



INTERIM REPORT 2017 中期報告



鷹君集團有限公司  
Great Eagle  
Holdings Limited

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

## 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 65.6% interest (as at 30 June 2017) in Champion Real Estate Investment Trust, and a 62.1% interest (as at 30 June 2017) in Langham Hospitality Investments & Langham Hospitality Investments Limited (LHI). Champion Real Estate Investment Trust owns 1.64 million square feet of Grade-A commercial office space in Three Garden Road in the central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. As for LHI, it owns three high quality hotels in the heart of Kowloon, the 498-room The Langham hotel in the prime shopping district of Tsimshatsui, the 669-room Cordis 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\$455 million as at the end of June 2017. 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-two luxury properties with almost 9,000 rooms, including nineteen luxury hotels branded under The Langham, Langham Place and Cordis brands in Hong Kong, London, New York, Chicago, Boston, Los Angeles, Sydney, Melbourne, Auckland, Shanghai, Beijing, Shenzhen, Guangzhou, Haining, Haikou, Ningbo 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\$69 billion as of 30 June 2017.

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# CORPORATE INFORMATION

## DIRECTORS

LO Ka Shui (*Chairman and Managing Director*)  
LO TO Lee Kwan<sup>#</sup>  
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<sup>#</sup>  
LO Ying Sui<sup>#</sup>  
LO Chun Him, Alexander  
KAN Tak Kwong (*General Manager*)  
CHU Shik Pui

<sup>#</sup> *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 Chun Him, Alexander  
KAN Tak Kwong  
CHU Shik Pui

## 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](mailto:hkinfo@computershare.com.hk)

## WEBSITE

[www.GreatEagle.com.hk](http://www.GreatEagle.com.hk)

## STOCK CODE

41

# DIVIDEND NOTICE AND KEY DATES

## INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND

The Board of Directors of the Company has resolved to declare an interim dividend of HK30 cents per share (2016: HK27 cents per share) and a special interim dividend of HK50 cents per share (2016: Nil) for the six months ended 30 June 2017 (the “2017 Interim Dividend”), payable on 18 October 2017 to the Shareholders whose names appear on the Registers of Members of the Company on Monday, 9 October 2017.

## KEY DATES

|                                       |   |   |
|---------------------------------------|---|---|
| 2017 Interim Results Announcement     | : | 24 August 2017  |
| Ex-dividend Date                      | : | 28 September 2017   |
| Closure of Registers of Members       | : | 3 October 2017 – 9 October 2017<br><i>(both days inclusive)</i> |
| Record Date for 2017 Interim Dividend | : | 9 October 2017  |
| Payment of 2017 Interim Dividend      | : | 18 October 2017   |

## CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Tuesday, 3 October 2017 to Monday, 9 October 2017, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2017 Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration not later than 4:30 p.m. on Friday, 29 September 2017.

# FINANCIAL HIGHLIGHTS

|  | Six months ended 30 June |              |        |
|--|--------------------------|--------------|--------|
|  | 2017                     | 2016         | Change |
|  | HK\$ million             | HK\$ million |        |
| <b>Key Financials on Income Statement</b>                        |                          |              |        |
| <b>Based on core business<sup>1</sup></b>                        |                          |              |        |
| Revenue based on core business                                   | <b>2,937.7</b>           | 2,786.0      | 5.4%   |
| Core profit after tax attributable to equity holders             | <b>904.1</b>             | 787.4        | 14.8%  |
| Core profit after tax attributable to equity holders (per share) | <b>HK\$1.32</b>          | HK\$1.17     |        |
| <b>Based on statutory accounting principles<sup>2</sup></b>      |                          |              |        |
| Revenue based on statutory accounting principles                 | <b>4,216.6</b>           | 4,180.2      | 0.9%   |
| Statutory Profit attributable to equity holders                  | <b>3,685.7</b>           | 1,492.0      | 147.0% |
| Interim Dividend (per share)                                     | <b>HK\$0.30</b>          | HK\$0.27     |        |
| Special Interim Dividend (per share)                             | <b>HK\$0.50</b>          | –            |        |

<sup>1</sup> 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.

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

|  | As at the end of |               |
|--|------------------|---------------|
|  | June 2017        | December 2016 |
| <b>Key Financials on Balance Sheet</b>   |                  |               |
| <b>Based on share of Net Assets of Champion REIT, LHI and the U.S. Fund (core balance sheet)<sup>1</sup></b> |                  |               |
| Net gearing  | <b>0.9%</b>      | 0.5%          |
| Book value (per share)   | <b>HK\$99.8</b>  | HK\$95.4      |
| <b>Based on statutory accounting principles<sup>2</sup></b>  |                  |               |
| Net gearing <sup>3</sup>   | <b>23.8%</b>     | 24.9%         |
| Book value (per share)   | <b>HK\$86.6</b>  | HK\$82.4      |

<sup>1</sup> The Group's core balance sheet is derived from our share of net assets of LHI. As the hotels owned by LHI are classified as investment properties, the values of these hotels were marked to market. More details about the balance sheet derived from our share of net assets in Champion REIT, LHI and the U.S. Fund are on page 6.

<sup>2</sup> 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 65.62%, 62.11% and 49.97% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of June 2017.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

|   | Six months ended 30 June |              | Change |
|---|--------------------------|--------------|--------|
|   | 2017                     | 2016         |        |
|   | HK\$ million             | HK\$ million |        |
| <b>Revenue from core business</b>                   |                          |              |        |
| Hotels Division                                     | <b>1,820.5</b>           | 1,708.6      | 6.5%   |
| Management Fee Income from Champion REIT            | <b>176.8</b>             | 173.3        | 2.0%   |
| Distribution Income from Champion REIT <sup>^</sup> | <b>447.4</b>             | 398.4        | 12.3%  |
| Distribution Income from LHI <sup>^</sup>           | <b>127.8</b>             | 136.8        | -6.6%  |
| Gross Rental Income                                 | <b>113.8</b>             | 119.0        | -4.4%  |
| Other operations                                    | <b>251.4</b>             | 249.9        | 0.6%   |
| <b>Total Revenue</b>                                | <b>2,937.7</b>           | 2,786.0      | 5.4%   |
| Hotel EBITDA  | <b>297.9</b>             | 235.9        | 26.3%  |
| Management Fee Income from Champion REIT            | <b>176.8</b>             | 173.3        | 2.0%   |
| Distribution Income from Champion REIT <sup>^</sup> | <b>447.4</b>             | 398.4        | 12.3%  |
| Distribution Income from LHI <sup>^</sup>           | <b>127.8</b>             | 136.8        | -6.6%  |
| Net Rental Income                                   | <b>86.4</b>              | 87.2         | -0.9%  |
| Operating income from other operations              | <b>137.3</b>             | 110.6        | 24.1%  |
| <b>Operating Income from core business</b>          | <b>1,273.6</b>           | 1,142.2      | 11.5%  |
| Depreciation  | <b>(84.3)</b>            | (75.9)       | 11.1%  |
| Administrative and other expenses                   | <b>(200.7)</b>           | (193.9)      | 3.5%   |
| Other income  | <b>29.0</b>              | 29.3         | -1.0%  |
| Interest income                                     | <b>28.3</b>              | 31.2         | -9.3%  |
| Finance costs                                       | <b>(64.5)</b>            | (67.4)       | -4.3%  |
| Share of results of joint ventures                  | <b>(15.9)</b>            | (22.1)       | -28.1% |
| Share of results of associates                      | <b>0.2</b>               | 0.0          | n.m.   |
| <b>Core profit before tax</b>                       | <b>965.7</b>             | 843.4        | 14.5%  |
| Income taxes  | <b>(58.8)</b>            | (53.3)       | 10.3%  |
| <b>Core profit after tax</b>                        | <b>906.9</b>             | 790.1        | 14.8%  |
| Non-controlling interest                            | <b>(2.8)</b>             | (2.7)        | 3.7%   |
| <b>Core profit attributable to equity holders</b>   | <b>904.1</b>             | 787.4        | 14.8%  |

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

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

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

**30 June 2017**

|                        | Assets<br>HK\$ million | Liabilities<br>HK\$ million | Net Assets<br>HK\$ million |
|------------------------|------------------------|-----------------------------|----------------------------|
| Great Eagle operations | 34,229                 | 9,581                       | 24,648                     |
| Champion REIT          | 47,569                 | 11,411                      | 36,158                     |
| LHI                    | 11,844                 | 4,483                       | 7,361                      |
| The U.S. Fund          | 1,255                  | 800                         | 455                        |
|                        | <b>94,897</b>          | <b>26,275</b>               | <b>68,622</b>              |

**31 December 2016**

|                        | Assets<br>HK\$ million | Liabilities<br>HK\$ million | Net Assets<br>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                        |
|                        | <b>89,096</b>          | <b>24,482</b>               | <b>64,614</b>              |



## FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

|   | Six months ended 30 June |              |        |
|---|--------------------------|--------------|--------|
|   | 2017                     | 2016         | Change |
|   | HK\$ million             | HK\$ million |        |
| <b>Revenue based on statutory accounting principles</b>                     |                          |              |        |
| Hotels Division   | <b>2,565.4</b>           | 2,437.7      | 5.2%   |
| Gross Rental Income   | <b>113.8</b>             | 119.0        | -4.4%  |
| Other operations (including management fee income from Champion REIT)       | <b>428.2</b>             | 423.2        | 1.2%   |
| Gross Rental Income – Champion REIT   | <b>1,317.7</b>           | 1,251.8      | 5.3%   |
| Gross Rental Income – LHI   | <b>332.8</b>             | 322.3        | 3.3%   |
| Gross Rental Income – U.S. Fund   | <b>35.1</b>              | 182.9        | -80.8% |
| Elimination on Intragroup transactions                                      | <b>(576.4)</b>           | (556.7)      | 3.5%   |
| <b>Consolidated Total Revenue</b>   | <b>4,216.6</b>           | 4,180.2      | 0.9%   |
| Hotel EBITDA  | <b>297.9</b>             | 235.9        | 26.3%  |
| Net Rental Income   | <b>86.4</b>              | 87.2         | -0.9%  |
| Operating Income from other operations                                      | <b>314.1</b>             | 283.9        | 10.6%  |
| Net Rental Income – Champion REIT   | <b>936.7</b>             | 875.1        | 7.0%   |
| Net Rental Income – LHI   | <b>278.6</b>             | 270.4        | 3.0%   |
| Net Rental Income – U.S. Fund   | <b>16.9</b>              | 99.8         | -83.1% |
| Elimination on Intragroup transactions                                      | <b>(26.7)</b>            | (27.1)       | -1.5%  |
| <b>Consolidated Operating Income</b>  | <b>1,903.9</b>           | 1,825.2      | 4.3%   |
| Depreciation  | <b>(298.9)</b>           | (295.0)      | 1.3%   |
| Fair value changes on investment properties                                 | <b>4,432.7</b>           | 1,815.8      | 144.1% |
| Fair value changes on derivative financial instruments                      | <b>(114.1)</b>           | (73.0)       | 56.3%  |
| Fair value changes on financial assets at fair value through profit or loss | <b>22.4</b>              | (14.9)       | n.m.   |
| Administrative and other expenses   | <b>(215.1)</b>           | (210.5)      | 2.2%   |
| Other income (including interest income)                                    | <b>115.3</b>             | 67.7         | 70.3%  |
| Finance costs   | <b>(313.2)</b>           | (367.5)      | -14.8% |
| Share of results of joint ventures  | <b>(15.9)</b>            | (22.1)       | -28.1% |
| Share of results of associates  | <b>0.2</b>               | 0.0          | n.m.   |
| <b>Statutory profit before tax</b>  | <b>5,517.3</b>           | 2,725.7      | 102.4% |
| Income taxes  | <b>(215.7)</b>           | (283.7)      | -24.0% |
| <b>Statutory profit after tax</b>   | <b>5,301.6</b>           | 2,442.0      | 117.1% |
| Non-controlling interest  | <b>(34.0)</b>            | (249.3)      | -86.4% |
| Non-controlling unitholders of Champion REIT                                | <b>(1,581.9)</b>         | (700.7)      | 125.8% |
| <b>Statutory profit attributable to equity holders</b>                      | <b>3,685.7</b>           | 1,492.0      | 147.0% |

## OVERVIEW

During the first half of 2017, the opening of the Group's first Cordis hotel in China, Cordis Hongqiao, Shanghai in May 2017 marked another important milestone in our long term plan to expand our global footprint and international brand recognition.

In terms of development or redevelopment projects, we currently have a total of nine projects in various stages of planning or development, and we have made considerable progress with each of these projects. Other than our projects in Hong Kong, Tokyo, San Francisco, Washington D.C. and Seattle, we are managing two development projects on behalf of the U.S. Fund ("Fund") in San Francisco and Malibu, as well as a development project on behalf of a joint venture in Dalian. The completion of these projects will further strengthen the Group's earnings in the coming years.

As for asset sales, the Fund has also successfully completed its value-added strategy on its office building in Seattle and put it on offer. In Hong Kong, against the backdrop of a favourable commercial property market, Champion REIT also started exploring

the possibility of selling its Langham Place Office. As of today, it is still early to conclude whether any of these disposals will eventually take place.

On the Group's operational results for the first six months in 2017, core operating income increased by 11.5% to HK\$1,273.6 million, driven primarily by the improvement in EBITDA from the Hotels Divisions and higher income from Champion REIT. There was also a one-off distribution declared by the China Fund, which we have an investment stake and our share of distribution was included under operating income from other operations.

Nonetheless, there was a 6.6% drop in distribution from LHI and a small 0.9% decline in net rental income from our investment properties after our office property in the U.S. was sold in early 2017.

Share of losses of joint ventures in the first half of 2017 dropped by 28.1% to HK\$15.9 million, attributable to reduced loss for the Miami project as less marketing expense was incurred in the first half of 2017. Profit attributable to equity holders rose by 14.8% to HK\$904.1 million in the first half of 2017 (1H 2016: HK\$787.4 million).

## BUSINESS REVIEW

| Breakdown of Core Operating Income         | Six months ended 30 June |              |        |
|--|--------------------------|--------------|--------|
|  | 2017                     | 2016         | Change |
|  | HK\$ million             | HK\$ million |        |
| 1. Hotels Division                         | <b>297.9</b>             | 235.9        | 26.3%  |
| 2. Income from Champion REIT               | <b>624.2</b>             | 571.7        | 9.2%   |
| 3. Distribution Income from LHI            | <b>127.8</b>             | 136.8        | -6.6%  |
| 4. Investment properties                   | <b>86.4</b>              | 87.2         | -0.9%  |
| 5. Operating income from other operations  | <b>137.3</b>             | 110.6        | 24.1%  |
| <b>Operating Income from core business</b> | <b>1,273.6</b>           | 1,142.2      | 11.5%  |

## 1. HOTELS DIVISION

### Hotels Performance

|   | Average Daily<br>Rooms Available |         | Occupancy |         | Average Room Rate<br>(local currency) |         | RevPAR<br>(local currency) |         |
|---|----------------------------------|---------|-----------|---------|---------------------------------------|---------|----------------------------|---------|
|   | 1H 2017                          | 1H 2016 | 1H 2017   | 1H 2016 | 1H 2017                               | 1H 2016 | 1H 2017                    | 1H 2016 |
|   |                                  |         |           |         |                                       |         |                            |         |
| <b>Europe</b>                           |                                  |         |           |         |                                       |         |                            |         |
| The Langham, London                     | 376                              | 266     | 73.1%     | 81.8%   | 307                                   | 274     | 224                        | 224     |
| <b>North America</b>                    |                                  |         |           |         |                                       |         |                            |         |
| The Langham, Boston                     | 317                              | 318     | 75.2%     | 76.8%   | 285                                   | 278     | 215                        | 214     |
| The Langham Huntington, Pasadena        | 377                              | 380     | 70.4%     | 74.5%   | 284                                   | 279     | 200                        | 208     |
| The Langham, Chicago                    | 316                              | 316     | 69.5%     | 63.8%   | 370                                   | 355     | 257                        | 226     |
| Langham Place, Fifth Avenue, New York   | 199                              | 214     | 72.1%     | 63.7%   | 499                                   | 497     | 360                        | 317     |
| Chelsea Hotel, Toronto                  | 1,590                            | 1,590   | 70.5%     | 70.5%   | 153                                   | 141     | 108                        | 99      |
| <b>Australia/New Zealand</b>            |                                  |         |           |         |                                       |         |                            |         |
| The Langham, Melbourne                  | 388                              | 388     | 85.7%     | 86.5%   | 305                                   | 299     | 261                        | 259     |
| The Langham, Sydney                     | 98                               | 81      | 79.4%     | 66.3%   | 431                                   | 436     | 342                        | 289     |
| The Langham, Auckland                   | 409                              | 409     | 93.0%     | 90.1%   | 245                                   | 205     | 227                        | 185     |
| <b>China</b>                            |                                  |         |           |         |                                       |         |                            |         |
| The Langham, Xintiandi, Shanghai        | 356                              | 357     | 71.0%     | 69.9%   | 1,743                                 | 1,768   | 1,237                      | 1,237   |
| Cordis, Hongqiao, Shanghai <sup>^</sup> | 144                              | –       | 22.7%     | –       | 875                                   | –       | 199                        | –       |

<sup>^</sup> Soft-opened in May 2017

|  | Six months ended 30 June |              |        |
|--|--------------------------|--------------|--------|
|  | 2017                     | 2016         | Change |
|  | HK\$ million             | HK\$ million |        |
| <b>Hotel Revenue</b>                           |                          |              |        |
| Europe   | 223.2                    | 202.7        | 10.1%  |
| North America                                  | 939.5                    | 910.2        | 3.2%   |
| Australia/New Zealand                          | 405.1                    | 359.7        | 12.6%  |
| China  | 172.5                    | 163.7        | 5.4%   |
| Others (including hotel management fee income) | 80.2                     | 72.3         | 10.9%  |
| <b>Total Hotel Revenue</b>                     | <b>1,820.5</b>           | 1,708.6      | 6.5%   |
| <b>Hotel EBITDA</b>                            |                          |              |        |
| Europe   | 39.2                     | 25.6         | 53.1%  |
| North America                                  | 102.6                    | 78.7         | 30.4%  |
| Australia/New Zealand                          | 75.6                     | 55.9         | 35.2%  |
| China  | 35.1                     | 45.7         | –23.2% |
| Others (including hotel management fee income) | 45.4                     | 30.0         | 51.3%  |
| <b>Total Hotel EBITDA</b>                      | <b>297.9</b>             | 235.9        | 26.3%  |

Revenue of the Hotels Division, which comprised eleven hotels and other Hotels Division related business such as hotel management fee income, increased by 6.5% to HK\$1,820.5 million during the first half of 2017. Given the fixed cost nature of the hotel business, the EBITDA of the Hotels Division recorded a much higher growth of 26.3% and rose to HK\$297.9 million in the first half of 2017. The growth in EBITDA was even higher at 28.7% before accounting for foreign currency translations, as the average exchange rates for the British Pound and Renminbi in the first half of 2017 were 12.2% and 4.9% respectively, lower than those a year ago and offsetting appreciation in the average exchange rate of the Australian and New Zealand dollar. Furthermore, EBITDA of the Hotels Divisions also included a pre-opening charge amounting to HK\$19 million for Cordis, Hongqiao, which was included in the results of hotels in China.

