939,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2016 charged to the consolidated income statement amounted to HK$72,859,000 (2015: HK$64,267,000). As at 31 December 2016, contributions of HK$2,581,000 (2015: HK$925,000) due in respect of the year had not been paid over to the schemes.

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, 8,623,818 (2015: 8,135,066) shares of HK$0.50 each in the Company were issued at HK$27.08 (2015: HK$27.07) per share as scrip dividends.

39. PLEDGE OF ASSETS

At 31 December 2016, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$40,566,720,000 (2015: HK$52,591,791,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's freehold land, leasehold land and hotel buildings and furniture and fixtures with a total carrying value of HK$10,725,004,000 (2015: HK$11,085,455,000);

(c) the Group's leasehold land and owner occupied buildings in Hong Kong with a total carrying value of nil (2015: HK$350,990,000);

(d) the Group's stock of properties with a total carrying value of HK$3,631,757,000 (2015: HK$662,273,000); and

(e) the Group's US$ equivalent bank deposit and HK$ bank deposit of HK$631,489,000 (2015: HK$620,790,000) (note 28).

40. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2016, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$3,134,531,000 (2015: HK$1,308,345,000) of which HK$441,591,000 (2015: HK$291,577,000) was contracted for.

At 31 December 2016, the Group has outstanding financial commitment in respect of capital injection to a joint venture of RMB25,800,000 (equivalent to approximately HK$33,050,000) (2015: RMB25,800,000 (equivalent to approximately HK$33,050,000)) and cash commitment to China Fund LP of US$46,000,000 (equivalent to approximately HK$357,000,000) (2015: US$46,000,000 (equivalent to approximately HK$357,000,000)).

At 31 December 2015, the Group had outstanding commitments for the acquisition of a hotel development project located at Minhang District, Shanghai, the PRC of RMB193,000,000 (equivalent to approximately HK$230,000,000). The acquisition was completed in September 2016.

In July 2015, the Group entered into two purchase and sale agreements for the acquisition of two properties in Tokyo, Japan at a total consideration of 22.2 billion yen (equivalent to approximately HK$1,430 million). Deposit of 2.2 billion yen (equivalent to approximately HK$143 million) was paid in August 2015. The acquisition was completed in June 2016.

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

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41. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$2,749,214,000 (2015: HK$2,510,014,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied certain of the properties over the fixed portion of the monthly rentals. Contingent rental income earned during the year ended 31 December 2016 is HK$86,529,000 (2015: HK$92,988,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**2,255,530**	2,406,052
In the second to fifth years inclusive	**3,739,290**	5,108,391
After five years	**270,998**	601,661
	6,265,818	8,116,104

Where leases are negotiated at a fixed rate for the first few years, but subject to renegotiation for the remaining contracted lease terms, the minimum lease payments are calculated based on the latest negotiated rent, if any.

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**8,397**	5,953
In the second to fifth years inclusive	**12,636**	3,236
	21,033	9,189

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for term of one to five years (2015: one to three years) and rentals are fixed over the respective leases.

42. CONNECTED AND RELATED PARTY DISCLOSURES

The Group had the following significant related party balances and transactions during the year. 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 (the "Chairman") and managing director of the Company. Transactions with the Group were disclosed as related party transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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42. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	2016 HK$'000	2015 HK$'000
Transaction with a related party for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee received	1,200	1,200
Transactions with related companies for the year ended 31 December		
SFK Construction Holdings Ltd[1] and its subsidiaries		
Rental income	7,079	6,833
Building management fee income	1,116	1,063
Carpark income	236	236
Consultancy service income	213	224
Trading income	135	–
Cleaning service charge	39,995	30,346
Construction fee paid	742	4,950
Renovation work	295	–
SOCAM Development Limited[2] and its subsidiaries		
Trading income	2,335	18,443
Shui On Land Limited[2] and its subsidiaries		
Rental expenses	1,124	1,772
Management fee expenses	6,776	188
Trading income	202	–
Hotel income	618	–
Shui Sing Holdings Limited[3] and its subsidiaries		
Rental expenses	–	150
Management fee expense	–	156
Management fee income	240	240
Healthy Seed Limited[4]		
Rental expenses	401	217
Management fee expenses	158	106
Transaction with a connected party for the year ended 31 December		
Haining Hai Xing Hotel Co. Ltd.[5]		
Supply procurement and consultancy services income	–	73
Transactions with a joint venture for the year ended 31 December		
Wealth Joy and its subsidiaries		
Project advisory service income	9,959	21,231
Investment management income	12,652	11,956
Supply procurement and consultancy services income	8,131	8,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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42. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	2016 HK$'000	2015 HK$'000
Balances with a joint venture and related companies as at 31 December		
Amount due from a joint venture (included in trade debtors under debtors, deposits and prepayments)		
Wealth Joy and its subsidiaries	141,882	127,690
Amounts due from related companies (included in debtors, deposits and prepayments)		
SFK Construction Holdings Ltd[1] and its subsidiaries	201	201
SOCAM Development Limited[2] and its subsidiaries	2,268	1,859
	2,469	2,060
Amounts due to related companies (included in creditors, deposits and accruals)		
SFK Construction Holdings Ltd[1] and its subsidiaries	1,193	1,923

Notes:

1 Mr. Lo Kai Shui, being a controlling shareholder of this company, is a Director and a family member of Dr. Lo Ka Shui who being a substantial shareholder of the Company.

2 Mr. Lo Hong Sui, Vincent, being a director and controlling shareholder of these companies, is a Director and a family member of Dr. Lo Ka Shui who being a substantial shareholder of the Company.