In North America, the growth in EBITDA was led by improved revenue and margin expansion at The Langham, Chicago, as its operations continued to ramp up as a relatively new hotel, and at the Chelsea hotel in Toronto, where EBITDA margin improved further as business regain momentum after its renovation works. Renovations works continued to impact on the operations of Langham Place, Fifth Avenue hotel in New York and its EBITDA. The Langham Huntington, Pasadena faced challenging market conditions and there was a decline in its EBITDA in the first half of 2017. Overall, total revenue of the hotels in North America increased by 3.2% in the first half of 2017, the growth in EBITDA was much higher at 30.4% for the period.

The Langham, Auckland and The Langham, Sydney both witnessed strong revenue growth during the first half of 2017. While operations continue to ramp up at The Langham, Sydney after a major

renovation, The Langham, Auckland benefitted from strong demand with increased convention activities in the city. Steady performance was also witnessed at The Langham, Melbourne. Overall, total revenue of the hotels in Australia/New Zealand increased by 12.6% in the first half of 2017, which has factored in a 3% to 5% appreciation in the average exchange rate of the Australian and New Zealand dollars. EBITDA of the hotels in Australia/New Zealand grew by 35.2% in terms of Hong Kong Dollars the first half of 2017.

The Langham, London benefitted from an increase in the number of available rooms after its renovation to 110 of its rooms was completed in the third quarter of 2016. In local currency terms, revenue of the hotel increased by 25.3% in the first half of 2017. However, given a 12.2% depreciation in the average exchange rate of the British pound in the first half of 2017, revenue in Hong Kong dollar terms rose by only 10.1%. EBITDA growth of 64.6% in local currency terms in the first half of 2017 was reduced to 53.1% in terms of the Hong Kong dollar.

Performance of the hotels in China comprised results of The Langham, Xintiandi and Cordis, Hongqiao in Shanghai. While there was an improvement in the performance in The Langham, Xintiandi, the increase was offset by the booking of a pre-opening charge amounting to HK\$19 million for Cordis, Hongqiao in the first half of 2017. In local currency terms, total revenue of the hotels in China, which included approximately one month of revenue contribution from Cordis, Hongqiao, increased by 10.8% in the first half of 2017, but given a 4.9% depreciation in the average exchange rate of the Renminbi, revenue in Hong Kong dollar terms rose by only 5.4%. EBITDA in Hong Kong dollar terms declined by 23.2% attributable to the booking of a pre-opening charge.

EBITDA of the Hotels Division also included hotel management fee income from pure managed hotels and any surplus or shortfall incurred by the Group as the lessee of LHI's hotels, which are included under the "Others" breakdown of the Hotels Division's EBITDA. The increase in "Others" was primarily due to an increase in hotel management fee income for the first half of 2017 as operations of the newly added managed hotels ramped up. There was also a reduction in shortfall incurred as the lessee of LHI, as the performance of the Hong Kong hotels improved during the first half of 2017.

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

### EUROPE

#### ***The Langham, London***

The hotel witnessed a 40% growth in room revenue during the first half of 2017, as it benefitted from an increased number of available rooms after the renovation of 110 rooms completed in the third quarter 2016. The renovated rooms also helped the hotel to command a 12% increase in average room rate. However, despite more rooms were sold during the first half, occupancy dropped by 9 percentage points as the increased number of available rooms raised the denominator for calculating occupancy rate. Revenue from food and beverage ("F&B") rose by 9%, driven by increased banqueting business.

### NORTH AMERICA

#### ***The Langham, Boston***

Against a slow demand from the corporate segment, the hotel strategically targeted at high yielding retail leisure during the period, which helped the hotel to deliver a 3% increase in average room rate during the first half of 2017, although there was a 2 percentage points' drop in occupancy in the first half of 2017. Revenue from F&B rose by 7% due to a pickup in catering demand.

#### ***The Langham Huntington, Pasadena***

The hotel faced challenging market conditions given the weak demand from both the corporate and retail segments. Nonetheless, the hotel still managed to maintain high yielding corporate group business during the first half of 2017, which help lifted the average room rate by 2% during the first half of 2017. Occupancy dropped by 4 percentage points during the period. Revenue from F&B dropped by 10% in the first half of 2017, attributable to lower catering business from corporate meetings and conferences.

#### ***The Langham, Chicago***

After receiving multiple prestigious accolades in the lodging industry thanks to its luxurious product and services, the hotel has firmly established itself as one of the most luxurious hotel in Chicago. This also helped the hotel to gain further market share as convention activities picked up during the first half of 2017. Average room rate rose by 4% during the first half of 2017, while occupancy rose by 6 percentage points. Revenue from F&B rose by 13%, driven by increased catering business.

***Langham Place, Fifth Avenue, New York***

The hotel benefitted from improved demand from both the retail and corporate segments during the first half of the year, and occupancy rose by 8 percentage points in the first half of 2017. As competitions remained keen over the period, average room rate only rose by 0.4%. Revenue from F&B dropped by 32% in the first half of 2017, as banquet business was affected by the noise disruption from renovation works and the conversion of the bar area into retail rental space. Conversion work to subdivide the less occupied suites into 20 rooms have completed in June 2017, resulting in a net addition of 18 rooms to the inventory.

***Chelsea Hotel, Toronto***

Given the strong convention activities in the city during the first half period, the hotel strategically targeted at high yielding corporate and group travellers during the period, which help lifted the average room rate by 9% in the first half of 2017. Despite the focus on maximising room rate during the first half of 2017, occupancy for the hotel only managed to remain steady over the first half of the year. Revenue from F&B rose by 15%, driven by stronger banqueting business from corporate meetings and events.

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

Although there was heightened improved demand from the corporate segment, which helped the hotel to command better room rates, the improvement was offset by slower demand in the retail segment. Hence, there was a slight drop of 0.8 percentage points in occupancy in the first half of 2017 while average room rate rose by 2% over the period. Revenue from F&B rose 11% as both catering and restaurants business improved.

***The Langham, Sydney***

As operations of the hotel continued to ramp up since it re-opened after a major renovation, there was a marked improvement in the occupancy of the hotel, which rose by 13 percentage points in the first half of 2017. Major contribution came from the retail segment, albeit at slightly lower room rates, with average room rate dropped by 1% in the first half of the year. Revenue from F&B dropped by 18% as business from the restaurants declined during the period.

***The Langham, Auckland***

The hotel witnessed very strong demand from the corporate segment, as a number of large scale convention events were held in the city during the first half period. The hotel's strategy of focusing on high yielding corporate and leisure travellers helped the hotel to deliver a 19% increase in its average room rate for the first half of 2017. Occupancy rose by 3 percentage points. Revenue from F&B rose by 3%, driven by increase in banqueting and catering business.

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

Corporate demand remained slow during the first half of 2017 and the hotel continued to focus on retail leisure business during the period. While the hotel managed to improve on its occupancy, which rose by 1 percentage point in the first half of 2017, average room rate declined by 1% during the period, resulting in steady room performance in the first half of 2017. On the other hand, there was a significant growth in revenue from F&B, which rose by 31% during the first half period. The increase was driven by growth in business from the Chinese restaurant, which has received the prestigious Michelin three-star rating this year.

***Cordis, Hongqiao, Shanghai***

The hotel launched its soft opening in May 2017 with 144-guestrooms (out of a total of 396 rooms) and key catering outlets. Encouraging performance was witnessed in its first month of operation and we anticipate business will gain momentum once it is fully open for business.

**HOTEL MANAGEMENT BUSINESS**

As at the end of June 2017, there were seven hotels with approximately 2,200 rooms in our management portfolio. The most recent hotel added to the portfolio was The Langham hotel in Haikou with 249 rooms, which opened last year. There is currently a pipeline of managed hotels, which will start rolling in from 2018 onwards.

**2. INCOME FROM CHAMPION REIT**

The Group's core profit is based on the attributable distribution income and management fee income from Champion REIT in respect of the same financial period. On that basis, total income from Champion REIT in the first half of 2017 increased by 9.2% to HK\$624.2 million. Distribution income rose 12.3% to HK\$447.4 million, as the REIT declared a 7.2% increase in distribution per unit and our holdings in the REIT has been increased from 62.81% as at the end of June 2016 to 65.62% as at the end of June 2017. Given there was an increase in the net property income of Champion REIT, which offset lower agency leasing commission income in the first half of 2017, overall management fee income from Champion REIT still increased by 2.0% to HK\$176.8 million in the first half of 2017.

|  | Six months ended 30 June |              |        |
|--|--------------------------|--------------|--------|
|  | 2017                     | 2016         | Change |
|  | HK\$ million             | HK\$ million |        |
| Attributable distribution income       | <b>447.4</b>             | 398.4        | 12.3%  |
| Management fee income                  | <b>176.8</b>             | 173.3        | 2.0%   |
| <b>Total income from Champion REIT</b> | <b>624.2</b>             | 571.7        | 9.2%   |

The following text was extracted from the 2017 interim results announcement of Champion REIT relating to the performance of the REIT's properties.

***Three Garden Road***

Positive rental reversion continued at Three Garden Road in the first half of 2017, driving up rental income of the property to HK\$596 million, an increase of 5.1% compared with the first half of 2016. Passing rents as at 30 June 2017 increased to HK\$84.65 per lettable sq. ft., compared with HK\$78.20 per lettable sq. ft. as at 31 December 2016. Occupancy of Three Garden Road office dropped to 92.4% as at 30 June 2017 compared with

95.9% as at 31 December 2016. Net property income increased by 7.5% to HK\$537 million.

***Langham Place Office Tower***

For the first half of 2017, total rental income went up 9.9% to HK\$175 million, compared with HK\$159 million in the first half of 2016. As very few leases rolled-over during the period under review, passing rents as at 30 June 2017 increased slightly to a record high of HK\$39.98 per sq. ft., based on gross floor area. Occupancy remained at a high level of 97.5%. Net property income increased by 13.0% to HK\$163 million, compared with HK\$144 million in first-half 2016.

### Langham Place Mall

Rental income of the Mall grew moderately by 3.8% to HK\$412 million during the period under review, compared with HK\$397 million in the first half last year. Both base rent and turnover rent recorded positive growth. Overall passing base rents reached HK\$178.79 per sq. ft. (based on lettable floor area) as at 30 June 2017, compared with HK\$178.74 per sq. ft. as at 31 December 2016. Turnover rent increased HK\$7 million to HK\$41 million (2016: HK\$34 million) primarily due to the outperformance of beauty tenants. Net property income rose 3.9% to HK\$364 million, compared with HK\$351 million in the first half of 2016.

### 3. DISTRIBUTION INCOME FROM LHI

Under statutory accounting basis, our investment in LHI is classified as a subsidiary, and its results are consolidated into the Group's statutory income statement. However, as LHI is principally focused

on distributions, the Group's core profit will be derived from the attributable distribution income 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 the first half of 2017, LHI declared a 12% decline in distribution per share stapled unit as higher cash tax and interest payments reduced its income available for distribution. However, our share of distribution income received from LHI only declined by 6.6%, as more of our units held are entitled to distribution in 2017. In 2017, distribution entitlement in respect of our 50 million share stapled units held will be waived, which has dropped by 50% as compared with that in 2016. It should be noted that all of our holdings will be entitled to receive distribution payable from 2018 onwards.

|                                  | Six months ended 30 June |              |        |
|----------------------------------|--------------------------|--------------|--------|
|                                  | 2017                     | 2016         | Change |
|                                  | HK\$ million             | HK\$ million |        |
| Attributable distribution income | <b>127.8</b>             | 136.8        | -6.6%  |

Performances of the Hong Kong hotels below were extracted from the 2017 interim results announcement of LHI relating to the performance of the trust group's properties.

|                        | Average Daily   |         | Occupancy    |         | Average Room Rate |         | RevPAR           |         |
|------------------------|-----------------|---------|--------------|---------|-------------------|---------|------------------|---------|
|                        | Rooms Available |         |              |         | (local currency)  |         | (local currency) |         |
|                        | 1H 2017         | 1H 2016 | 1H 2017      | 1H 2016 | 1H 2017           | 1H 2016 | 1H 2017          | 1H 2016 |
| The Langham, Hong Kong | <b>498</b>      | 498     | <b>85.6%</b> | 84.2%   | <b>2,086</b>      | 2,078   | <b>1,787</b>     | 1,749   |
| Cordis, Hong Kong      | <b>661</b>      | 650     | <b>91.6%</b> | 85.4%   | <b>1,590</b>      | 1,610   | <b>1,456</b>     | 1,374   |
| Eaton, Hong Kong       | <b>465</b>      | 465     | <b>96.9%</b> | 92.2%   | <b>945</b>        | 963     | <b>915</b>       | 888     |

### The Langham, Hong Kong

For The Langham, Hong Kong, even though the Hotel witnessed a growth of 18.7% in arrivals from Mainland China in the first half of 2017, the increase was offset by declines in arrivals from other key markets such as other Asia countries, U.S., and Europe. Food and beverage ("F&B") revenue

for the Hotel rose by 2.0% year-on-year in the first six months of 2017. The increase was driven by growth in business from T'ang Court, which has received the prestigious Michelin three-star rating for the second consecutive year, as well as improved business at Bostonian. However, banqueting business remained soft in the first half of 2017.



**Cordis, Hong Kong**

At Cordis, Hong Kong, other than the growth in arrivals from China, the hotel witnessed growth from arrivals across most of other key markets including Europe and U.S.. The all around growth in arrivals was in part due to a low base effect last year, when occupancy was negatively impacted by nearby protests during the Chinese New Year. Revenue from F&B also witnessed a growth of 4.2% year-on-year for the first six months of 2017. The increase was due to improved banqueting business, as well as improved business at the all day dining restaurant The Place after its renovation last year.

**Eaton, Hong Kong**

Eaton, Hong Kong also witnessed more arrivals from Mainland China, which increased by 17.3% year-on-year in the first six months of 2017. There was also growth in arrivals from a majority of other key markets such as Europe, the U.S. and other Asia countries. Revenue from F&B dropped by 13.0% year-on-year in the first six months of 2017, despite improved business in the Chinese restaurant which received a Michelin one-star rating. This was a consequence of the hotel's strategy to accept fewer banqueting reservations for the first half of 2017, as the hotel is in preparation for major renovation in the banqueting space originally planned to commence in the first quarter of 2017.