3 (i) a discretionary trust (of which Dr. Lo Ka Shui, Mr. Lo Kai 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), holding 33.48% (2015: 33.54%) interest of the Company, being a substantial shareholder of this company; and (ii) three companies, each being a substantial shareholder of this company, are controlled by Dr. Lo Ka Shui, Mr. Lo Kai Shui and Dr. Lo Ying Sui respectively.

4 Such company, whose founding sponsor is a charitable trust, is under the management control of Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander, Directors of the Company.

5 The connected party was a company in which a director of a subsidiary had beneficial interest.

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

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

The remuneration of the Directors and other members of key management during the year were disclosed in note 11. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include borrowings and medium term notes disclosed in notes 32 and 33 respectively, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include AFS investments, notes receivable, loan receivables, debtors, financial assets at FVTPL, pledged bank deposits, restricted cash, bank balances and cash, creditors, derivative financial instruments, medium term notes and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate short term bank deposits, pledged bank deposits, restricted cash, bank and other borrowings, unsecured bonds included in notes receivable, loan receivables and medium term notes.

The Group's exposure to cash flow interest rate risk is resulted primarily from adverse change in interest rates of HIBOR and London Interbank Offered Rate arising from variable rate borrowings and medium term notes.

The Group will continue to maintain a reasonable mix of floating-rate and fixed-rate borrowings and take actions such as using interest rate swap to hedge against any foreseeable interest rate exposure, if necessary.

The interest rate and terms of the financial assets and financial liabilities are set out in respective notes.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings, medium term notes, and bank balances at the end of the reporting period. Management considers the impact of interest rates arising from bank balances denominated in Hong Kong dollar is insignificant and accordingly has not been included in the sensitivity analysis. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2015: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2016 would decrease/increase by HK$119,512,000 (2015: HK$114,906,000).

(ii) Currency risk

The Group has certain bank deposits, medium term notes, financial assets at FVTPL, loan receivables, AFS investments and notes receivable that are denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and where necessary, using foreign exchange derivative contracts.

The Group's medium term note of US$386,400,000 (2015: US$386,400,000) is denominated in a foreign currency (i.e. US$) and such foreign currency risk is managed by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term note. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 23 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
RMB	**7,244**	225,352	**–**	–
Pound Sterling	**187**	52,178	**–**	–
US$	**1,182,638**	1,296,601	**2,998,441**	2,971,441
Euro dollars	**108,999**	124,158	**8,522**	2,037
Australian dollars	**3,097**	3,124	**–**	–
New Zealand dollars	**41**	41	**–**	–
Canadian dollars	**19**	19	**–**	–
Japanese yen	**2,720**	–	**–**	–

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US$, no material currency risk exposure is expected on US$ denominated monetary assets and monetary liabilities and the cross currency swaps. Therefore they are excluded from the sensitivity analysis below. 10% (2015: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2015: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weaken 10% (2015: 10%) against the relevant currency. For a 10% (2015: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit before tax for the year, and the balances below would be negative.

	2016 HK$'000	2015 HK$'000
RMB	**724**	22,535
Pound Sterling	**19**	5,218
Euro dollars	**10,048**	12,212
Australian dollars	**310**	312
New Zealand dollars	**4**	4
Canadian dollars	**2**	2
Japanese yen	**272**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(iii) Other price risk

The Group's listed and certain unlisted AFS equity investments, listed equity securities held for trading and equity linked notes designated as FVTPL are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity price risk in relation to these financial assets. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed and unlisted AFS equity investments measured at fair value had been 10% (2015: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$68,923,000 (2015: HK$76,548,000) for the Group as a result of the changes in fair value of listed and unlisted AFS investments.

If the prices of the listed equity securities held for trading measured at fair value had been 10% (2015: 10%) higher/lower, fair value changes on financial assets designated at FVTPL would increase/decrease by HK$26,075,000 (2015: HK$26,545,000) for the Group as a result of the changes in fair value of listed equity securities held for trading.

If the share prices of the equity instruments underlying the equity linked notes had been 5% (2015: 5%) higher, it would not trigger the strike price and there would be no change in profit before tax whereas if the prices had been 5% (2015: 5%) lower, the profit before tax for the year ended 31 December 2016 would decrease by nil (2015: nil) as a result of changes in fair value of financial assets designated at FVTPL.

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, maintain sufficient availability of banking facilities and ensure compliance with loan covenants as well as by continuously monitoring forecast and actual cash flows.

The Group has cash and cash equivalents of HK$5,457,044,000 as at 31 December 2016 (2015: HK$5,164,066,000). In addition to the cash resources, the Group has available borrowing facilities of which undrawn committed facility in the form of revolving bank loans amounted to HK$750,000,000 as at 31 December 2016 (2015: HK$350,000,000).

The Group established a US$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed. The Group issued an aggregate principal amounts of approximately HK$3,841,274,000 as at 31 December 2016 (2015: HK$3,641,194,000).

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, which has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period.

	Interest rate	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	3 to 4 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
2016								
Non-interest bearing	–	1,313,828	–	–	–	–	1,313,828	1,313,828
Fixed interest rate instruments	2.75% to 3.75%	117,855	117,855	117,855	117,855	3,499,035	3,970,455	3,171,384
Variable interest rate instruments	0.36% to 5.95%	3,021,795	2,258,521	6,176,423	8,850,319	6,823,353	27,130,411	25,018,111
		4,453,478	2,376,376	6,294,278	8,968,174	10,322,388	32,414,694	29,503,323
2015								
Non-interest bearing	–	1,114,281	–	–	–	–	1,114,281	1,114,281
Fixed interest rate instruments	3.75% to 4.88%	488,417	112,312	112,312	112,312	3,337,153	4,162,506	3,338,696
Variable interest rate instruments	0.84% to 7.21%	9,938,559	4,886,964	3,767,496	3,987,047	1,985,002	24,565,068	23,821,385
		11,541,257	4,999,276	3,879,808	4,099,359	5,322,155	29,841,855	28,274,362

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments based on their contractual maturities. For derivative financial instruments settled on a net basis, undiscounted net cash inflows (outflows) are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2016					
Derivatives net settlement					
Interest rate swap	**415**	**6,737**	**24,643**	**–**	**31,795**
Cross currency swaps	**4,930**	**4,622**	**13,086**	**9,770**	**32,408**
Currency forward contracts	**9,950**	**(246)**	**–**	**–**	**9,704**

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2015					
Derivatives net settlement					
Cross currency swaps	(10,178)	(9,381)	(29,378)	(20,884)	(69,821)
Currency forward contracts	(121)	(351)	(147)	–	(619)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

The Group's credit risk is primarily attributable to financial assets at FVTPL, AFS debt investments, notes receivable, loan receivables, debtors, pledged bank deposits, restricted cash and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2016 and 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds, notes receivable and financial assets designated at FVTPL is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

The trade debtors presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debtors at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on loan receivables, notes receivable and financial assets designated at FVTPL, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables		
Trade debtors	**351,051**	307,589
Other receivables	**147,057**	190,983
Notes receivable	**22,941**	50,558
Loan receivables	**21,398**	211,409
Pledged bank deposits	**631,489**	620,790
Restricted cash	**289,953**	132,652
Bank balances and cash	**5,857,951**	6,078,152
	7,321,840	7,592,133
Held-to-maturity investments		
Notes receivable	**221,121**	223,204
Financial assets at FVTPL		
Financial assets designated at FVTPL	**38,616**	103,455
Derivative financial instruments classified as held for trading	**41,746**	–
Financial assets held for trading	**260,745**	265,448
	341,107	368,903
AFS financial assets		
AFS investments	**1,276,988**	1,467,334
Derivative instruments in designated hedge accounting relationship		
Derivative financial instruments	**32,408**	–
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	**302,488**	275,804
Other payables	**771,054**	616,544
Distribution payable	**240,286**	221,933
Borrowings	**24,375,111**	23,550,255
Medium term notes	**3,814,384**	3,609,826
	29,503,323	28,274,362
Financial liability at FVTPL		
Derivative financial instruments classified as held-for-trading	**247**	619
Derivative instruments in designated hedge accounting relationship		
Derivative financial instruments	**–**	69,821

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Fair value

The fair values of financial assets and financial liabilities, including listed AFS investments, derivative financial instruments and financial assets at FVTPL are determined as detailed in note 44(f). The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

(f) Fair value measurements recognised in the consolidated statement of financial position

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.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages in third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2016				
Financial assets				
Financial assets at FVTPL				
Financial assets designated at FVTPL	–	–	38,616	38,616
Derivative financial instruments classified as held for trading	–	41,746	–	41,746
Derivative financial instruments under hedge accounting	–	32,408	–	32,408
Listed equity securities held for trading	260,745	–	–	260,745
AFS investments				
Listed equity securities	262,364	–	–	262,364
Unlisted equity securities	426,869	–	–	426,869
Total	949,978	74,154	38,616	1,062,748
Financial liabilities				
Financial liability at FVTPL				
Derivative financial instruments classified as held-for-trading	–	247	–	247

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2015				
Financial assets				
Financial assets at FVTPL				
Financial assets designated at FVTPL	–	–	103,455	103,455
Listed equity securities held for trading	265,448	–	–	265,448
AFS investments				
Listed equity securities	298,958	–	–	298,958
Unlisted equity securities	466,524	–	–	466,524
Total	1,030,930	–	103,455	1,134,385
Financial liabilities				
Financial liability at FVTPL				
Derivative financial instruments classified as held-for-trading	–	619	–	619
Derivative financial instruments under hedge accounting	–	69,821	–	69,821
Total	–	70,440	–	70,440

There were no transfers between Levels 1 and 2 in the current year.

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For the year ended 31 December 2016

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets (liabilities)	Fair value as at 31 December 2016 HK$'000	2015 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Listed equity securities classified as AFS investments in the consolidated statement of financial position.	**262,364**	298,958	Level 1	Quoted bid prices in an active market.
Listed equity securities held for trading in the consolidated statement of financial position.	**260,745**	265,448	Level 1	Quoted bid prices in an active market.
Unlisted equity securities classified as AFS investments in the consolidated statement of financial position.	**426,869**	466,524	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 consolidated statement of financial position.	**9,951** **(247)**	(619)	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 consolidated statement of financial position.	**31,795**	–	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.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

Financial assets (liabilities)	Fair value as at 31 December 2016 HK$'000	2015 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position.	**32,408**	(69,821)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange 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.	N/A
Equity linked notes classified as financial assets designated at FVTPL in the consolidated statement of financial position.	**38,616**	103,455	Level 3	Discounted cash flow. Future cash flows are estimated based on probability-adjusted share prices, contracted share prices and volatility discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices. (Note)

Note: The higher the volatility, the higher the fair value of equity linked notes. A reasonably possible change in the unobservable input would result in a significantly higher or lower fair value measurement.