**4. INVESTMENT PROPERTIES**

|                            | Six months ended 30 June |                      | Change |
|----------------------------|--------------------------|----------------------|--------|
|                            | 2017<br>HK\$ million     | 2016<br>HK\$ million |        |
| <b>Gross rental income</b> |                          |                      |        |
| Great Eagle Centre         | <b>69.1</b>              | 69.8                 | -1.0%  |
| Eaton Residence Apartments | <b>26.2</b>              | 24.4                 | 7.4%   |
| Others <sup>^</sup>        | <b>18.5</b>              | 24.8                 | -25.4% |
|                            | <b>113.8</b>             | 119.0                | -4.4%  |
| <b>Net rental income</b>   |                          |                      |        |
| Great Eagle Centre         | <b>67.6</b>              | 68.1                 | -0.7%  |
| Eaton Residence Apartments | <b>17.0</b>              | 14.8                 | 14.9%  |
| Others <sup>^</sup>        | <b>1.8</b>               | 4.3                  | -58.1% |
|                            | <b>86.4</b>              | 87.2                 | -0.9%  |

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

In the first half of 2017, overall net rental income from our investment properties dropped by 0.9% to HK\$86.4 million, which was primarily due to

reduced rental income contribution from our office property in the U.S., which was included in "Others" and was sold in early 2017.

**Great Eagle Centre**

|                                  | As at the end of |           |         |
|----------------------------------|------------------|-----------|---------|
|                                  | June 2017        | June 2016 | Change  |
| <b>Office (on lettable area)</b> |                  |           |         |
| Occupancy                        | <b>97.2%</b>     | 98.2%     | -1.0ppt |
| Average passing rent             | <b>HK\$66.3</b>  | HK\$65.4  | 1.4%    |
| <b>Retail (on lettable area)</b> |                  |           |         |
| Occupancy                        | <b>99.4%</b>     | 99.4%     | -       |
| Average passing rent             | <b>HK\$98.4</b>  | HK\$98.2  | 0.2%    |

There was a slight decline in the office occupancy for Great Eagle Centre, as more area are reserved for the Group's in-house expansion, which will be occupied by the Group in the second half of 2017. Otherwise, occupancy of the Great Eagle Centre would be stable as at the end of June 2017 as compared with that a year ago. Although office spot rents rose in the first half of 2017, a lack of office renewals limited the growth in average passing rent. Therefore, there was only a 1.4% growth in average passing rent for the leased office

space at the Great Eagle Centre, which increased from HK\$65.4 per sq. ft. as of June 2016 to HK\$66.3 per sq. ft. as of June 2017.

Primarily as a result of additional area reserved for the Group's expansion, there was a small decline in the gross rental income for the Great Eagle Centre, which declined by 1% to HK\$69.1 million in the first half of 2017, whereas net rental income dropped by 0.7% to HK\$67.6 million.

**Eaton Residence Apartments**

|                              | Six months ended 30 June |          |        |
|------------------------------|--------------------------|----------|--------|
|                              | 2017                     | 2016     | Change |
| <b>(on gross floor area)</b> |                          |          |        |
| Occupancy                    | <b>83.1%</b>             | 75.3%    | 7.8ppt |
| Average net passing rent     | <b>HK\$30.9</b>          | HK\$31.2 | -1.0%  |

Increased demand from the corporate segment helped boost the occupancy of the portfolio from 75.3% in the first half of 2016 to 83.1% in the first half of 2017. The Blue Pool Road property witnessed a strong comeback from the corporate segment, and the Village Road property also performed well in both the corporate and medical market segments. Meanwhile, the Wanchai Gap Road property saw stronger corporate business that offset softer demand from the leisure segment.

However, as competitions remained keen, average rental rates remained under pressure. Average net passing rent for the three serviced apartments dropped by 1% to HK\$30.9 per sq. ft. on gross floor area in the first half of 2017, as compared with HK\$31.2 per sq. ft. in the first half of 2016. Gross rental income rose by 7.3% year-on-year to HK\$26.2 million in the first half of the 2017, and net rental income increased by 14.6% year-on-year to HK\$17.0 million for the first half of 2017.

## 5. OPERATING INCOME FROM OTHER OPERATIONS

The Group's operating income from other business operations included asset management fee income from the U.S. Fund and a joint venture project in Dalian, property management and maintenance income, trading income from our trading and procurement subsidiaries and dividend income from securities portfolio or other investments.

In the first half of 2017, operating income from other business operations rose by 24.1% to HK\$137.3 million, which was due to the booking of a one-off HK\$35.7 million in distribution income for our share of investment in the China Fund. The China Fund is managed by China Orient which offers financing to companies in China. As for asset management fee income from the U.S. Fund, which we act as asset manager, please refer to the management discussion on the "U.S. Fund".

### U.S. FUND

As part of the Group's effort to expand our asset-light asset management business, the Group has established a U.S. Real Estate Fund in 2014, which targets at office and residential property investments in the United States. As at the end of June 2017, 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, the Fund has already disposed of three office buildings with attractive returns. The progress of other projects still held by the Fund are as follows:

### *The Austin, San Francisco*

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, and within easy reach from the burgeoning technology cluster in Mid-Market. The development with gross floor area of approximately 135,000 sq. ft. will comprise 100 studio, 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\$90 million. Construction work on the site had started in the first quarter of 2016 and the topping off of the building was celebrated in November 2016. The project is expected to complete in the second half of 2017. Since the first quarter of 2017, the residence units have been formally launched to the brokerage and buyer community. Thus far, they have received keen response from buyers with about one-third of the 100 units presold at the end of July 2017 with prices exceeding those projects in the immediate vicinity.

### *Cavalleri, Malibu*

We completed the acquisition of the residential property in Malibu, California in September 2015 for US\$62 million. The strategy is to reposition its 68 rental apartment units to 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 have been commenced since the second quarter of 2016 after the vacant possession of all units. Refurbishment on the Cavalleri is expected to complete in late 2017. The project has been launched to the market and thus far poor responses were noted from individual buyers in the vicinity. Therefore, the Fund will also target other type of buyers, including institutional and overseas buyers given the high quality of the project and its coveted location.

### ***Dexter Horton, Seattle***

The office building in Seattle that the U.S. Fund acquired is known as the Dexter Horton Building, a historic building named after the founder of Seattle First Bank. It is a 15-storey building with a rentable floor area of 336,355 sq. ft. located at 710 Second Avenue in Seattle's central business district. The building was acquired by the U.S. Fund for US\$124.5 million in September 2015. After the Fund had successfully completed its value-added strategy on this building by reshuffling the tenant mix towards more of tenants from technology sector who pay higher rents, the Fund has put it on offer since late July this year.

The Group booked HK\$26.9 million (1H 2016: HK\$24.1 million) in asset management fee income from the U.S. Fund for the first half of 2017, which was included in "operating income from other operations".

## **DEVELOPMENT PROJECTS**

### **HONG KONG AND CHINA**

#### ***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. Works on the basement and foundation have been finished in July 2017 and superstructure works have been commenced right after. The project is expected to complete in early 2020. The total development cost, including the payment of HK\$2,412 million for the site, is expected to be approximately HK\$7,000 million.

#### ***Dalian Mixed-use Development Project***

The project is located on Renmin Road in the East Harbour area of Zhongshan District, the central business district of Dalian, Liaoning Province. It has a total gross floor area of approximately 286,000 sq. m. and comprises 1,200 high-end apartments and a luxury hotel 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\$604 million invested in the preferred shares of the project with a fixed rate of return, was HK\$1,092 million as at the end of June 2017.

While the entire Phase I development is expected to complete in 2018, the 800 apartments under Phase I will be completed in batches. The pre-sold apartments will be handed to buyers once they are completed. Since Phase I of the project is close to completion, the strategy is to sell the completed luxury apartments with fittings, as potential homebuyers are more than likely to pay a premium for a fitted apartment.

During the first half of 2017, 15 apartments in the first batch of pre-sold apartments were completed and handed to buyers, bringing the accumulated number of apartments sold to 242 as at the end of June 2017. As gross profits were recognised for only 15 apartments in the first half of 2017, such profit turned into a loss after providing for administration and marketing expenses, as well as a disproportionate share of the estimated land appreciation tax. Therefore, there was a after-tax loss of HK\$15 million for our interest in the project in the first half of 2017. Our share of the loss was included under share of losses of the joint ventures in the core profit of the Group for the first half of the year.

### JAPAN

#### ***Tokyo Hotel Redevelopment Project***

In June 2016, the Group completed the acquisition of a hotel redevelopment 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. Earlier this year, we learnt that a small site with a site area of 111 sq. m. immediately adjacent to our acquired site became available through a private sale process. As our study revealed that it was feasible to merge the site with our already acquired site, allowing a larger scale development with improved efficiency, we agreed to purchase it for JPY0.47 billion. As for the progress of the development, demolition works have completed on the larger site that we acquired last year. However, demolition work on the smaller site will start after we take possession when the acquisition completes in late 2017. In the meantime, development plan for the hotel is being redesigned to account for the additional footage from the acquisition of the adjacent site.

World renowned architect, Kengo Kuma & Associates has been commissioned to design this 250-key flagship The Langham Hotel in Central Tokyo. The total investment cost, including the sum of JPY22.7 billion for the two sites, is expected to be approximately JPY49 billion and will be mostly funded by bank loans with a low interest rate.

### UNITED STATES

#### ***Hotel Redevelopment Project in Washington D.C.***

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 design for the hotel will cater for the targeted travellers’ strong preferences for a more interactive-based stay. In addition to introducing more open and communal space, there will also be co-working space to reflect the changing needs of the modern travellers. The renovation work has commenced in the first quarter of 2017 with a majority of the works to be completed by late 2017. Soft opening of the hotel is expected to be in early 2018, a slight delay from a previously projected soft opening 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 Mid-Market district and is situated opposite to San Francisco’s City Hall and at close proximity to numerous cultural venues. The Central Market area has transformed rapidly in recent years amid increasing presence interest of 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 with collaborative work space. Construction of the project will start after the development rights for the hotel are 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 hope that the development approval will be granted within this year, and the construction should start in 2018 with opening of the hotel targeted in 2021.

### ***San Francisco Hotel Redevelopment Projects, 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 new central business district in the South of Market (SOMA) 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 The Langham 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 in collaboration with the acclaimed California architect Mark Cavagnero Associates.

While the initial design of the project has been approved by the city's planning department, the design is currently being refined to further maximise the efficiency of floor area. The construction of the project is planned for 2018 with its completion expected to be in 2021.

### ***Seattle Development Project, 1931 Second Avenue***

The Group acquired a site in downtown Seattle for US\$18 million in December 2016. The site is located at one of the highest points of downtown Seattle and near the famous Pike Place market. The site has an area of approximately 19,400 sq. ft. Although the Seattle site has already been granted for the development of a hotel, we are evaluating an opportunity to expand the development's floor area, and incorporate some residential or commercial components to the project, so as to further enhance the financial attractiveness of the project.

## **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 30 June 2017 was HK\$21,893 million, an increase of HK\$304 million compared to that as of 31 December 2016. Such increase was mainly due to additional loans drawn for development of projects in Japan, Hong Kong and China.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2017 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK\$59,576 million, representing an increase of HK\$3,729 million compared to the value of HK\$55,847 million as of 31 December 2016. The increase was mainly attributable to profit for the period.

For statutory accounts reporting purpose, on consolidation the Group is treated as to include entire debts of Champion REIT, LHI and the U.S. Fund. Based on the consolidated net debts attributable to the Group (i.e. only 65.62%, 62.11% and 49.97% of the net debts of Champion REIT, LHI and the U.S. Fund respectively) and equity attributable to shareholders, the gearing ratio of the Group as at 30 June 2017 was 23.8%. 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.

|   | On Consolidated<br>Basis<br>HK\$ million | On Core<br>Balance Sheet<br>Basis<br>HK\$ million |
|---|--|---|
| <b>Net debt at 30 June 2017</b>                     |  |   |
| Great Eagle   | 613                                      | 613   |
| Champion REIT                                       | 13,693                                   | –   |
| LHI   | 6,575                                    | –   |
| U. S. Fund  | 1,012                                    | –   |
| Net debts   | 21,893                                   | 613   |
| Net debts attributable to Shareholders of the Group | 14,188                                   | 613   |
| Equity Attributable to Shareholders of the Group    | 59,576                                   | 68,622  |
| Net Gearing ratio <sup>^</sup>                      | 23.8%                                    | 0.9%  |

<sup>^</sup> 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:

|               |       |
|---------------|-------|
| Within 1 year | 2.6%  |
| 1-2 years     | 19.8% |
| 3-5 years     | 61.3% |
| Over 5 years  | 16.3% |

## INDEBTEDNESS

Our gross debts (including medium term note) after consolidating Champion REIT, LHI and the U.S. Fund amounted to HK\$30,264 million as of 30 June 2017. Foreign currency gross debts as of 30 June 2017 amounted to the equivalent of HK\$10,024 million, of which the equivalent of HK\$3,563 million or 36% was on fixed-rate basis.

## FINANCE COST

The net consolidated finance cost including borrowing cost capitalised to property development projects during the period was HK\$305 million. Overall interest cover at the reporting date was 5.6 times.

## LIQUIDITY AND DEBT MATURITY PROFILE

As of 30 June 2017, our cash, bank deposits and undrawn loan facilities amounted to a total of HK\$9,743 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 as of 30 June 2017:

## PLEDGE OF ASSETS

At 30 June 2017, properties of the Group with a total carrying value of approximately HK\$58,666 million (31 December 2016: HK\$54,923 million), HK dollars deposit with equivalent amount of HK\$7.8 million (31 December 2016: US dollars and HK dollars deposit HK\$631 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

## COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2017, the Group had authorised capital expenditure for investment properties and property, plant and equipment of HK\$7,853 million (31 December 2016: HK\$3,135 million) which had not yet been provided for in these consolidated financial statements. Out of the amount, HK\$781 million (31 December 2016: HK\$442 million) had been contracted for.

At 30 June 2017, the Group had outstanding financial commitment in respect of capital injection to a joint venture of RMB25.8 million (equivalent to HK\$33 million) (31 December 2016: RMB25.8 million) and cash commitment to the China Fund of US\$46 million (equivalent to HK\$357 million) (31 December 2016: 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

As a number of key political issues that could have significant bearings on the future of the global economy have remained unresolved, it is only prudent for us to keep a cautious stance on the outlook for the global economy in the near term. Our business operations have performed steadily in the first six months of the year. However, certain unresolved political issues can evolve and escalate quickly into something which could have a negative impact on the current business environment. In addition, potential monetary contraction due to the Fed's plan to unwind its balance sheet will result in higher interest rates which would dampen both consumer and investor confidence. Therefore, we must stay vigilant and be ready to respond to any slowdown in our business.

Gross rental income from our investment properties will decline in the second half of 2017 as compared with that achieved in the first half period, given the absence of rental income contribution from Great Eagle Centre office space that has been taken for our in-house expansion.

After a one-off distribution income was booked from our investment in the China Fund in the first half of 2017, income from other operations will be lower in the second half of 2017. Excluding the impact of the one-off income, income from other operations is expected to be steady in the second half of 2017 as compared with that witnessed in the first half period.

As for the Hotels Division, EBITDA of the overseas hotels in the second half of 2017 will continue to be a mixed one. As operations at Cordis, Hongqiao continue to ramp up, revenue from the hotel will increase further in the second half of 2017, but as the hotel is still in the process of building its occupancy rate, it will incur a loss in 2017. Meanwhile, growth momentum remains intact with our renovated hotels and our hotels in cities where there are strong convention activities, but some of our hotels are still facing challenging market conditions.

For Champion REIT, positive rental reversion for the office portfolio is expected to sustain in the second half of 2017. However, downside pressure persists on the base rent of Langham Place Mall.

For LHI, a large scale refurbishment of the lobby, ballroom and dining area at Eaton, Hong Kong which began in July 2017, will eliminate almost all of its food and beverage business in the second half of 2017, whereas higher interest expense and cash tax payment will continue to impact on its distributable income in the second half 2017.

Despite heightened geopolitical risks and potential headwinds in the medium term, the prudent and targeted expansion strategy that we have put in place over the past several years will serve to underpin the Group's future earnings growth. In addition, our strong balance sheet, as well as a strong recurring cash flow will enable us to comfortably add investments in markets where asset values are suppressed.

### Lo Ka Shui

*Chairman and Managing Director*

Hong Kong, 24 August 2017



## DIRECTORS' BIOGRAPHICAL INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the Company subsequent to the date of the 2016 Annual Report of the Company are updated as follow:

### 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 McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and the father of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is the father of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

### Madam LO TO Lee Kwan

#### Non-executive Director

Madam LO TO Lee Kwan, aged 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 Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and the grandma of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, she is the grandma of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

### Mr. CHENG Hoi Chuen, Vincent

#### Independent Non-executive Director

Mr. CHENG Hoi Chuen, Vincent, aged 69, 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 65, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1995 and is the Chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee of the Company. Professor Wong is 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 69, 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

## DIRECTORS' BIOGRAPHICAL INFORMATION

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 (OneMBA) of The Chinese University of Hong Kong. Since June 2008, he has been appointed as Adjunct Associate Professor in the Department of Marketing of The Chinese University of Hong Kong. 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.

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

### 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 Grand Bauhinia Medal (GBM) in 2017, the Gold Bauhinia Star in 1998 and was appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. Mr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Dr. Lo Ying Sui, a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

### Dr. LO Ying Sui

#### Non-executive Director

Dr. LO Ying Sui, aged 65, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine Degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. He is a son of Madam Lo To Lee Kwan, a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

### Mr. LO Chun Him, Alexander

#### Executive Director

Mr. LO Chun Him, Alexander, aged 32, joined the Group in 2010 and was appointed as an Executive Director of the Company in December 2015. He is also a member of the Finance Committee. Mr. Lo holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, Great Eagle (China) Investment Limited, The Great Eagle Development and Project Management Limited, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Pacific Eagle Holdings Corporation and Pacific Eagle China Orient (US) Real Estate GP, LLC. He is also a Non-executive Director of Langham Hospitality Investments Limited and LHIL Manager Limited (Manager of the publicly listed Langham Hospitality Investments). Prior to joining the Group, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of

## DIRECTORS' BIOGRAPHICAL INFORMATION

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 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 a member of the Finance Committee and also the Head of Tax and Investment primarily responsible for the Group's taxation, finance and investment matters. Mr. Chu is a fellow of The Chartered Association of Certified Accountants, 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.

# GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

## CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Company is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost Shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of our Shareholders. The Board of Directors of the Company will from time to time monitor and review the Company's corporate governance practices in light of the regulatory requirements and the needs of the Company to underpin our engrained value of integrity and accountability. Throughout the period under review, the Company has complied with most of the code provisions and where appropriate, adopted some of the recommended best practices as set out in the CG Code. Set out below are the details of the deviations from the code provisions:

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

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

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

While the Bye-laws 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 section of Disclosure of Interests on pages 33, 35 and 36. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. Notwithstanding that Dr. Lo is not subject to retirement by rotation, he has disclosed his biographical details in accordance with Rule 13.74 of the Listing Rules in the circular to the Shareholders in relation to, among other things, the re-election of retiring Directors, for Shareholders' information.

**CG Code Provision 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 2017 Director Development Program provided by the Company.

**COMPLIANCE POLICIES AND PROCEDURES**

The Board of Directors assumes responsibility for leadership and control of the Group, and is collectively responsible for promoting the success of the Company. It plays a central supportive and supervisory role in the Company's corporate governance duties. The governance framework of the Company is constituted by the Statement of Corporate Governance Practice of the Company which is reviewed from time to time in light of the latest statutory requirements and governance practice. The Statement serves as an

ongoing guidance for the Directors in performing and fulfilling their respective roles and obligations to the Company. The Board is also responsible for overseeing the management and operation of the Group and is ultimately accountable for the Group's activities, strategies and financial performance. The Company has put in place a comprehensive set of compliance policies and procedures, which set out the key processes, systems and measures to implement this corporate governance framework, including:

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

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

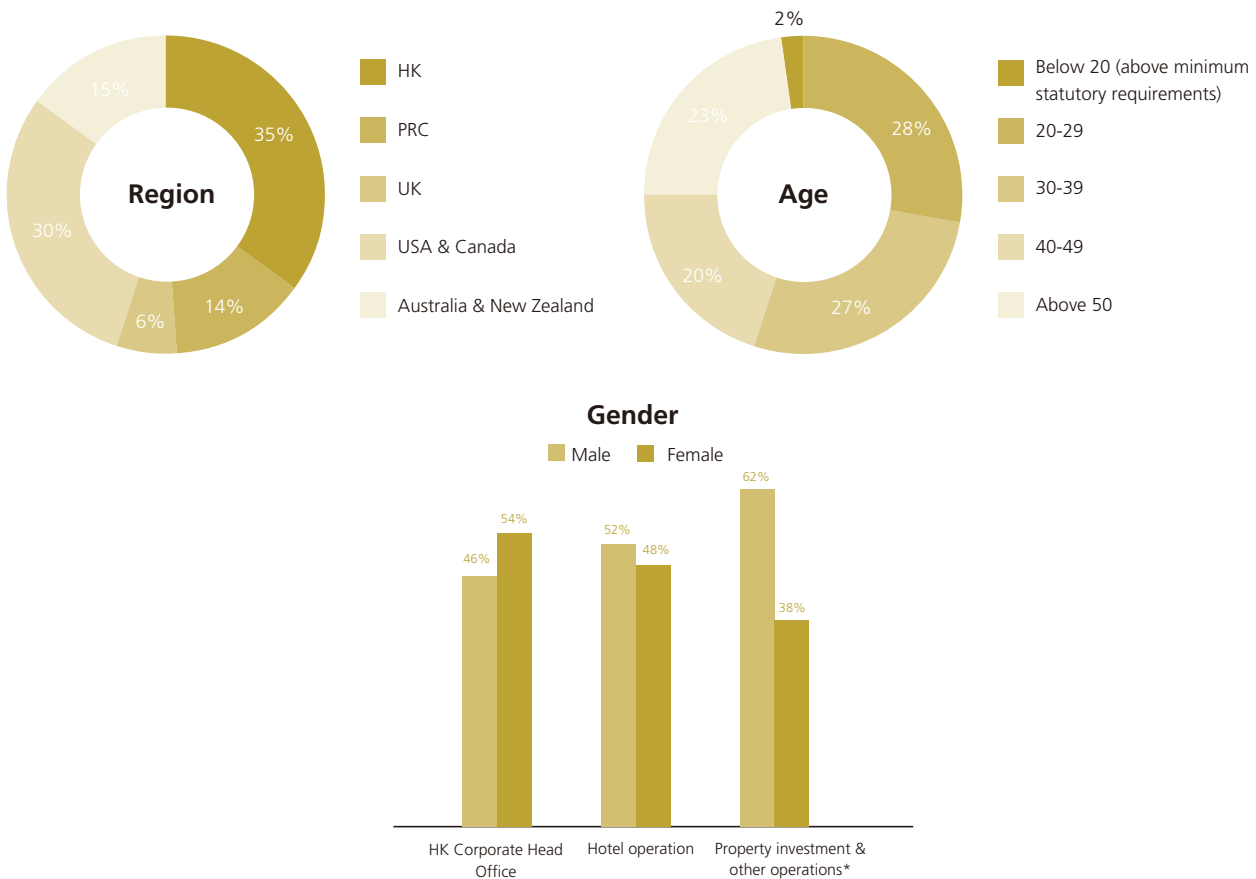
**CORPORATE SOCIAL RESPONSIBILITY**

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. Our continuous efforts in CSR are reflected in being selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index since its inception in 2011.

**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 30 June 2017, the number of employees of the Group, including our head office management team, and frontline hotel and property management and operation colleagues, increased approximately 7% to 6,540 (2016: 6,111), which was mainly attributable to the increase in staff in preparation for the soft opening of Cordis Hongqiao, Shanghai in May 2017. The following charts show the composition and functional grouping of employees of the Group as at 30 June 2017:



\* 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.

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 Hotels 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 Hotels Division, i.e. the expansion of the portfolio as a hotel management company. The Hotels 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.

The Hotels 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.

Since 2015, the corporate office senior management team of the Hotels 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. The Hotels Division has also organised the Global General Manager Conference in July 2017 to drive our hotels to be excellence.

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 three successful global events covering Colleagues, Green and Guest Focus, another global event will be organised in 2017 to engage with Investor.

Our Hotels 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.

### COMPLIANCE WITH THE MODEL CODE

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

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the six months ended 30 June 2017.

### REVIEW OF INTERIM RESULTS

The unaudited financial statements for the six months ended 30 June 2017 were prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA, and have been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

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

### NEW SHARES ISSUED

As at 30 June 2017, the total number of issued shares of the Company was 687,774,038. As compared with the position of 31 December 2016, a total of 10,304,203 new shares were issued during the period. These new shares comprise the following:

- During the period, 3,283,000 new shares were issued pursuant to exercise of share options under the Share Option Scheme of the Company by Directors and employees of the Company or its subsidiaries. Total funds raised therefrom amounted to HK\$89,432,440.
- On 22 June 2017, a total of 7,021,203 new shares at a price of HK\$35.94 per share were issued to the Shareholders who had elected to receive scrip shares under the Scrip Dividend Arrangement in respect of the 2016 final dividend.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

### PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintains a sufficient public float with more than 25% of the issued shares of the Company being held by the public as at 30 June 2017.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2017, 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 <sup>(6)</sup> |
|--------------------------|--|-------------------------------|--|-------------|---|
| Lo Ka Shui               | Beneficial Owner                                   | Personal Interests            | 49,167,440                                       |             |   |
|                          | Interests of Controlled Corporations               | Corporate Interests           | 75,721,545 <sup>(1)</sup>                        |             |   |
|                          | Discretionary Beneficiary of a Discretionary Trust | Discretionary Trust Interests | 229,844,851 <sup>(2)</sup>                       |             |   |
|                          | Founder of a Discretionary Trust                   | Trust Interests               | 60,009,418                                       |             |   |
|                          | Beneficial Owner                                   | Share Options                 | 1,325,000  | 416,068,254 | 60.49   |
| Lo To Lee Kwan           | Beneficial Owner                                   | Personal Interests            | 1,085,008  |             |   |
|                          | Interests of Controlled Corporations               | Corporate Interests           | 5,033,234 <sup>(3)</sup>                         |             |   |
|                          | Discretionary Beneficiary of a Discretionary Trust | Discretionary Trust Interests | 229,844,851 <sup>(2)</sup>                       | 235,963,093 | 34.31   |
| Cheng Hoi Chuen, Vincent | Interests of Spouse                                | Family Interests              | 10,000   | 10,000      | 0.00  |
| Wong Yue Chim, Richard   | Beneficial Owner                                   | Personal Interests            | 10,000   | 10,000      | 0.00  |
| Lo Hong Sui, Antony      | Beneficial Owner                                   | Personal Interests            | 555,083  |             |   |
|                          | Discretionary Beneficiary of a Discretionary Trust | Discretionary Trust Interests | 229,844,851 <sup>(2)</sup>                       |             |   |
|                          | Beneficial Owner                                   | Share Options                 | 500,000  | 230,899,934 | 33.57   |

## DISCLOSURE OF INTERESTS

| Name of Director       | Capacity   | Nature of Interests           | Number of Ordinary Shares/Underlying Shares Held | Total       | Percentage of issued share capital <sup>(6)</sup> |
|------------------------|--|-------------------------------|--|-------------|---|
| Law Wai Duen           | Beneficial Owner                                   | Personal Interests            | 1,722,416  |             |   |
|                        | Discretionary Beneficiary of a Discretionary Trust | Discretionary Trust Interests | 229,844,851 <sup>(2)</sup>                       |             |   |
|                        | Beneficial Owner                                   | Share Options                 | 200,000  | 231,767,267 | 33.70   |
| Lo Hong Sui, Vincent   | Beneficial Owner                                   | Personal Interests            | 293  |             |   |
|                        | Discretionary Beneficiary of a Discretionary Trust | Discretionary Trust Interests | 229,844,851 <sup>(2)</sup>                       | 229,845,144 | 33.42   |
| Lo Ying Sui            | Beneficial Owner                                   | Personal Interests            | 1,500,000  |             |   |
|                        | Interests of Controlled Corporations               | Corporate Interests           | 35,628,206 <sup>(4)</sup>                        |             |   |
|                        | Discretionary Beneficiary of a Discretionary Trust | Discretionary Trust Interests | 229,844,851 <sup>(2)</sup>                       | 266,973,057 | 38.82   |
| Lo Chun Him, Alexander | Beneficial Owner                                   | Share Options                 | 375,000  | 375,000     | 0.05  |
| Kan Tak Kwong          | Beneficial Owner                                   | Personal Interests            | 2,200,585  |             |   |
|                        | Beneficial Owner                                   | Share Options                 | 1,300,000  | 3,500,585   | 0.51  |
| Chu Shik Pui           | Beneficial Owner                                   | Personal Interests            | 91,202   |             |   |
|                        | Beneficial Owner                                   | Share Options                 | 810,000  | 901,202     | 0.13  |

### 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 229,844,851 shares were owned by a discretionary trust of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui are among the discretionary beneficiaries.
- (3) These 5,033,234 shares 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 Madam Law Wai Duen is a director of one of these companies.
- (4) 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.
- (5) This percentage has been compiled based on 687,774,038 shares of the Company in issue as at 30 June 2017.

## DISCLOSURE OF INTERESTS

### Long positions in shares and underlying shares of associated corporations of the Company

#### Champion Real Estate Investment Trust ("Champion REIT")

Champion REIT (Stock Code: 2778), a Hong Kong collective investment scheme authorised under

section 104 of SFO, is accounted for as a subsidiary of the Company. As at 30 June 2017, the Group owned 65.62% interests in Champion REIT. While the definition of "associated corporation" under the SFO caters only to corporations, for the purpose of enhancing the transparency, the interests of the Directors or chief executives of the Company in Champion REIT as at 30 June 2017 are disclosed as follows:

| Name of Director | Total Number of Units/Underlying Units Held | Percentage of issued units <sup>(4)</sup> |
|------------------|---|---|
| Lo Ka Shui       | 21,694,000 <sup>(1)</sup>                   | 0.37                                      |
| Lo Ying Sui      | 239,000 <sup>(2)</sup>                      | 0.00                                      |
| Chu Shik Pui     | 8,000 <sup>(3)</sup>                        | 0.00                                      |

Notes:

- (1) Among these 21,694,000 units:
  - (i) 2,579,000 units were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
  - (ii) 19,115,000 units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) Dr. Lo Ying Sui had personal interests in 239,000 units of Champion REIT.
- (3) Mr. Chu Shik Pui had personal interests in 8,000 units of Champion REIT.
- (4) This percentage has been compiled based on 5,811,998,520 units of Champion REIT in issue as at 30 June 2017.

## DISCLOSURE OF INTERESTS

### Langham Hospitality Investments and Langham Hospitality Investments Limited ("LHI")

LHI (Stock Code: 1270), the share stapled units (the "SSUs") of which are listed on the Stock

Exchange. As at 30 June 2017, the Group owned 62.11% interests in LHI and is therefore a subsidiary of the Company. The holdings of the Directors or chief executives of the Company in LHI as at 30 June 2017 are disclosed as follows:

| Name of Director       | Total Number of SSUs/Underlying SSUs Held | Percentage of issued SSUs <sup>(6)</sup> |
|------------------------|---|--|
| Lo Ka Shui             | 54,233,500 <sup>(1)</sup>                 | 2.61                                     |
| Lo To Lee Kwan         | 306,177 <sup>(2)</sup>                    | 0.01                                     |
| Wong Yue Chim, Richard | 150,000 <sup>(3)</sup>                    | 0.01                                     |
| Law Wai Duen           | 280,000 <sup>(4)</sup>                    | 0.01                                     |
| Lo Ying Sui            | 320,000 <sup>(5)</sup>                    | 0.02                                     |

Notes:

- (1) Among these 54,233,500 SSUs:
  - (i) 8,073,500 SSUs were held by Dr. Lo Ka Shui personally;
  - (ii) 2,060,000 SSUs were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
  - (iii) 44,100,000 SSUs were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) These SSUs were held by two companies wholly-owned by Madam Lo To Lee Kwan. Madam Lo To Lee Kwan and Dr. Lo Ka Shui are directors of these companies, and Madam Law Wai Duen is a director of one of these companies.
- (3) Professor Wong Yue Chim, Richard had personal interests in 150,000 SSUs of LHI.
- (4) Madam Law Wai Duen had personal interests in 280,000 SSUs of LHI.
- (5) Dr. Lo Ying Sui had personal interests in 320,000 SSUs of LHI.
- (6) This percentage has been compiled based on 2,078,796,339 SSUs of LHI in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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.

## 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.

Details of the movements in the share options granted to the Company's employees (including Directors) under the 2009 Share Option Scheme during the six months ended 30 June 2017 are as follows:

| Date of grant <sup>(1)</sup> | Number of Share Options      |                          |                             |                          |                              | Exercise price per share (HK\$) |                    |
|------------------------------|------------------------------|--------------------------|-----------------------------|--------------------------|------------------------------|---------------------------------|--------------------|
|                              | Outstanding as at 01/01/2017 | Grant during the period  | Exercised during the period | Lapsed during the period | Outstanding as at 30/06/2017 |                                 | Exercisable period |
| 08/03/2012                   | 533,000                      | –                        | (416,000)                   | (117,000)                | –                            | 09/03/2014–08/03/2017           | 23.20              |
| 06/06/2013                   | 1,673,000                    | –                        | (685,000)                   | –                        | 988,000                      | 07/06/2015–06/06/2018           | 31.45              |
| 27/02/2014                   | 1,627,000                    | –                        | (499,000)                   | –                        | 1,128,000                    | 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                   | 3,522,000                    | –                        | (1,683,000)                 | –                        | 1,839,000                    | 12/03/2017–11/03/2020           | 26.88              |
| 14/03/2016                   | 4,122,000                    | –                        | –                           | (140,000)                | 3,982,000                    | 15/03/2018–14/03/2021           | 25.70              |
| 14/03/2017                   | –                            | 5,344,000 <sup>(2)</sup> | –                           | (46,000)                 | 5,298,000                    | 15/03/2019–14/03/2022           | 37.15              |
| <b>Total</b>                 | <b>11,777,000</b>            | <b>5,344,000</b>         | <b>(3,283,000)</b>          | <b>(303,000)</b>         | <b>13,535,000</b>            |                                 |                    |

Notes:

- (1) Share options were granted under the 2009 Share Option Scheme.
- (2) During the six months ended 30 June 2017, 1,980,000 and 3,364,000 share options were granted to the Directors and their associates, and eligible employees of the Group respectively.
- (3) During the six months ended 30 June 2017, 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 2017, i.e. 13 March 2017 was HK\$37.10 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK\$36.62).