(g) Reconciliation of Level 3 fair value measurements of financial liabilities

	Equity linked notes HK$'000
As at 1 January 2015	234,729
Purchases	893,083
Disposals	(1,025,000)
Change in fair value	643
As at 31 December 2015	103,455
Purchases	121,782
Disposals	(186,509)
Change in fair value	(112)
As at 31 December 2016	38,616

The above change in fair value under equity is reported as "fair value changes on financial assets at FVTPL" in the consolidated income statement.

45. EVENT AFTER THE END OF THE REPORTING PERIOD

LHIL Finance Limited, an indirectly held subsidiary, entered into 4-year interest rate swap contracts with The Hongkong and Shanghai Banking Corporation Limited in January 2017 with an aggregate notional amount of HK$1 billion and in February 2017 with notional amount of HK$0.5 billion.

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2016 and 2015 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company 2016	2015
Incorporated and operating in the British Virgin Islands				
Jolly Trend Limited	2 shares of US$1 each	Investment holding	**100%**	100%

Indirect subsidiaries	Share capital issued: Number of shares	Share capital issued: Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company 2016	2015
Incorporated and operating in Hong Kong					
Able Wise (China) Limited	1	1	Investment holding	**100%**	100%
Best Come Limited*	1	1	Co-working space operation	**100%**	–
Bon Project Limited	2	2	Property investment	**100%**	100%
Champion Global Services Limited	1	1	Provision of procurement services	**93%**	93%
Chance Mark Limited	2	2	Property investment	**100%**	100%
Clever Gain Investment Limited	2	2	Restaurant operation	**100%**	100%

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46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of shares	Issued and paid up share capital HK$		2016	2015
Incorporated and operating in Hong Kong (continued)					
Eagle Asset Management (CP) Limited	16,000,000	16,000,000	Manager of real estate investment trust	100%	100%
Eagle Property Management (CP) Limited	1	1	Property management	100%	100%
Ease Billion Development Limited	2	2	Property investment	100%	100%
Ease Treasure Investment Limited	1	1	Property development	100%	100%
Eaton Residences Management Limited (formerly known as Eaton House Management Limited)	1,000	10,000	Management of furnished apartments	100%	100%
Fortuna Wealth Company Limited	2	2	Property investment	100%	100%
GE (LHIL) Lessee Limited	1	1	Hotel operation	100%	100%
Great Eagle (China) Investment Limited	1	1	Investment holding	100%	100%
Great Eagle Project Advisory Company Limited	1	1	Provision of project management services	100%	100%
Great Eagle Trading Holdings Limited	1,000	82,992,841	Investment holding	93%	93%
Keysen Engineering Company, Limited	2	2	Maintenance services	100%	100%
Landton Limited	2	2	Investment holding	100%	100%
Langham Hospitality Group Limited	1	1	Investment holding	100%	100%
Langham Hotels International Limited	5,000	5,000	Hotel management	100%	100%
Langham Hotels (China) Limited	1	1	Hotel management	100%	100%
LHIL Manager Limited	1	1	Trustee-Manager of Langham share stapled units	100%	100%
Longworth Management Limited	10,000	10,000	Property management	100%	100%
Mega Bloom (China) Limited	1	1	Investment holding	100%	100%
Moon Yik Company, Limited	10,000,000	10,000,000	Property investment	100%	100%
Sharp Bloom Limited	1	1	Treasury management	100%	100%
The Great Eagle Company, Limited	2,000,000	1,000,000	Investment holding	100%	100%
The Great Eagle Development and Project Management Limited	2	20	Project management	100%	100%
The Great Eagle Engineering Company, Limited	2	2	Maintenance services	100%	100%
The Great Eagle Estate Agents Limited	2	20	Real estate agency	100%	100%
The Great Eagle Finance Company, Limited	100,000	10,000,000	Financing	100%	100%
The Great Eagle Properties Management Company, Limited	1,800,000	1,800,000	Property management	100%	100%

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of shares	Issued and paid up share capital HK$		2016	2015
Incorporated and operating in Hong Kong (continued)					
Toptech Co. Limited	2,000,000	2,000,000	Trading of building materials	93%	93%
Venus Glory Company Limited	2	2	Property investment	100%	100%
Worth Bright Company Limited	2	2	Property investment	100%	100%
Zamanta Investments Limited	100	1,000	Property investment	100%	100%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT					
Benington Limited	100	1,000	Property investment	65.50%	62.72%
CP (A1) Limited	1	1	Property investment	65.50%	62.72%
CP (B1) Limited	1	1	Property investment	65.50%	62.72%
CP (MC) Limited	1	1	Property investment	65.50%	62.72%
CP (PH) Limited	1	1	Property investment	65.50%	62.72%
CP (SH) Limited	1	1	Property investment	65.50%	62.72%
CP (WC) Limited	1	1	Property investment	65.50%	62.72%
CP Finance Limited	1	1	Financing	65.50%	62.72%
CP (Portion A) Limited	2	2	Property investment	65.50%	62.72%
CP (Portion B) Limited	2	2	Property investment	65.50%	62.72%
CP Success Limited	1	1	Financing	65.50%	62.72%
CP Wealth Limited	1	1	Financing	65.50%	62.72%
Elegant Wealth Limited	1	1	Property investment	65.50%	62.72%
Maple Court Limited	2	2	Property investment	65.50%	62.72%
Panhy Limited	2	2	Property investment	65.50%	62.72%
Renaissance City Development Company Limited	2	20	Property investment	65.50%	62.72%
Shine Hill Development Limited	1,000,000	1,000,000	Property investment	65.50%	62.72%
Trump Treasure Limited	1	1	Financing	65.50%	62.72%
Well Charm Development Limited	2	2	Property investment	65.50%	62.72%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Langham					
Cordis Hong Kong Limited	2	2	Property investment	61.90%	60.70%
Grow On Development Limited	5,000	5,000	Property investment	61.90%	60.70%
Harvest Star International Limited	2	2	Property investment	61.90%	60.70%
LHIL Finance Limited	1	1	Financing	61.90%	60.70%
LHIL Treasury (HK) Limited	1	1	Financing	61.90%	60.70%
LHIL Treasury Company Limited	1	1	Treasury management	61.90%	60.70%

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46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company 2016	2015
Incorporated in the British Virgin Islands				
Bright Form Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Ecobest Ventures Limited	1 share of US$1	Treasury management	100%	100%
Fine Noble Limited	1 share of US$1	Treasury management	100%	100%
Great Eagle Nichemusic Limited	1 share of US$1	Treasury management	100%	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
LHIL Assets Holdings Limited	1 share of US$1	Investment holding of Langham share stapled units	100%	100%
Lucky Wheel Investments Limited	1 share of US$1	Treasury management	100%	100%
Main Treasure Holdings Limited	1 share of US$1	Provision of investment management services	100%	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%	100%
Queenbrook Investments Limited	1 share of US$1	Investment holding	100%	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT				
EAM-Champion REIT Limited	1 share of US$1	Securities investment	65.50%	62.72%
Incorporated in the British Virgin Islands and operating in the United Kingdom				
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%	100%
Incorporated and operating in Canada				
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%	100%
Incorporated in the British Virgin Islands and operating in Australia				
Katesbridge Group Limited	1 share of US$1	Investment holding	100%	100%
Ruby Dynasty Limited	1 share of US$1	Investment holding	100%	100%
Incorporated and operating in Australia				
NSW Hotel Management Pty Ltd	2 shares of A$1 each	Hotel operation	100%	100%
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%	100%
The Great Eagle Hotels (NSW) Trust	100 units of A$1 each	Hotel ownership	100%	100%
The Great Eagle Hotels (Victoria) Trust	108,688,206 shares of A$1 each	Hotel ownership	100%	100%

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46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ contribution paid	Principal activities	Percentage of issued equity share capital held by the Company 2016	2015
Incorporated in the British Virgin Islands and operating in New Zealand				
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Hotel ownership	100%	100%
Incorporated and operating in New Zealand				
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%	100%
Incorporated and operating in the USA				
Pacific Chicago LLC	US$34,626,714 (2015: US$28,588,498)	Hotel ownership	100%	100%
Pacific Dexter Horton LLC	US$51,500,000	Property investment	49.97%	49.6%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%	100%
Pacific Eagle China Orient (US) Real Estate GP, LLC	US$250,000	Investment fund management	80%	80%
Pacific Eagle (US) Real Estate Fund, L. P.	US$95,189,804 (2015: US$360,600,883)	Investment holding	49.97%	49.6%
Pacific Eagle Holdings Corporation	100 shares of no par value	Real estate management	100%	100%
Pacific Fifth Avenue Corporation	100 shares of US$0.01 each	Hotel ownership	100%	100%
Pacific Howard Corporation	100 shares of US$0.01 each	Property/hotel development	100%	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Hotel ownership	100%	100%
Pacific Malibu Dume LLC	US$20,145,000 (2015: US$17,067,000)	Property held for sale	49.97%	49.6%
Pacific 1125 Market Corporation	100 shares of US$0.01 each	Hotel development	100%	100%
Pacific Pine LLC	US$33,363,081 (2015: US$23,544,894)	Property development	49.97%	49.6%
Pacific Virginia LLC*	US$18,219,510	Property development	100%	–
Pacific Washington DC Corporation	100 shares of US$0.01 each	Hotel ownership	100%	100%
Pacific 2700 Ygnacio Corporation	100 shares of US$1 each	Property investment	100%	100%
Shorthills NJ. Inc.	100 shares of US$1 each	Property investment	100%	100%

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46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ registered capital	Principal activities	Percentage of issued equity share capital held by the Company 2016	2015
Incorporated and operating in the PRC				
卓環管理咨詢(上海)有限公司	US$100,000	Provision of procurement services	93%	93%
朗廷酒店管理(上海)有限公司	US$3,750,000	Hotel management	100%	100%
朗虹(上海)酒店有限公司	RMB1,100,000,000 (2015: RMB810,000,000)	Hotel ownership and operation	100%	100%
實力物業管理(大連)有限公司	RMB3,000,000	Property management	100%	100%
上海禮興酒店有限公司**	US$159,150,000	Hotel ownership and operation	50%	50%
高端(上海)貿易有限公司	US$350,000	Trading of building materials	93%	93%
Incorporated and operating in Japan				
Great Eagle Tokyo TMK*	JPY24,876,100	Hotel ownership	100%	–
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT				
Champion MTN Limited	1 share of US$1	Medium term notes issuer	65.50%	62.72%
Ernest Limited	100 shares of US$1 each	Investment holding	65.50%	62.72%

* All these subsidiaries commenced its business during the year ended 31 December 2016.

** The Group, in accordance with the shareholders agreement of 上海禮興酒店有限公司, is entitled to full ownership of The Langham, Shanghai, Xintiandi, and therefore the income, expenses, assets and liabilities relating to The Langham, Shanghai, Xintiandi, is consolidated irrespective of the Group's 50% issued share capital in 上海禮興酒店有限公司.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

None of the subsidiaries had any debt securities subsisting at 31 December 2016 and 2015 or at any time during both years.