## DISCLOSURE OF INTERESTS

On 14 March 2017, 1,850,000 share options of the Company were granted to the following Executive Directors of the Company and according to the Company's share accounting policy, the following

option value in respect of the aforesaid options are accounted for over the vesting period from 15 March 2017 to 14 March 2019 as non-cash emoluments of the respective Executive Directors:

| Name of Executive Directors                 | Number of Options | Option Value*<br>(HK\$) |
|---|-------------------|-------------------------|
| Lo Ka Shui (Chairman and Managing Director) | 670,000           | 5,125,500               |
| Lo Kai Shui (Deputy Managing Director)#     | 100,000           | 765,000                 |
| Lo Hong Sui, Antony                         | 100,000           | 765,000                 |
| Law Wai Duen                                | 100,000           | 765,000                 |
| Lo Chun Him, Alexander                      | 200,000           | 1,530,000               |
| Kan Tak Kwong (General Manager)             | 380,000           | 2,907,000               |
| Chu Shik Pui                                | 300,000           | 2,295,000               |

\* Further details of the share options are set out in note 27 to the Condensed Consolidated Financial Statements on page 75 of this interim report.

# Retired at the conclusion of the 2017 Annual General Meeting of the Company held on 10 May 2017.

Details of the movements in the share options granted to Directors of the Company (some are also substantial shareholders) under the 2009 Share Option Scheme

as required to be disclosed according to Rule 17.07 of the Listing Rules during the six months ended 30 June 2017 are as follows:

| Directors           | Date of grant <sup>(1)</sup> | Number of Share Options      |                         |                             |                          | Outstanding as at 30/06/2017 | Exercise price per share (HK\$) | Weighted average closing price immediately before the date of exercise (HK\$) |
|---------------------|------------------------------|------------------------------|-------------------------|-----------------------------|--------------------------|------------------------------|---------------------------------|---|
|                     |                              | Outstanding as at 01/01/2017 | Grant during the period | Exercised during the period | Lapsed during the period |                              |                                 |   |
| Lo Ka Shui          | 11/03/2015                   | 655,000                      | -                       | (655,000)                   | -                        | -                            | 26.88                           | 37.08   |
|                     | 14/03/2016                   | 655,000                      | -                       | -                           | -                        | 655,000                      | 25.70                           | -   |
|                     | 14/03/2017                   | -                            | 670,000                 | -                           | -                        | 670,000                      | 37.15                           | -   |
|                     |                              | 1,310,000                    | 670,000                 | (655,000)                   | -                        | 1,325,000                    |                                 |   |
| Lo Hong Sui, Antony | 08/03/2012                   | 100,000                      | -                       | (100,000)                   | -                        | -                            | 23.20                           | 37.08   |
|                     | 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                           | -   |
|                     | 14/03/2017                   | -                            | 100,000                 | -                           | -                        | 100,000                      | 37.15                           | -   |
|                     |                              | 500,000                      | 100,000                 | (100,000)                   | -                        | 500,000                      |                                 |   |



## DISCLOSURE OF INTERESTS

| Directors                 | Date of grant <sup>(1)</sup> | Number of Share Options            |                               |                                   |                                | Outstanding<br>as at<br>30/06/2017 | Exercise price<br>per share<br>(HK\$) | Weighted<br>average<br>closing price<br>immediately<br>before the<br>date of<br>exercise<br>(HK\$) |
|---------------------------|------------------------------|------------------------------------|-------------------------------|-----------------------------------|--------------------------------|------------------------------------|---------------------------------------|--|
|                           |                              | Outstanding<br>as at<br>01/01/2017 | Grant<br>during<br>the period | Exercised<br>during the<br>period | Lapsed<br>during the<br>period |                                    |                                       |  |
| Law Wai Duen              | 06/06/2013                   | 100,000                            | -                             | (100,000)                         | -                              | -                                  | 31.45                                 | 37.08  |
|                           | 27/02/2014                   | 100,000                            | -                             | (100,000)                         | -                              | -                                  | 26.05                                 | 37.08  |
|                           | 11/03/2015                   | 100,000                            | -                             | (100,000)                         | -                              | -                                  | 26.88                                 | 37.08  |
|                           | 14/03/2016                   | 100,000                            | -                             | -                                 | -                              | 100,000                            | 25.70                                 | -  |
|                           | 14/03/2017                   | -                                  | 100,000                       | -                                 | -                              | 100,000                            | 37.15                                 | -  |
|                           |                              | 400,000                            | 100,000                       | (300,000)                         | -                              | 200,000                            |                                       |  |
| Lo Chun Him,<br>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                                 | -  |
|                           | 14/03/2017                   | -                                  | 200,000                       | -                                 | -                              | 200,000                            | 37.15                                 | -  |
|                           |                              | 175,000                            | 200,000                       | -                                 | -                              | 375,000                            |                                       |  |
| Kan Tak Kwong             | 06/06/2013                   | 300,000                            | -                             | (300,000)                         | -                              | -                                  | 31.45                                 | 37.08  |
|                           | 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                                 | -  |
|                           | 14/03/2017                   | -                                  | 380,000                       | -                                 | -                              | 380,000                            | 37.15                                 | -  |
|                           |                              | 1,220,000                          | 380,000                       | (300,000)                         | -                              | 1,300,000                          |                                       |  |
| Chu Shik Pui              | 08/03/2012                   | 90,000                             | -                             | (90,000)                          | -                              | -                                  | 23.20                                 | 37.08  |
|                           | 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                                 | -  |
|                           | 14/03/2017                   | -                                  | 300,000                       | -                                 | -                              | 300,000                            | 37.15                                 | -  |
|                           |                              | 600,000                            | 300,000                       | (90,000)                          | -                              | 810,000                            |                                       |  |

## DISCLOSURE OF INTERESTS

|  | Date of grant <sup>(1)</sup> | Number of Share Options            |                               |                                   |                                | Outstanding<br>as at<br>30/06/2017 | Exercise price<br>per share<br>(HK\$) | Weighted<br>average<br>closing price<br>immediately<br>before the<br>date of<br>exercise<br>(HK\$) |
|--|------------------------------|------------------------------------|-------------------------------|-----------------------------------|--------------------------------|------------------------------------|---------------------------------------|--|
|  |                              | Outstanding<br>as at<br>01/01/2017 | Grant<br>during<br>the period | Exercised<br>during the<br>period | Lapsed<br>during the<br>period |                                    |                                       |  |
|  |                              |                                    |                               |                                   |                                |                                    |                                       |  |
| Associates of Directors<br>of the Company <sup>(6)</sup>                               | 08/03/2012                   | 108,000                            | –                             | (108,000)                         | –                              | –                                  | 23.20                                 | 37.08  |
|  | 06/06/2013                   | 108,000                            | –                             | –                                 | –                              | 108,000                            | 31.45                                 | –  |
|  | 27/02/2014                   | 110,000                            | –                             | –                                 | –                              | 110,000                            | 26.05                                 | –  |
|  | 11/03/2015                   | 170,000                            | –                             | –                                 | –                              | 170,000                            | 26.88                                 | –  |
|  | 14/03/2016                   | 152,000                            | –                             | –                                 | –                              | 152,000                            | 25.70                                 | –  |
|  | 14/03/2017                   | –                                  | 230,000                       | –                                 | –                              | 230,000                            | 37.15                                 | –  |
|  |                              | 648,000                            | 230,000                       | (108,000)                         | –                              | 770,000                            |                                       |  |
| Eligible Employees<br>(other than Directors<br>of the Company and<br>their associates) | 08/03/2012                   | 235,000                            | –                             | (118,000)                         | (117,000)                      | –                                  | 23.20                                 | 37.08  |
|  | 06/06/2013                   | 970,000                            | –                             | (285,000)                         | –                              | 685,000                            | 31.45                                 | 37.08  |
|  | 27/02/2014                   | 897,000                            | –                             | (399,000)                         | –                              | 498,000                            | 26.05                                 | 37.08  |
|  | 17/03/2014                   | 300,000                            | –                             | –                                 | –                              | 300,000                            | 27.55                                 | –  |
|  | 11/03/2015                   | 2,017,000                          | –                             | (928,000)                         | –                              | 1,089,000                          | 26.88                                 | 37.08  |
|  | 14/03/2016                   | 2,505,000                          | –                             | –                                 | (140,000)                      | 2,365,000                          | 25.70                                 | –  |
|  | 14/03/2017                   | –                                  | 3,364,000                     | –                                 | (46,000)                       | 3,318,000                          | 37.15                                 | –  |
|  |                              | 6,924,000                          | 3,364,000                     | (1,730,000)                       | (303,000)                      | 8,255,000                          |                                       |  |

### Notes:

- (1) Share options were granted under the 2009 Share Option Scheme.  
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.  
Share options granted on 14/03/2017 are exercisable during the period from 15/03/2019 to 14/03/2022.
- (2) During the six months ended 30 June 2017, 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 2017, i.e. 13 March 2017 was HK\$37.10 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK\$36.62).
- (6) The interest in share option of Mr. Lo Kai Shui, who retired at the conclusion of the 2017 Annual General Meeting of the Company held on 10 May 2017, was reclassified as interest of associate of Directors of the Company on the date of his retirement.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2017, the interests and short positions of persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which would fall to be disclosed

to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

### Long positions in shares of the Company

| Name of Shareholders               | Total Number of Ordinary Shares/Underlying Shares Held | Percentage of issued share capital <sup>(6)</sup> |
|------------------------------------|--|---|
| HSBC International Trustee Limited | 289,395,498 <sup>(1)</sup>                             | 42.08   |
| Powermax Agents Limited            | 170,489,954 <sup>(2)</sup>                             | 24.79   |
| Surewit Finance Limited            | 40,922,984 <sup>(3)</sup>                              | 5.95  |
| Eagle Guardian Limited             | 37,713,112 <sup>(4)</sup>                              | 5.48  |
| Adscan Holdings Limited            | 35,628,206 <sup>(5)</sup>                              | 5.18  |

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 30 June 2017:
  - (i) 229,844,851 shares representing 33.42% of the issued share capital of the Company were held in the name of HITL as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, are among the discretionary beneficiaries.
  - (ii) 60,009,418 shares representing 8.73% 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 170,489,954 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 40,922,984 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is a director of this company.
- (4) Eagle Guardian Limited is a company wholly-owned by Dr. Lo Ka Shui, 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 687,774,038 shares of the Company in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, no person (other than Directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 33 and 34) was interested (or deemed to be interested) or held any short position in the shares or

underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

## TO THE BOARD OF DIRECTORS OF GREAT EAGLE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 81, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

24 August 2017

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

|  | NOTES | Six months ended 30 June |                         |
|--|-------|--------------------------|-------------------------|
|  |       | 2017                     | 2016                    |
|  |       | HK\$'000<br>(unaudited)  | HK\$'000<br>(unaudited) |
| Revenue  | 3     | <b>4,216,642</b>         | 4,180,155               |
| Cost of goods and services   |       | <b>(2,312,772)</b>       | (2,355,004)             |
| Operating profit before depreciation   |       | <b>1,903,870</b>         | 1,825,151               |
| Depreciation   |       | <b>(298,912)</b>         | (294,989)               |
| Operating profit   |       | <b>1,604,958</b>         | 1,530,162               |
| Fair value changes on investment properties  |       | <b>4,432,739</b>         | 1,815,790               |
| Fair value changes on derivative financial instruments   |       | <b>(114,090)</b>         | (72,971)                |
| Fair value changes on financial assets at fair value through profit or loss                                      |       | <b>22,460</b>            | (14,958)                |
| Other income   |       | <b>115,293</b>           | 67,703                  |
| Administrative and other expenses  |       | <b>(215,135)</b>         | (210,576)               |
| Finance costs  | 5     | <b>(313,222)</b>         | (367,462)               |
| Share of results of joint ventures   |       | <b>(15,866)</b>          | (22,078)                |
| Share of results of associates   |       | <b>182</b>               | 48                      |
| Profit before tax  | 6     | <b>5,517,319</b>         | 2,725,658               |
| Income taxes   | 7     | <b>(215,666)</b>         | (283,697)               |
| Profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT |       | <b>5,301,653</b>         | 2,441,961               |
| Profit for the period attributable to:   |       |                          |                         |
| Owners of the Company  |       | <b>3,685,732</b>         | 1,492,012               |
| Non-controlling interests  |       | <b>34,025</b>            | 249,267                 |
|  |       | <b>3,719,757</b>         | 1,741,279               |
| Non-controlling unitholders of Champion REIT   |       | <b>1,581,896</b>         | 700,682                 |
|  |       | <b>5,301,653</b>         | 2,441,961               |
| Earnings per share:  | 9     |                          |                         |
| Basic  |       | <b>HK\$5.37</b>          | HK\$2.21                |
| Diluted  |       | <b>HK\$5.35</b>          | HK\$2.21                |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

|  | Six months ended 30 June |                         |
|--|--------------------------|-------------------------|
|  | 2017                     | 2016                    |
|  | HK\$'000<br>(unaudited)  | HK\$'000<br>(unaudited) |
| Profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT                           | <b>5,301,653</b>         | 2,441,961               |
| <b>Other comprehensive income (expense):</b>   |                          |                         |
| <b>Items that may be reclassified subsequently to profit or loss:</b>  |                          |                         |
| Fair value gain (loss) on available-for-sale investments   | <b>94,697</b>            | (61,218)                |
| Reclassification adjustment upon disposal of available-for-sale investments  | <b>(1,518)</b>           | (1,166)                 |
| Exchange differences arising on translation of foreign operations  | <b>286,566</b>           | (37,820)                |
| Share of other comprehensive income (expense) of a joint venture   | <b>22,179</b>            | (12,956)                |
| Share of other comprehensive income of associates  | <b>20,780</b>            | 8,312                   |
| Cash flow hedges:  |                          |                         |
| Fair value adjustment on cross currency swaps designated as cash flow hedge  | <b>(82,168)</b>          | 82,930                  |
| Reclassification of fair value adjustments to profit or loss   | <b>(13,547)</b>          | (6,206)                 |
| Other comprehensive income (expense) for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT | <b>326,989</b>           | (28,124)                |
| Total comprehensive income for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT           | <b>5,628,642</b>         | 2,413,837               |
| Total comprehensive income for the period attributable to:   |                          |                         |
| Owners of the Company  | <b>4,040,839</b>         | 1,435,351               |
| Non-controlling interests  | <b>38,848</b>            | 249,205                 |
|  | <b>4,079,687</b>         | 1,684,556               |
| Non-controlling unitholders of Champion REIT   | <b>1,548,955</b>         | 729,281                 |
|  | <b>5,628,642</b>         | 2,413,837               |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