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests/unitholders as at 31 December 2016 and 2015:

Indirect subsidiaries	Place of incorporation and principal activities	Proportion of ownership interests and voting rights held by non-controlling interests/unitholders		Profit allocated to non-controlling interests/unitholders		Accumulated non-controlling interests/unitholders	
		2016	2015	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Champion REIT	HK/Property investment	**34.50%**	37.28%	**1,148,328**	1,247,286	**17,434,493**	18,068,925
Langham	Cayman Islands/ Property investment	**38.10%**	39.30%	**93,346**	77,756	**(1,043,028)**	(1,008,857)
US Real Estate Fund	the USA/ Property investment	**50.03%**	50.40%	**102,237**	91,103	**427,275**	1,638,408

The above information is based on Champion REIT and its subsidiaries, Langham and its subsidiaries and US Real Estate Fund and its subsidiaries.

Champion REIT and Langham are listed on the Stock Exchange. The Group as at 31 December 2016 has 65.50% and 61.90% (2015: 62.72% and 60.70%) ownership in Champion REIT and Langham, respectively, and the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Champion REIT and Langham. The Group additionally achieves control over Champion REIT and Langham through the REIT Manager and Trustee-Manager, respectively, who are wholly owned subsidiaries of the Group.

Although the Group as at 31 December 2016 has 49.97% (2015: 49.6%) ownership in US Real Estate Fund, the Directors concluded that the Group is able to direct the relevant activities of US Real Estate Fund and achieves control over US Real Estate Fund through the general partner, who is a subsidiary of the Group.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests/unitholders is set out below. The summarised financial information below represents amounts before intragroup eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries

	2016 HK$'000	2015 HK$'000
Current assets	1,277,638	958,010
Non-current assets	67,095,029	65,006,204
Current liabilities	(2,600,945)	(4,658,026)
Non-current liabilities, excluding net assets attributable to unitholders	(15,236,959)	(12,838,041)
Net assets attributable to non-controlling unitholders of Champion REIT	17,434,493	18,068,925
Revenue	2,557,094	2,289,304
Expenses	(1,144,205)	(1,067,243)
Profit for the year, before distribution to unitholders	3,181,582	3,305,013
Distribution to unitholders	(1,330,794)	(1,145,913)
Profit for the year, after distribution to unitholders (note a)	1,850,788	2,159,100
Other comprehensive income (expense) for the year (note b)	101,826	(71,543)
Total comprehensive income for the year (note c)	1,952,614	2,087,557
Attributable to non-controlling unitholders of Champion REIT:		
Profit for the year, before distribution to unitholders	1,148,328	1,247,286
Other comprehensive income (expense) for the year	37,123	(26,669)
Total comprehensive income for the year	1,185,451	1,220,617
Distributions to non-controlling unitholders of Champion REIT	476,186	432,537
Net cash inflow from operating activities	1,373,498	1,202,907
Net cash outflow from investing activities	(43,000)	(282,172)
Net cash outflow from financing activities	(1,065,887)	(1,232,905)
Net cash inflow (outflow)	264,611	(312,170)

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

Notes:

		2016 HK$'000	2015 HK$'000
(a)	Profit for the year, after distributions to unitholders		
	attributable to owners of the Company	**1,178,646**	1,344,351
	attributable to non-controlling unitholders of Champion REIT	**672,142**	814,749
		1,850,788	2,159,100
(b)	Other comprehensive income (expense) for the year		
	attributable to owners of the Company	**64,703**	(44,874)
	attributable to non-controlling unitholders of Champion REIT	**37,123**	(26,669)
		101,826	(71,543)
(c)	Total comprehensive income for the year		
	attributable to owners of the Company	**1,243,349**	1,299,477
	attributable to non-controlling unitholders of Champion REIT	**709,265**	788,080
		1,952,614	2,087,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

	2016 HK$'000	2015 HK$'000
Current assets	359,729	422,016
Non-current assets	18,463,816	18,381,019
Current liabilities	(111,176)	(6,872,462)
Non-current liabilities	(7,035,826)	(248,576)
Equity attributable to non-controlling interests before intragroup eliminations	4,448,763	4,591,025
Equity attributable to non-controlling interests after intragroup eliminations (note)	(1,043,028)	(1,008,857)
Revenue	706,379	682,194
Expenses	(243,609)	(271,709)
Profit and total comprehensive income for the year	409,609	1,442,191
Attributable to non-controlling interests of Langham: Profit and total comprehensive income for the year (note)	93,346	77,756
Distributions to non-controlling interests of Langham	195,718	227,092
Net cash inflow from operating activities	552,174	439,285
Net cash outflow from investing activities	(3,196)	(262,234)
Net cash outflow from financing activities	(554,638)	(513,519)
Net cash outflow	(5,660)	(336,468)

Note: The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of fair value changes on properties and related deferred taxation and depreciation on Langham's properties and other service fees.

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

US Real Estate Fund and its subsidiaries

	2016 HK$'000	2015 HK$'000
Equity attributable to owners of the Company after intragroup eliminations (note)	422,826	1,613,707
Equity attributable to non-controlling interests after intragroup eliminations (note)	427,275	1,638,408
Profit and total comprehensive income for the year	218,338	379,076
Attributable to non-controlling interests of US Real Estate Fund: Profit and total comprehensive income for the year (note)	102,237	91,103
Distributions to non-controlling interests of US Real Estate Fund	1,312,227	–

Note: The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of revaluation gain on property and related deferred taxation in regards to the capital injection of the property to the US Real Estate Fund.

47. PARTICULARS OF JOINT VENTURES

Details of the Group's joint ventures at 31 December 2016 and 2015 are set out below:

Indirect joint ventures	Issued and paid up equity share capital/ contribution paid	Principal activities	Percentage of issued equity share capital held by the Group 2016	2015
Incorporated in the British Virgin Islands				
Wealth Joy Holdings Limited	2 shares of US$1 each	Investment holding of subsidiaries which are engaged in property development	50%	50%
Incorporated in the USA				
8701 Associates 2 LLC	US$28,000,000	Investment holding of subsidiaries which are engaged in property development	25%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

48. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2016 and 2015 are set out below:

Indirect associates	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Group 2016	2015
Incorporated in the British Virgin Islands				
City Apex Limited	3,500 shares of US$1 each	Investment holding	**23%**	23%
Incorporated in the Cayman Islands				
China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund General Partner	100 shares of US$1 each	General partner of investment fund	**20%**	20%
Redwood Peak Partners	12,500 shares of US$1 each	General partner of investment fund	**25%**	25%

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investment in a subsidiary	**2,600,893**	2,321,359
Amount due from a subsidiary	**19,120,466**	20,258,633
	21,721,359	22,579,992
Current assets		
Prepayments	**11**	294
Amount due from a subsidiary	**681,555**	754,953
Bank balances and cash	**6,763**	5,818
	688,329	761,065
Current liability		
Accruals	**8,065**	6,408
Net current assets	**680,264**	754,657
NET ASSETS	**22,401,623**	23,334,649
Share capital and reserves		
Share capital	**338,735**	332,363
Reserves	**22,062,888**	23,002,286
TOTAL EQUITY	**22,401,623**	23,334,649

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2015	4,642,970	3,054	424,627	53,951	17,518,052	22,642,654
Shares issued at premium	239,954	–	–	(6,173)	–	233,781
Share issue expenses	(89)	–	–	–	–	(89)
Recognition of equity-settled share based payments	–	–	–	12,943	–	12,943
Profit and total comprehensive income for the year	–	–	–	–	601,015	601,015
Dividend paid	–	–	–	–	(488,018)	(488,018)
At 31 December 2015	4,882,835	3,054	424,627	60,721	17,631,049	23,002,286
Shares issued at premium	359,081	–	–	(23,472)	–	335,609
Lapse of share options	–	–	–	(8,392)	8,392	–
Share issue expenses	(96)	–	–	–	–	(96)
Recognition of equity-settled share based payments	–	–	–	11,293	–	11,293
Profit and total comprehensive income for the year	–	–	–	–	546,088	546,088
Dividend paid	–	–	–	–	(1,832,292)	(1,832,292)
At 31 December 2016	**5,241,820**	**3,054**	**424,627**	**40,150**	**16,353,237**	**22,062,888**

Note: The contributed surplus is available for distribution to shareholders under the Bermuda Companies Act. Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90.

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR INVESTMENT

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER LONG LEASES			
Eaton Residence 100 Blue Pool Road, Happy Valley, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
ON LAND UNDER MEDIUM-TERM LEASES			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	6,000	100%
Eaton Residence 4H Village Road, Happy Valley, Hong Kong	Furnished apartments	23,000	100%
Eaton Residence 3–5 Wan Chai Gap Road, Wan Chai, Hong Kong	Furnished apartments	35,000	100%
Eaton, Hong Kong 380 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	Hotel/Commercial	339,000	61.90%
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	375,000	61.90%

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR INVESTMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASES (continued)			
Cordis, Hong Kong 555 Shanghai Street, Mongkok, Kowloon, Hong Kong	Hotel	580,000	61.90%
The Langham, Shanghai, Xintiandi 99 Madang Road, Xintiandi, Shanghai 200021, the PRC	Hotel/Commercial	575,000	100%
Three Garden Road (formerly known as Citibank Plaza) 3 Garden Road, Central, Hong Kong	Commercial/Office	1,638,000	65.50%
Langham Place 8 Arygle Street, Mongkok, Kowloon, Hong Kong	Commercial/Office	1,293,000	65.50%
Cordis, Shanghai Hongqiao 333 Shen Hong Road, Minhang District, Shanghai 201106, the PRC	Hotel/Commercial	486,000	100%
ON FREEHOLD LAND			
The Langham, London 1B & 1C Portland Place, Regent Street, London, W1B 1JA, the United Kingdom	Hotel/Commercial	363,000	100%
Chelsea Hotel, Toronto 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR INVESTMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND (continued)			
The Langham, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
The Langham, Auckland 83 Symonds Street, Auckland 1140, New Zealand	Hotel/Commercial	309,000	100%
2700 Ygnacio Valley Road 2700 Ygnacio Valley Road, Walnut Creek, CA 94598, the USA	Office	115,000	100%
The Langham, Boston 250 Franklin Street, Boston, MA 02110, the USA	Hotel/Commercial	281,000	100%
The Langham Huntington, Pasadena, Los Angeles, 1401 South Oak Knoll Avenue, Pasadena, California 91106, the USA	Hotel/Commercial	489,000	100%
The Langham, Sydney 89–113 Kent Street, Sydney, NSW 2000, Australia	Hotel	129,000	100%
The Langham, Chicago 330 North Wabash, Chicago, IL 60611, the USA	Hotel	342,000	100%