|   |        | At 30 June<br>2017      | At 31 December<br>2016 |
|---|--------|-------------------------|------------------------|
|   | NOTES  | HK\$'000<br>(unaudited) | HK\$'000<br>(audited)  |
| <b>Non-current assets</b>                             |        |                         |                        |
| Investment properties                                 | 10     | <b>77,503,065</b>       | 73,046,520             |
| Property, plant and equipment                         | 10     | <b>19,288,676</b>       | 18,611,570             |
| Interests in joint ventures                           | 11     | <b>1,190,043</b>        | 1,067,143              |
| Interests in associates                               | 12     | <b>98,286</b>           | 80,886                 |
| Available-for-sale investments                        | 13     | <b>1,039,541</b>        | 1,276,988              |
| Notes and loan receivables                            | 14     | <b>288,184</b>          | 265,460                |
| Derivative financial instruments                      | 21, 22 | <b>18,721</b>           | 64,203                 |
|   |        | <b>99,426,516</b>       | 94,412,770             |
| <b>Current assets</b>                                 |        |                         |                        |
| Stock of properties                                   | 15     | <b>4,058,229</b>        | 3,638,112              |
| Inventories   |        | <b>93,715</b>           | 105,768                |
| Debtors, deposits and prepayments                     | 16     | <b>1,101,365</b>        | 963,492                |
| Notes and loan receivables                            | 14     | <b>23,226</b>           | –                      |
| Financial assets at fair value through profit or loss | 17     | <b>269,174</b>          | 299,361                |
| Derivative financial instruments                      | 21     | –                       | 9,951                  |
| Tax recoverable                                       |        | <b>446</b>              | 3,777                  |
| Pledged bank deposits                                 | 18     | <b>7,849</b>            | 631,489                |
| Restricted cash                                       |        | <b>9,607</b>            | 289,953                |
| Bank balances and cash                                |        | <b>8,353,527</b>        | 5,857,951              |
|   |        | <b>13,917,138</b>       | 11,799,854             |
| Assets classified as held for sale                    | 19     | –                       | 116,310                |
|   |        | <b>13,917,138</b>       | 11,916,164             |
| <b>Current liabilities</b>                            |        |                         |                        |
| Creditors, deposits and accruals                      | 20     | <b>3,369,297</b>        | 3,476,088              |
| Derivative financial instruments                      | 21     | <b>1,371</b>            | –                      |
| Provision for taxation                                |        | <b>329,062</b>          | 191,070                |
| Distribution payable                                  |        | <b>234,386</b>          | 240,286                |
| Borrowings due within one year                        | 23     | <b>771,717</b>          | 2,495,416              |
|   |        | <b>4,705,833</b>        | 6,402,860              |
| Net current assets                                    |        | <b>9,211,305</b>        | 5,513,304              |
| Total assets less current liabilities                 |        | <b>108,637,821</b>      | 99,926,074             |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

|  | NOTES  | At 30 June<br>2017<br>HK\$'000<br>(unaudited) | At 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--------|---|---|
| Non-current liabilities  |        |   |   |
| Derivative financial instruments   | 21, 22 | 89,626  | 247   |
| Borrowings due after one year  | 23     | 24,718,363                                    | 21,879,695                                      |
| Medium term notes  | 24     | 4,607,269                                     | 3,814,384                                       |
| Deferred taxation  |        | 1,334,676                                     | 1,303,566                                       |
|  |        | <b>30,749,934</b>                             | 26,997,892                                      |
| NET ASSETS   |        | <b>77,887,887</b>                             | 72,928,182                                      |
| Equity attributable to:  |        |   |   |
| Owners of the Company  |        |   |   |
| Share capital  | 25     | 343,887                                       | 338,735   |
| Share premium and reserves   |        | 59,232,245                                    | 55,508,577                                      |
|  |        | <b>59,576,132</b>                             | 55,847,312                                      |
| Non-controlling interests  |        | <b>(397,989)</b>                              | (353,623)                                       |
|  |        | <b>59,178,143</b>                             | 55,493,689                                      |
| Net assets attributable to non-controlling unitholders<br>of Champion REIT |        | <b>18,709,744</b>                             | 17,434,493                                      |
|  |        | <b>77,887,887</b>                             | 72,928,182                                      |



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

|   | Attributable to owners of the Company |               |                                |                              |                            |                     |                              |                      |                 |                |                  |             |                           |              | Amount attributable to non-controlling unitholders |             |
|---|---------------------------------------|---------------|--------------------------------|------------------------------|----------------------------|---------------------|------------------------------|----------------------|-----------------|----------------|------------------|-------------|---------------------------|--------------|--|-------------|
|   | Share capital                         | Share premium | Investment revaluation reserve | Property revaluation reserve | Capital redemption reserve | Contributed surplus | Exchange translation reserve | Share option reserve | Hedging reserve | Other reserves | Retained profits | Sub-total   | Non-controlling interests | Total equity | of Champion REIT                                   | Total       |
|   | HK\$'000                              | HK\$'000      | HK\$'000                       | HK\$'000                     | HK\$'000                   | HK\$'000            | HK\$'000                     | HK\$'000             | HK\$'000        | HK\$'000       | HK\$'000         | HK\$'000    | HK\$'000                  | HK\$'000     | HK\$'000   | HK\$'000    |
|   |                                       |               |                                |                              |                            | (note a)            |                              |                      |                 |                |                  |             |                           |              |  |             |
| 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  | 641,548                   | 54,974,193   | 18,068,925   | 73,043,118  |
| Profit for the period   | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | 1,492,012        | 1,492,012   | 249,267                   | 1,741,279    | 700,682  | 2,441,961   |
| Change in fair value of cash flow hedges                                    | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | 48,125          | -              | -                | 48,125      | -                         | 48,125       | 28,599   | 76,724      |
| Fair value loss on available-for-sale investments                           | -                                     | -             | (61,218)                       | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | (61,218)    | -                         | (61,218)     | -  | (61,218)    |
| Reclassification adjustment upon disposal of available-for-sale investments | -                                     | -             | (1,166)                        | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | (1,166)     | -                         | (1,166)      | -  | (1,166)     |
| Exchange differences arising on translation of foreign operations           | -                                     | -             | (5)                            | -                            | -                          | -                   | (37,694)                     | -                    | -               | (59)           | -                | (37,758)    | (62)                      | (37,820)     | -  | (37,820)    |
| Share of other comprehensive income of associates                           | -                                     | -             | 8,312                          | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | 8,312       | -                         | 8,312        | -  | 8,312       |
| Share of other comprehensive expense of joint ventures                      | -                                     | -             | -                              | -                            | -                          | -                   | (12,956)                     | -                    | -               | -              | -                | (12,956)    | -                         | (12,956)     | -  | (12,956)    |
| Total comprehensive income (expense) for the period                         | -                                     | -             | (54,077)                       | -                            | -                          | -                   | (50,650)                     | -                    | 48,125          | (59)           | 1,492,012        | 1,435,351   | 249,205                   | 1,684,556    | 729,281  | 2,413,837   |
| Transaction with non-controlling unitholders of Champion REIT:              |                                       |               |                                |                              |                            |                     |                              |                      |                 |                |                  |             |                           |              |  |             |
| Distribution to non-controlling unitholders of Champion REIT                | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | -           | -                         | -            | (235,901)  | (235,901)   |
|   | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | -           | -                         | -            | (235,901)  | (235,901)   |
| Transactions with owners:   |                                       |               |                                |                              |                            |                     |                              |                      |                 |                |                  |             |                           |              |  |             |
| Dividend paid   | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | (1,649,410)      | (1,649,410) | -                         | (1,649,410)  | -  | (1,649,410) |
| Shares issued at premium  | 5,859                                 | 325,111       | -                              | -                            | -                          | -                   | -                            | (17,410)             | -               | -              | -                | 313,560     | -                         | 313,560      | -  | 313,560     |
| Lapse of share options  | -                                     | -             | -                              | -                            | -                          | -                   | -                            | (8,392)              | -               | -              | 8,392            | -           | -                         | -            | -  | -           |
| Share issue expenses  | -                                     | (14)          | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | (14)        | -                         | (14)         | -  | (14)        |
| Recognition of equity-settled share based payments                          | -                                     | -             | -                              | -                            | -                          | -                   | -                            | 6,536                | -               | -              | -                | 6,536       | -                         | 6,536        | -  | 6,536       |
| Increase of interests in subsidiaries (note b)                              | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | (57,889)       | -                | (57,889)    | 41,837                    | (16,052)     | (23,479)   | (39,531)    |
| Waiver of distribution from a subsidiary (note c)                           | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | (4,120)          | (4,120)     | 4,120                     | -            | -  | -           |
| Contribution from non-controlling interests (note d)                        | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | -           | 243,766                   | 243,766      | -  | 243,766     |
| Distribution to non-controlling interests                                   | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | -           | (434,508)                 | (434,508)    | -  | (434,508)   |
| At 30 June 2016 (unaudited)   | 338,222                               | 5,207,932     | (21,077)                       | 23,109                       | 3,054                      | 400,965             | (595,667)                    | 41,455               | 3,103           | 7,515,618      | 41,459,945       | 54,376,659  | 745,968                   | 55,122,627   | 18,538,826   | 73,661,453  |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

|   | Attributable to owners of the Company |               |                                |                              |                            |                     |                              |                      |                 |                |                  |            |                           |              | Amount attributable to non-controlling unitholders of Champion REIT |            |
|---|---------------------------------------|---------------|--------------------------------|------------------------------|----------------------------|---------------------|------------------------------|----------------------|-----------------|----------------|------------------|------------|---------------------------|--------------|---|------------|
|   | Share capital                         | Share premium | Investment revaluation reserve | Property revaluation reserve | Capital redemption reserve | Contributed surplus | Exchange translation reserve | Share option reserve | Hedging reserve | Other reserves | Retained profits | Sub-total  | Non-controlling interests | Total equity | Total of Champion REIT  | Total      |
|   | HK\$'000                              | HK\$'000      | HK\$'000                       | HK\$'000                     | HK\$'000                   | HK\$'000            | HK\$'000                     | HK\$'000             | HK\$'000        | HK\$'000       | HK\$'000         | HK\$'000   | HK\$'000                  | HK\$'000     | HK\$'000  | HK\$'000   |
| At 1 January 2017   | 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 | (353,623)                 | 55,493,689   | 17,434,493  | 72,928,182 |
| Profit for the period   | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | 3,685,732        | 3,685,732  | 34,025                    | 3,719,757    | 1,581,896   | 5,301,653  |
| Change in fair value of cash flow hedges                                    | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | (62,774)        | -              | -                | (62,774)   | -                         | (62,774)     | (32,941)  | (95,715)   |
| Fair value gain on available-for-sale investments                           | -                                     | -             | 94,697                         | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | 94,697     | -                         | 94,697       | -   | 94,697     |
| Reclassification adjustment upon disposal of available-for-sale investments | -                                     | -             | (1,518)                        | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | (1,518)    | -                         | (1,518)      | -   | (1,518)    |
| Exchange differences arising on translation of foreign operations           | -                                     | -             | (346)                          | -                            | -                          | -                   | 282,499                      | -                    | -               | (410)          | -                | 281,743    | 4,823                     | 286,566      | -   | 286,566    |
| Share of other comprehensive income of associates                           | -                                     | -             | 20,780                         | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | 20,780     | -                         | 20,780       | -   | 20,780     |
| Share of other comprehensive income of joint ventures                       | -                                     | -             | -                              | -                            | -                          | -                   | 22,179                       | -                    | -               | -              | -                | 22,179     | -                         | 22,179       | -   | 22,179     |
| Total comprehensive income (expense) for the period                         | -                                     | -             | 113,613                        | -                            | -                          | -                   | 304,678                      | -                    | (62,774)        | (410)          | 3,685,732        | 4,040,839  | 38,848                    | 4,079,687    | 1,548,955   | 5,628,642  |
| Transaction with non-controlling unitholders of Champion REIT:              |                                       |               |                                |                              |                            |                     |                              |                      |                 |                |                  |            |                           |              |   |            |
| Distribution to non-controlling unitholders of Champion REIT                | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | -          | -                         | -            | (234,387)   | (234,387)  |
|   | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | -          | -                         | -            | (234,387)   | (234,387)  |
| Transactions with owners:   |                                       |               |                                |                              |                            |                     |                              |                      |                 |                |                  |            |                           |              |   |            |
| Dividend paid   | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | (667,003)        | (667,003)  | -                         | (667,003)    | -   | (667,003)  |
| Shares issued at premium  | 5,152                                 | 351,611       | -                              | -                            | -                          | -                   | -                            | (14,988)             | -               | -              | -                | 341,775    | -                         | 341,775      | -   | 341,775    |
| Share issue expenses  | -                                     | (24)          | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | (24)       | -                         | (24)         | -   | (24)       |
| Recognition of equity-settled share based payments                          | -                                     | -             | -                              | -                            | -                          | -                   | -                            | 9,959                | -               | -              | -                | 9,959      | -                         | 9,959        | -   | 9,959      |
| Increase of interests in subsidiaries (note b)                              | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | 8,036          | -                | 8,036      | 20,715                    | 28,751       | (39,317)  | (10,566)   |
| Waiver of distribution from a subsidiary (note c)                           | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | (4,762)          | (4,762)    | 4,762                     | -            | -   | -          |
| Distribution to non-controlling interests                                   | -                                     | -             | -                              | -                            | -                          | -                   | -                            | -                    | -               | -              | -                | -          | (108,691)                 | (108,691)    | -   | (108,691)  |
| At 30 June 2017 (unaudited)   | 343,887                               | 5,593,407     | 145,640                        | 23,109                       | 3,054                      | 400,965             | (615,643)                    | 35,121               | (43,093)        | 8,124,897      | 45,564,788       | 59,576,132 | (397,989)                 | 59,178,143   | 18,709,744  | 77,887,887 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

### 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 payable from its 100,000,000 (30 June 2016: 100,000,000) share stapled units in Langham. During the period, distribution of HK\$4,762,000 (30 June 2016: HK\$4,120,000) was waived by the Group.
- (d) Pursuant to a limited liability agreement signed in March 2016, an investor had a capital contribution of HK\$243,766,000 to a property development and a property held for sale project held by the limited partnership.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

|  | Six months ended 30 June |                         |
|--|--------------------------|-------------------------|
|  | 2017                     | 2016                    |
|  | HK\$'000<br>(unaudited)  | HK\$'000<br>(unaudited) |
| <b>Cash generated from operations</b>  | <b>1,286,968</b>         | 1,595,462               |
| Hong Kong Profits Tax paid   | (7,724)                  | (122)                   |
| Other jurisdictions tax paid   | (50,752)                 | (39,509)                |
| Hong Kong Profits Tax refunded   | –                        | 426                     |
| <b>Net cash from operating activities</b>  | <b>1,228,492</b>         | 1,556,257               |
| <b>Investing activities</b>  |                          |                         |
| Decrease (increase) in pledged bank deposits   | <b>623,640</b>           | (133,156)               |
| Withdrawal of time deposits with original maturity over three months                     | <b>400,907</b>           | 914,086                 |
| Return of capital of available-for-sale investments                                      | <b>287,632</b>           | –                       |
| Net proceeds on disposal of an investment property                                       | <b>104,562</b>           | –                       |
| Proceeds on disposal of available-for-sale investments                                   | <b>56,068</b>            | 38,988                  |
| Dividends received from available-for-sale investments                                   | <b>48,327</b>            | 16,428                  |
| Proceeds on disposal of financial assets designated at fair value through profit or loss | <b>38,789</b>            | 145,509                 |
| Interest received  | <b>31,872</b>            | 33,971                  |
| Dividends received from equity securities held for trading                               | <b>4,496</b>             | –                       |
| Dividends received from associates   | <b>3,562</b>             | 2,671                   |
| Proceeds on disposal of property, plant and equipment                                    | <b>227</b>               | 17                      |
| Placement of time deposits with original maturity over three months                      | <b>(722,321)</b>         | –                       |
| Additions of property, plant and equipment   | <b>(525,103)</b>         | (1,815,477)             |
| Increase in interests in a joint venture   | <b>(115,951)</b>         | (245,000)               |
| Advance of loan receivables  | <b>(35,516)</b>          | –                       |
| Additions of investment properties   | <b>(9,168)</b>           | (64,503)                |
| Additions of available-for-sale investments  | <b>(1,826)</b>           | (2,271)                 |
| Proceeds on redemption of notes receivable   | –                        | 20,063                  |
| Additions of financial assets designated at fair value through profit or loss            | –                        | (83,000)                |
| <b>Net cash from (used in) investing activities</b>                                      | <b>190,197</b>           | (1,171,674)             |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

|   | Six months ended 30 June |                         |
|---|--------------------------|-------------------------|
|   | 2017                     | 2016                    |
|   | HK\$'000<br>(unaudited)  | HK\$'000<br>(unaudited) |
| <b>Financing activities</b>                                       |                          |                         |
| New bank loans raised   | <b>4,507,791</b>         | 19,373,166              |
| Proceeds from issuance of medium term notes                       | <b>775,000</b>           | –                       |
| Issue of shares   | <b>89,409</b>            | 80,012                  |
| Repayments of bank loans  | <b>(3,627,030)</b>       | (17,777,690)            |
| Dividends paid to shareholders                                    | <b>(414,661)</b>         | (1,415,877)             |
| Interest paid   | <b>(308,115)</b>         | (290,602)               |
| Distribution paid to non-controlling unitholders of Champion REIT | <b>(240,082)</b>         | (221,395)               |
| Distribution paid to non-controlling interests                    | <b>(108,691)</b>         | (434,508)               |
| Bank origination fees   | <b>(13,424)</b>          | (161,514)               |
| Transaction costs for issuance of medium term notes               | <b>(3,813)</b>           | –                       |
| Acquisition of additional interests in subsidiaries               | <b>(10,566)</b>          | (39,531)                |
| Contribution from non-controlling interests                       | –                        | 243,766                 |
| <b>Net cash from (used in) financing activities</b>               | <b>645,818</b>           | (644,173)               |
| <b>Net increase (decrease) in cash and cash equivalents</b>       | <b>2,064,507</b>         | (259,590)               |
| Effect of foreign exchange rate changes                           | <b>109,655</b>           | 141,168                 |
| <b>Cash and cash equivalents at 1 January</b>                     | <b>5,457,044</b>         | 5,164,066               |
| <b>Cash and cash equivalents at 30 June</b>                       | <b>7,631,206</b>         | 5,045,644               |
| <b>Analysis of the bank balances and cash:</b>                    |                          |                         |
| Balance of cash and cash equivalents                              | <b>7,631,206</b>         | 5,045,644               |
| Time deposits with original maturity over three months            | <b>722,321</b>           | –                       |
|   | <b>8,353,527</b>         | 5,045,644               |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 1. BASIS OF PREPARATION

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, but the application may have impact on disclosures in the consolidated financial statements for the year ending 31 December 2017.

## 3. 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.

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2017                     | 2016        |
|  | HK\$'000                 | HK\$'000    |
|  | (unaudited)              | (unaudited) |
| Rental income from investment properties | <b>1,308,828</b>         | 1,409,636   |
| Building management service income       | <b>147,635</b>           | 141,468     |
| Hotel income                             | <b>2,532,377</b>         | 2,406,004   |
| Sales of goods                           | <b>85,052</b>            | 113,079     |
| Dividend income                          | <b>53,487</b>            | 16,428      |
| Others                                   | <b>89,263</b>            | 93,540      |
|  | <b>4,216,642</b>         | 4,180,155   |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 4. SEGMENT INFORMATION

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

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, co-working space operation, investment in securities, provision of property management, maintenance and property agency services. |
| Results from Champion REIT | – | based on published financial information of Champion REIT.   |
| Results from Langham       | – | based on published financial information of Langham.   |
| US Real Estate Fund        | – | based on 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 centrally managed, central administration costs, Directors’ salaries, share of results of joint ventures, share of results of associates, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets at fair value through profit or loss (“FVTPL”), other income, finance costs and income taxes. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 4. SEGMENT INFORMATION (CONTINUED)

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

#### Segment revenue and results

##### Six months ended 30 June 2017

|   | Property<br>investment<br>HK\$'000<br>(unaudited) | Property<br>development<br>HK\$'000<br>(unaudited)<br>(note) | Hotel<br>operation<br>HK\$'000<br>(unaudited) | Other<br>operations<br>HK\$'000<br>(unaudited) | Sub-total<br>HK\$'000<br>(unaudited) | Champion<br>REIT<br>HK\$'000<br>(unaudited) | Langham<br>HK\$'000<br>(unaudited) | US Real<br>Estate Fund<br>HK\$'000<br>(unaudited) | Eliminations<br>HK\$'000<br>(unaudited) | Consolidated<br>HK\$'000<br>(unaudited) |
|---|---|--|---|--|--------------------------------------|---|------------------------------------|---|---|---|
| <b>REVENUE</b>  |   |  |   |  |                                      |   |                                    |   |   |   |
| External revenue  | 113,780   | -  | 2,532,377                                     | 227,802  | 2,873,959                            | 1,306,645                                   | 871                                | 35,167  | -                                       | 4,216,642                               |
| Inter-segment revenue   | -   | -  | 33,021  | 200,408  | 233,429                              | 11,039                                      | 331,943                            | -   | (576,411)                               | -                                       |
| <b>Total</b>  | <b>113,780</b>                                    | <b>-</b>   | <b>2,565,398</b>                              | <b>428,210</b>                                 | <b>3,107,388</b>                     | <b>1,317,684</b>                            | <b>332,814</b>                     | <b>35,167</b>                                     | <b>(576,411)</b>                        | <b>4,216,642</b>                        |
| Inter-segment revenue are charged at mutually agreed prices and are recognised when services and rental are provided. |   |  |   |  |                                      |   |                                    |   |   |   |
| <b>RESULTS</b>  |   |  |   |  |                                      |   |                                    |   |   |   |
| Segment results   | 86,435  | -  | 297,878                                       | 314,111  | 698,424                              | 936,634                                     | 278,596                            | 16,906  | (26,690)                                | 1,903,870                               |
| Depreciation  |   |  |   |  | (204,510)                            | -   | (94,233)                           | -   | (169)                                   | (298,912)                               |
| Operating profit after depreciation   |   |  |   |  | 493,914                              | 936,634                                     | 184,363                            | 16,906  | (26,859)                                | 1,604,958                               |
| Fair value changes on<br>investment properties  |   |  |   |  | 413,745                              | 3,962,708                                   | -                                  | 58,386  | (2,100)                                 | 4,432,739                               |
| Fair value changes on derivative<br>financial instruments   |   |  |   |  | (63,367)                             | -   | (50,723)                           | -   | -                                       | (114,090)                               |
| Fair value changes on financial<br>assets at FVTPL  |   |  |   |  | 22,460                               | -   | -                                  | -   | -                                       | 22,460                                  |
| Other income  |   |  |   |  | 75,307                               | 1,476                                       | 285                                | -   | (946)                                   | 76,122                                  |
| Administrative and other expenses   |   |  |   |  | (198,126)                            | (10,902)                                    | (5,417)                            | (27,574)  | 26,884                                  | (215,135)                               |
| Net finance costs   |   |  |   |  | (36,202)                             | (157,611)                                   | (71,729)                           | (8,509)   | -                                       | (274,051)                               |
| Share of results of joint ventures  |   |  |   |  | (15,866)                             | -   | -                                  | -   | -                                       | (15,866)                                |
| Share of results of associates  |   |  |   |  | 182                                  | -   | -                                  | -   | -                                       | 182                                     |
| Profit before tax   |   |  |   |  | 692,047                              | 4,732,305                                   | 56,779                             | 39,209  | (3,021)                                 | 5,517,319                               |
| Income taxes  |   |  |   |  | (58,834)                             | (131,095)                                   | (25,804)                           | -   | 67                                      | (215,666)                               |
| Profit for the period   |   |  |   |  | 633,213                              | 4,601,210                                   | 30,975                             | 39,209  | (2,954)                                 | 5,301,653                               |
| Less: Profit attributable to<br>non-controlling interests/<br>non-controlling unitholders<br>of Champion REIT         |   |  |   |  | (2,772)                              | (1,581,896)                                 | (11,736)                           | (19,517)  | -                                       | (1,615,921)                             |
| Profit attributable to owners<br>of the Company   |   |  |   |  | 630,441                              | 3,019,314                                   | 19,239                             | 19,692  | (2,954)                                 | 3,685,732                               |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 4. SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results (continued)

Six months ended 30 June 2016

|   | Property<br>investment<br>HK\$'000<br>(unaudited) | Property<br>development<br>HK\$'000<br>(unaudited)<br>(note) | Hotel<br>operation<br>HK\$'000<br>(unaudited) | Other<br>operations<br>HK\$'000<br>(unaudited) | Sub-total<br>HK\$'000<br>(unaudited) | Champion<br>REIT<br>HK\$'000<br>(unaudited) | Langham<br>HK\$'000<br>(unaudited) | US Real<br>Estate Fund<br>HK\$'000<br>(unaudited) | Eliminations<br>HK\$'000<br>(unaudited) | Consolidated<br>HK\$'000<br>(unaudited) |
|---|---|--|---|--|--------------------------------------|---|------------------------------------|---|---|---|
| <b>REVENUE</b>  |   |  |   |  |                                      |   |                                    |   |   |   |
| External revenue  | 118,998   | -  | 2,406,004                                     | 223,047  | 2,748,049                            | 1,246,183                                   | 3,060                              | 182,863   | -                                       | 4,180,155                               |
| Inter-segment revenue   | -   | -  | 31,733  | 200,138  | 231,871                              | 5,577                                       | 319,269                            | -   | (556,717)                               | -                                       |
| <b>Total</b>  | <b>118,998</b>                                    | <b>-</b>   | <b>2,437,737</b>                              | <b>423,185</b>                                 | <b>2,979,920</b>                     | <b>1,251,760</b>                            | <b>322,329</b>                     | <b>182,863</b>                                    | <b>(556,717)</b>                        | <b>4,180,155</b>                        |
| Inter-segment revenue are charged at mutually agreed prices and are recognised when services and rental are provided. |   |  |   |  |                                      |   |                                    |   |   |   |
| <b>RESULTS</b>  |   |  |   |  |                                      |   |                                    |   |   |   |
| Segment results   | 87,221  | -  | 235,862                                       | 283,910  | 606,993                              | 875,093                                     | 270,383                            | 99,840  | (27,158)                                | 1,825,151                               |
| Depreciation  |   |  |   |  | (203,061)                            | -   | (91,518)                           | -   | (410)                                   | (294,989)                               |
| Operating profit after depreciation   |   |  |   |  | 403,932                              | 875,093                                     | 178,865                            | 99,840  | (27,568)                                | 1,530,162                               |
| Fair value changes on<br>investment properties  |   |  |   |  | 73,401                               | 1,334,490                                   | -                                  | 408,699   | (800)                                   | 1,815,790                               |
| Fair value changes on derivative<br>financial instruments   |   |  |   |  | (72,971)                             | -   | -                                  | -   | -                                       | (72,971)                                |
| Fair value changes on financial<br>assets at FVTPL  |   |  |   |  | (14,958)                             | -   | -                                  | -   | -                                       | (14,958)                                |
| Other income  |   |  |   |  | 24,471                               | -   | -                                  | 4,881   | -                                       | 29,352                                  |
| Administrative and other expenses   |   |  |   |  | (187,098)                            | (12,300)                                    | (7,506)                            | (28,850)  | 25,178                                  | (210,576)                               |
| Net finance costs   |   |  |   |  | (36,270)                             | (198,676)                                   | (62,853)                           | (31,312)  | -                                       | (329,111)                               |
| Share of results of joint ventures  |   |  |   |  | (22,078)                             | -   | -                                  | -   | -                                       | (22,078)                                |
| Share of results of associates  |   |  |   |  | 48                                   | -   | -                                  | -   | -                                       | 48                                      |
| Profit before tax   |   |  |   |  | 168,477                              | 1,998,607                                   | 108,506                            | 453,258   | (3,190)                                 | 2,725,658                               |
| Income taxes  |   |  |   |  | (53,286)                             | (114,547)                                   | (25,196)                           | -   | (90,668)                                | (283,697)                               |
| Profit for the period   |   |  |   |  | 115,191                              | 1,884,060                                   | 83,310                             | 453,258   | (93,858)                                | 2,441,961                               |
| Less: Profit attributable to<br>non-controlling interests/<br>non-controlling unitholders<br>of Champion REIT         |   |  |   |  | (2,726)                              | (700,682)                                   | (30,619)                           | (215,922)   | -                                       | (949,949)                               |
| Profit attributable to owners<br>of the Company   |   |  |   |  | 112,465                              | 1,183,378                                   | 52,691                             | 237,336   | (93,858)                                | 1,492,012                               |

Note: There were no revenue and segment result recognised during the period as the properties directly held were under development.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 4. SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities

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

#### 30 June 2017

|                                 | Assets<br>HK\$'000<br>(unaudited) | Liabilities<br>HK\$'000<br>(unaudited) | Net Assets<br>HK\$'000<br>(unaudited) |
|---------------------------------|-----------------------------------|--|---------------------------------------|
| Property investment (note a)    | 5,986,384                         | 139,508                                | 5,846,876                             |
| Property development (note a)   | 4,042,885                         | 1,010,807                              | 3,032,078                             |
| Hotel operation (note a)        | 16,846,996                        | 7,754,524                              | 9,092,472                             |
| Other operations (note a)       | 568,298                           | 208,707                                | 359,591                               |
| Unallocated                     | 6,784,882                         | 468,018                                | 6,316,864                             |
| Great Eagle operations (note b) | 34,229,445                        | 9,581,564                              | 24,647,881                            |
| Champion REIT (note c)          | 47,569,334                        | 11,411,281                             | 36,158,053                            |
| Langham (note c)                | 11,843,786                        | 4,482,851                              | 7,360,935                             |
| US Real Estate Fund (note d)    | 1,254,973                         | 800,372                                | 454,601                               |

#### 31 December 2016

|                                 | Assets<br>HK\$'000<br>(audited) | Liabilities<br>HK\$'000<br>(audited) | Net Assets<br>HK\$'000<br>(audited) |
|---------------------------------|---------------------------------|--------------------------------------|-------------------------------------|
| 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                             |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 4. SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities (continued)

Notes:

- (a) The segment assets include primarily investment properties, property, plant and equipment, equity securities classified as available-for-sale ("AFS") investments, asset classified as held for sale, stock of properties, inventories, loan receivables, notes receivable, financial assets at FVTPL, bank balances and cash 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, included in the assets and liabilities are bank deposit, pledged bank deposit and restricted cash of HK\$7,445,940,000 (31 December 2016: HK\$5,427,567,000) and borrowings of HK\$6,832,933,000 (31 December 2016: HK\$5,765,657,000), representing net debt of HK\$613,007,000 as at 30 June 2017 (31 December 2016: HK\$338,090,000).
- (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\$447,365,000 (31 December 2016: HK\$456,195,000), at the respective interests held by Great Eagle Holdings Limited, being 65.62% and 62.11% (31 December 2016: 65.50% and 61.90%), respectively. Additionally, the assets of Langham include the hotel properties' appraised value of HK\$18,763,000,000 as at 30 June 2017 (31 December 2016: HK\$18,432,000,000). Such hotel properties have a carrying amount (at cost less accumulated depreciation) of HK\$4,075,493,000 as at 30 June 2017 (31 December 2016: HK\$4,138,167,000) as recognised in the Group's condensed 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% (31 December 2016: 49.97%) interest held by Great Eagle Holdings Limited.

### 5. FINANCE COSTS

|                                 | Six months ended 30 June |             |
|---------------------------------|--------------------------|-------------|
|                                 | 2017                     | 2016        |
|                                 | HK\$'000                 | HK\$'000    |
|                                 | (unaudited)              | (unaudited) |
| Interest on bank borrowings     | 241,160                  | 219,212     |
| Interest on other loans         | –                        | 7,137       |
| Interest on medium term notes   | 65,981                   | 62,746      |
| Other borrowing costs           | 37,056                   | 78,367      |
|                                 | 344,197                  | 367,462     |
| Less: amount capitalised (note) | (30,975)                 | –           |
|                                 | 313,222                  | 367,462     |

Note:

Interest were capitalised at an average annual rate of 1.27% (2016: nil) to property development projects.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 6. PROFIT BEFORE TAX

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2017<br>HK\$'000<br>(unaudited) | 2016<br>HK\$'000<br>(unaudited) |
| Profit before tax has been arrived at after charging (crediting):                                 |                                 |                                 |
| Staff costs (including directors' emoluments)   | <b>1,146,573</b>                | 1,116,363                       |
| Share based payments (including directors' emoluments)  | <b>9,959</b>                    | 6,536                           |
|   | <b>1,156,532</b>                | 1,122,899                       |
| Depreciation  | <b>298,912</b>                  | 294,989                         |
| Recovery of bad debts written off   | <b>(446)</b>                    | (834)                           |
| Share of tax of a joint venture (included in the share of results of joint ventures)              | <b>413</b>                      | –                               |
| Share of tax of associates (included in the share of results of associates)                       | <b>68</b>                       | 57                              |
| Dividend income from equity investments   | <b>(53,487)</b>                 | (16,428)                        |
| Bank interest income (included in other income)   | <b>(30,439)</b>                 | (23,088)                        |
| Interest income received from other financial assets (included in other income)                   | <b>(8,732)</b>                  | (15,263)                        |
| Net gain on disposal of AFS investments (included in other income)                                | <b>(1,518)</b>                  | (1,166)                         |
| Loss on disposal of property, plant and equipment (included in administrative and other expenses) | –                               | 99                              |
| Gain on disposal of property, plant and equipment (included in other income)                      | <b>(104)</b>                    | –                               |
| Net exchange loss (included in administrative and other expenses)                                 | –                               | 9,264                           |
| Net exchange gain (included in other income)  | <b>(49,348)</b>                 | –                               |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 7. INCOME TAXES

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2017                     | 2016        |
|  | HK\$'000                 | HK\$'000    |
|  | (unaudited)              | (unaudited) |
| Current tax:                           |                          |             |
| Current period:                        |                          |             |
| Hong Kong Profits Tax                  | <b>159,368</b>           | 125,027     |
| Other jurisdictions                    | <b>26,221</b>            | 15,362      |
|  | <b>185,589</b>           | 140,389     |
| (Over)underprovision in prior periods: |                          |             |
| Hong Kong Profits Tax                  | <b>(167)</b>             | 142         |
| Other jurisdictions                    | <b>13,165</b>            | 469         |
|  | <b>12,998</b>            | 611         |
|  | <b>198,587</b>           | 141,000     |
| Deferred tax:                          |                          |             |
| Current period                         | <b>21,324</b>            | 145,742     |
| Under(over)provision in prior periods  | <b>312</b>               | (3,045)     |
| Attributable to change in tax rate     | <b>(4,557)</b>           | –           |
|  | <b>17,079</b>            | 142,697     |
|  | <b>215,666</b>           | 283,697     |

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 8. DIVIDENDS

|   | Six months ended 30 June |                         |
|---|--------------------------|-------------------------|
|   | 2017                     | 2016                    |
|   | HK\$'000<br>(unaudited)  | HK\$'000<br>(unaudited) |
| Dividends paid:   |                          |                         |
| Final dividend of HK48 cents in respect of the financial year ended 31 December 2016 (2016: HK47 cents in respect of the financial year ended 31 December 2015) per ordinary share    | <b>326,694</b>           | 313,854                 |
| Special final dividend of HK50 cents in respect of the financial year ended 31 December 2016 (2016: HK\$2 in respect of the financial year ended 31 December 2015) per ordinary share | <b>340,309</b>           | 1,335,556               |
|   | <b>667,003</b>           | 1,649,410               |

|  | Six months ended 30 June |                         |
|--|--------------------------|-------------------------|
|  | 2017                     | 2016                    |
|  | HK\$'000<br>(unaudited)  | HK\$'000<br>(unaudited) |
| Dividends declared:  |                          |                         |
| Interim dividend of HK30 cents in respect of the six months ended 30 June 2017 (2016: HK27 cents in respect of the six months ended 30 June 2016) per ordinary share | <b>206,332</b>           | 182,640                 |
| Special interim dividend of HK50 cents in respect of the six months ended 30 June 2017 (2016: nil) per ordinary share  | <b>343,887</b>           | –                       |
|  | <b>550,219</b>           | 182,640                 |

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

On 22 June 2016, a final dividend of HK47 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, and a special final dividend of HK\$2 per ordinary share were paid to shareholders as the final dividend in respect of the financial year ended 31 December 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 8. DIVIDENDS (CONTINUED)

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

|                   | Six months ended 30 June |             |
|-------------------|--------------------------|-------------|
|                   | 2017                     | 2016        |
|                   | HK\$'000                 | HK\$'000    |
|                   | (unaudited)              | (unaudited) |
| Dividends         |                          |             |
| Cash              | <b>74,352</b>            | 80,321      |
| Share alternative | <b>252,342</b>           | 233,533     |
|                   | <b>326,694</b>           | 313,854     |

On 24 August 2017, the Directors have determined that an interim dividend of HK30 cents (2016: interim dividend of HK27 cents) and a special interim dividend of HK50 cents (2016: nil) per ordinary share will be paid to the shareholders of the Company whose names appear in the Register of Members on 9 October 2017.