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR INVESTMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND (continued)			
Langham Place, Fifth Avenue, New York 400 Fifth Avenue, New York 10018, the USA	Hotel	297,000	100%
Eaton Washington D.C. 1201 K. Street, N.W., Washington DC, DC 20005, the USA	Hotel	172,000	100%
Dexter Horton Building 710 Second Avenue, Seattle, WA 98104, the USA	Office	389,000	49.97%

PROPERTIES UNDER DEVELOPMENT

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASE			
Lot C04, Donggang area, Renmin Road East, Zhongshan District, Dalian, the PRC (note a)	Hotel/Apartments	3,079,000	50%
TPTL No. 214, Fo Yin Road, Pak Shek Kok, Tai Po, New Territories, Hong Kong (note b)	Residential	730,000	100%

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES UNDER DEVELOPMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND			
The Austin 1545 Pine Street, San Francisco, CA 94109, the USA (note c)	Condominium	135,000	49.97%
555 Howard Street, San Francisco, CA 94105, the USA (note d)	Mixed-use	430,000	100%
1125 Market Street, San Francisco, CA 94103, the USA (note d)	Hotel	125,000	100%
1931 Second Avenue, Seattle, WA 98101, the USA (note e)	Mixed-use	19,400	100%
Various lots on Roppongi 4-Chome, Minato-ku, Tokyo, Japan (note e)	Hotel	42,000	100%

PROPERTIES HELD FOR SALE

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND			
The Cavalleri 6487-89 Cavalleri Road, Malibu, CA 90265, the USA (note f)	Condominium	186,000	49.97%

APPENDIX I
LIST OF MAJOR PROPERTIES

Notes:

(a) Superstructure works were in progress. The project is targeted to complete in two phases by 2016 onward.

(b) Foundation works have been completed. Superstructure works will be commenced.

(c) Construction commenced and superstructure topped up.

(d) Planning works in progress.

(e) Under design and planning. The approximate floor area has not yet been determined and the approximate land area was disclosed.

(f) Renovation commenced.

APPENDIX II
FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
RESULTS					
Revenue	6,746,623	7,301,014	8,127,367	8,270,902	**8,648,500**
Profit before tax	5,834,630	3,803,975	3,506,144	5,273,225	**4,692,344**
Income taxes	(442,980)	(426,312)	(496,305)	(539,172)	**(572,598)**
Profit for the year	5,391,650	3,377,663	3,009,839	4,734,053	**4,119,746**
Attributable to:					
Owners of the Company	3,551,830	2,399,472	2,115,101	3,312,335	**2,769,792**
Non-controlling unitholders of Champion REIT	1,838,984	906,298	740,818	1,247,286	**1,148,328**
Non-controlling interests	836	71,893	153,920	174,432	**201,626**
	5,391,650	3,377,663	3,009,839	4,734,053	**4,119,746**
Earnings per share					
Basic	HK$5.63	HK$3.76	HK$3.23	HK$4.98	**HK$4.10**
Diluted	HK$5.58	HK$3.32	HK$3.22	HK$4.98	**HK$4.09**
ASSETS AND LIABILITIES					
Total assets	81,915,541	97,772,028	101,945,360	105,188,197	**106,328,934**
Total liabilities	(20,493,801)	(30,684,954)	(32,567,797)	(32,145,079)	**(33,400,752)**
	61,421,740	67,087,074	69,377,563	73,043,118	**72,928,182**
Attributable to:					
Owners of the Company	42,771,004	49,956,025	51,769,678	54,332,645	**55,847,312**
Non-controlling unitholders of Champion REIT	18,647,877	17,986,810	17,746,512	18,068,925	**17,434,493**
Non-controlling interests	2,859	(855,761)	(138,627)	641,548	**(353,623)**
	61,421,740	67,087,074	69,377,563	73,043,118	**72,928,182**

GLOSSARY OF TERMS

In this annual report, unless the context otherwise requires, the following expression shall have the followings meanings:

Term	Definition
"2009 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009
"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 65.50% as at 31 December 2016
"China Fund" or "China Fund LP"	China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund L.P.
"Code of Conduct for Securities Transactions"	Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company
"Company"	Great Eagle Holdings Limited
"CSR"	Corporate Social Responsibility
"EBITDA"	Earning before interest, taxes, depreciation and amortisation
"Group"	the Company and its subsidiaries
"HITL"	HSBC International Trustee Limited
"HKAS"	Hong Kong Accounting Standard
"HKEX"	Hong Kong Exchanges and Clearing Limited
"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 61.90% as at 31 December 2016
"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
"Rev PAR"	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 31 December 2016

This annual report is available in both English and Chinese versions and has been published on the Company's website at www.GreatEagle.com.hk and the designated website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

In respect of (i) shareholders who have chosen to receive or are deemed to have consented to receiving this annual report by electronic means wish to receive printed form of this annual report; or (ii) shareholders who have received or chosen to receive printed form wish to receive another language version of this annual report; or (iii) shareholders who wish to change their choice of means of receipt or language of the Company's future corporate communications (including but not limited to directors' report, annual accounts, independent auditor's report, interim report, notice of meeting, circular to shareholders), they may at any time send their request by reasonable notice in writing by post or by email to GreatEagle.ecom@greateagle.com.hk or by completing and returning the Change Request Form to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited by using the mailing label on the Change Request Form (postage prepaid if delivered within Hong Kong). The Change Request Form is being sent to shareholders together with the printed form of this annual report or written notification (as the case may be).

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