### 9. EARNINGS PER SHARE

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

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2017                     | 2016        |
|   | HK\$'000                 | HK\$'000    |
|   | (unaudited)              | (unaudited) |
| <b>Earnings</b>   |                          |             |
| Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company) | <b>3,685,732</b>         | 1,492,012   |

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2017                     | 2016        |
|   | (unaudited)              | (unaudited) |
| <b>Number of shares</b>   |                          |             |
| Weighted average number of shares for the purpose of basic earnings per share   | <b>685,947,320</b>       | 674,549,654 |
| Effect of dilutive potential shares:  |                          |             |
| Share options   | <b>2,654,067</b>         | 179,573     |
| Weighted average number of shares for the purpose of diluted earnings per share | <b>688,601,387</b>       | 674,729,227 |

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

### Property, plant and equipment

During the current interim period, the Group had addition in relation to freehold land amounting to HK\$12,903,000 for hotel development and also had additions in relation to structural improvement work on hotel properties of HK\$13,970,000 and hotel buildings under development of HK\$145,576,000 (six months ended 30 June 2016: acquired a freehold land in Tokyo, Japan amounting to HK\$1,677,535,000 for hotel development and also had additions in relation to structural improvement work on hotel properties of HK\$669,000 and hotel buildings under development of HK\$67,014,000). The additions of other property, plant and equipment were HK\$405,375,000 (six months ended 30 June 2016: HK\$238,239,000). During the current interim period, the Group had disposals of other property, plant and equipment with carrying amount of HK\$123,000 (six months ended 30 June 2016: HK\$116,000).

At 30 June 2017 and 2016, the Directors conducted an impairment assessment on hotel properties, no reversal or additional impairment loss was recognised for the six months ended 30 June 2017 and 2016.

### Investment properties

During the current interim period, the Group had additions to improvement work on investment properties at a cost of HK\$9,761,000 (six months ended 30 June 2016: HK\$64,502,000).

The fair value of the Group's investment properties of HK\$77,503,065,000 as at 30 June 2017 (31 December 2016: HK\$73,046,520,000) has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong - Knight Frank Petty Limited and Savills Valuation and Professional Services Limited.

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

Investment property in the United States of America ("USA") – Cushman & Wakefield of Washington, Inc.

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 11. INTERESTS IN JOINT VENTURES

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Cost of investment in joint ventures                             | <b>1,347,845</b>                           | 1,231,168                                    |
| Share of post-acquisition results and other comprehensive income | <b>(157,802)</b>                           | (164,025)                                    |
|  | <b>1,190,043</b>                           | 1,067,143                                    |

The Group's interests in the joint ventures amounting to HK\$1,190,043,000 as at 30 June 2017 (31 December 2016: HK\$1,067,143,000) are accounted for using the equity method in these condensed consolidated financial statements.

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

Pursuant to a subscription and shareholders' agreement signed between an indirect wholly-owned subsidiary of the Company and an independent third party investor (the "Wealth Joy Investor") in February 2010, the 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.

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.

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 forecasted cash flows arising from presold properties when the development will be completed which may have an impact on the estimated future cash flows of its joint ventures which are engaged in property development, and the estimated future cash flows from operations of its joint venture which is engaged in food and beverage facilities. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 12. INTERESTS IN ASSOCIATES

|   | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|---|--|--|
| 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 | 98,177                                     | 80,777                                       |
|   | <b>98,286</b>                              | 80,886                                       |

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.

### 13. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments comprise:

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Listed equity securities in Hong Kong        | 245,613                                    | 211,492                                      |
| Listed equity securities outside Hong Kong   | 57,112                                     | 50,872                                       |
| Unlisted equity securities in Hong Kong      | 8,052                                      | 8,000  |
| Unlisted equity securities outside Hong Kong | 728,764                                    | 1,006,624                                    |
|  | <b>1,039,541</b>                           | 1,276,988                                    |
| Market value of listed securities            | <b>302,725</b>                             | 262,364                                      |

At the end of the reporting period, all the listed securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets. At 30 June 2017 and 31 December 2016, the Group's listed equity securities were individually assessed for impairment on the basis of significant or prolonged decline in their fair value below cost.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 13. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Unlisted investments represent unlisted equity investments and club debentures. An aggregate amount of unlisted equity securities of HK\$429,352,000 (31 December 2016: HK\$426,869,000) are measured at fair values. The remaining amount of unlisted equity securities and club debentures of HK\$307,464,000 (31 December 2016: HK\$587,755,000) 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 30 June 2017, the Group's investment, which represents 40% equity interests in China Fund LP, amounted to HK\$138,000,000 (31 December 2016: HK\$409,048,000). 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.

### 14. NOTES AND LOAN RECEIVABLES

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Notes receivables  | 244,702                                    | 244,062                                      |
| Loan receivables   | 66,708                                     | 21,398                                       |
|  | 311,410                                    | 265,460                                      |
| Less: Amounts due within one year shown under current assets | (23,226)                                   | –  |
| Amounts due after one year                                   | 288,184                                    | 265,460                                      |

#### Note receivables

At the end of the reporting period, the Group held unsecured bonds with principal amounts of HK\$244,702,000 (31 December 2016: HK\$244,062,000) denominated in United States dollars with nominal values ranging from US\$1,000,000 to US\$7,640,000 (31 December 2016: US\$1,000,000 to US\$7,640,000), bears interest at fixed interest rates ranging from 2.63% to 5.88% (31 December 2016: 2.63% to 5.88%) per annum and has maturity dates ranging from March 2018 to May 2024 (31 December 2016: March 2018 to May 2024). The Group designated unsecured bonds amounting to HK\$221,476,000 (31 December 2016: HK\$221,121,000) as held-to-maturity investments.

## 14. NOTES AND LOAN RECEIVABLES (CONTINUED)

### 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 in 2015 with a third party of US\$25,000,000 (equivalent to approximately HK\$193,775,000), which bears interest at 5% per annum and will be matured in June 2020. The promissory note 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 promissory 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.

During the period, Smart Easy entered into another subordinated unsecured convertible promissory note for additional US\$5,000,000 (equivalent to approximately HK\$39,029,000), which bears interest at 8% per annum and will be matured in December 2021. Such promissory note may, by Smart Easy’s election, be converted into fully paid and non-assessable class E voting units of the third party at a conversion price of US\$0.75. Upon conversion, accrued and unpaid interest on the loan receivable shall be immediately due and payable in cash.

Based on the market conditions and the operations of the third party at the end of the reporting period, the management assessed that the loan receivables will not be converted into units. Accordingly, the fair value of the conversion rights of the promissory notes are insignificant.

The Directors assessed whether there exists any objective evidence of impairment of the loan receivables as at 30 June 2017 and 31 December 2016. Taking into considerations of the market conditions and financial performance of the third party at 31 December 2016, the carrying amount of the loan receivables and corresponding interest receivable exceeded the estimated future cash flows and, accordingly, an impairment loss of HK\$199,143,000 was recognised in profit or loss during the year ended 31 December 2016. The Directors assessed that no objective impairment was identified as at 30 June 2017.

- (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 a joint venture for a loan receivable of US\$3,546,000 (equivalent to approximately HK\$27,679,000) (31 December 2016: US\$2,760,000 (equivalent to approximately HK\$21,398,000)), which bears interest at 18% per annum and has a maturity date on 31 December 2022.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 15. STOCK OF PROPERTIES

|                                       | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|---------------------------------------|--|--|
| Properties under development for sale | <b>3,410,816</b>                           | 3,080,892                                    |
| Properties held for sale              | <b>647,413</b>                             | 557,220                                      |
|                                       | <b>4,058,229</b>                           | 3,638,112                                    |

Stock of properties mainly comprised of the following:

- (i) An apartment building in Malibu, Los Angeles, the USA with a consideration of US\$62,000,000 (equivalent to approximately HK\$480,522,000) acquired in 2015. The apartments are 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) acquired in 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 acquired in 2014. The site is under development of luxury residential properties for sale.

The properties under development for sale with carrying amount of HK\$2,820,571,000 (31 December 2016: HK\$2,666,525,000) are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

### 16. DEBTORS, DEPOSITS AND PREPAYMENTS

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Trade debtors, net of allowance for doubtful debts | <b>364,591</b>                             | 351,051                                      |
| Deferred rent receivables                          | <b>194,975</b>                             | 212,136                                      |
| Other receivables                                  | <b>194,869</b>                             | 147,057                                      |
| Deposits and prepayments                           | <b>346,930</b>                             | 253,248                                      |
|  | <b>1,101,365</b>                           | 963,492                                      |

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.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 16. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Within 3 months                        | 197,866                                    | 196,219                                      |
| More than 3 months but within 6 months | 14,672                                     | 20,277                                       |
| Over 6 months                          | 152,053                                    | 134,555                                      |
|  | <b>364,591</b>                             | 351,051                                      |

### 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|---|--|--|
| Equity linked notes designated at FVTPL   | –  | 38,616                                       |
| Listed equity securities held for trading | 269,174                                    | 260,745                                      |
|   | <b>269,174</b>                             | 299,361                                      |

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. As at 31 December 2016, the Group had entered into US\$ equity linked notes with banks with nominal values of US\$5,000,000 had maturity periods of four months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

### 18. PLEDGED BANK DEPOSITS

Pledged bank deposits represented the US\$ deposit amounting to HK\$7,849,000 (31 December 2016: US\$ deposit and HK\$ deposit amounting to HK\$631,489,000) was pledged as security for short-term loan facilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 19. ASSETS CLASSIFIED AS HELD FOR SALE

On 4 October 2016, the Group entered into sales and purchase agreement to dispose of the investment property located in Walnut Creek, the USA 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.

As at 31 December 2016, the Group had classified such investment property as asset held for sale which was separately presented in the consolidated statement of financial position.

### 20. CREDITORS, DEPOSITS AND ACCRUALS

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Trade creditors                                      | 231,286                                    | 302,488                                      |
| Deposits received                                    | 900,086                                    | 837,679                                      |
| Construction fee payable and retention money payable | 187,858                                    | 62,187                                       |
| Accruals, interest payable and other payables        | 2,050,067                                  | 2,273,734                                    |
|  | <b>3,369,297</b>                           | 3,476,088                                    |

Included in accruals and other payables is accrual of stamp duty of HK\$963,475,000 (31 December 2016: HK\$963,475,000) which is based on the current applicable stamp duty rate of 4.25% (31 December 2016: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Three Garden Road upon listing.

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

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

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Within 3 months                        | 221,446                                    | 282,071                                      |
| More than 3 months but within 6 months | 3,408                                      | 2,630  |
| Over 6 months                          | 6,432                                      | 17,787                                       |
|  | <b>231,286</b>                             | 302,488                                      |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 21. DERIVATIVE FINANCIAL INSTRUMENTS

|  | 30 June 2017 |             | 31 December 2016 |             |
|--|--------------|-------------|------------------|-------------|
|  | HK\$'000     |             | HK\$'000         |             |
|  | Assets       | Liabilities | Assets           | Liabilities |
|  | HK\$'000     | HK\$'000    | HK\$'000         | HK\$'000    |
|  | (unaudited)  | (unaudited) | (audited)        | (audited)   |
| Interest rate swaps  | 10,474       | 29,402      | 31,795           | –           |
| Cross currency swaps   | –            | 9,157       | –                | –           |
| Foreign currency derivative contracts                                    | –            | 1,371       | 9,951            | 247         |
|  | 10,474       | 39,930      | 41,746           | 247         |
| Less: Amounts due within one year shown under current assets/liabilities | –            | (1,371)     | (9,951)          | –           |
| Amounts due after one year   | 10,474       | 38,559      | 31,795           | 247         |

The Group entered into interest rate swaps with aggregate notional amount of HK\$3,500,000,000 to manage the exposure to the interest rate risk on the Group's floating-rate borrowings by swapping a proportion of those borrowings from floating rate of Hong Kong Interbank Offered Rate ("HIBOR") to fixed rate ranging from 1.035% to 1.80%. The Group also entered into cross currency swaps to swap floating rate loans denominated in other currencies to fixed rate loans in Japanese YEN ("JPY") to minimise the exposure to fluctuation in interest rates and JPY. In addition, the Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements.

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

### 22. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

|  | 30 June     | 31 December |
|--|-------------|-------------|
|  | 2017        | 2016        |
|  | HK\$'000    | HK\$'000    |
|  | (unaudited) | (audited)   |
| <b>Non-current assets</b>              |             |             |
| Cash flow hedge – cross currency swaps | –           | 32,408      |
| Cash flow hedge – interest rate swaps  | 8,247       | –           |
|  | 8,247       | 32,408      |
| <b>Non-current liabilities</b>         |             |             |
| Cash flow hedge – cross currency swaps | 29,747      | –           |
| Cash flow hedge – interest rate swaps  | 21,320      | –           |
|  | 51,067      | –           |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 22. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING (CONTINUED)

The Group entered into cross currency swaps to minimise the exposure to fluctuation in foreign currency and interest rate of the medium term notes, which is denominated in United States dollars, in respect of the principal and fixed rate interest payments.

The Group also entered into interest rate swap contracts with various financial institutions of a total notional amount of HK\$3,100,000,000 to minimise its exposure to fluctuations in interest rates of its variable interest bearing secured term loan.

The cross currency swaps and interest rate swaps and the corresponding medium term notes and bank loan, respectively, have similar terms and the Directors considered that the cross currency swaps and interest rate swaps were highly effective hedging instruments.

The fair values of the above derivatives are 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.

### 23. BORROWINGS

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Bank loans and revolving loans (secured) | 25,629,660                                 | 24,529,461                                   |
| Loan front-end fee                       | (139,580)                                  | (154,350)                                    |
|  | <b>25,490,080</b>                          | 24,375,111                                   |

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

|   | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|---|--|--|
| Within one year   | 771,717                                    | 2,495,416                                    |
| More than one year but not exceeding two years                    | 5,957,948                                  | 1,803,477                                    |
| More than two years but not exceeding five years                  | 17,803,040                                 | 19,988,961                                   |
| More than five years  | 957,375                                    | 87,257                                       |
|   | <b>25,490,080</b>                          | 24,375,111                                   |
| Less: Amounts due within one year shown under current liabilities | (771,717)                                  | (2,495,416)                                  |
| Amounts due after one year  | <b>24,718,363</b>                          | 21,879,695                                   |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 23. BORROWINGS (CONTINUED)

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| More than two years but not exceeding five years | <b>1,141,931</b>                           | –  |

The exposure of the Group's floating-rate borrowings and the contractual maturity dates are as follows:

|  | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|--|--|--|
| Within one year                                  | <b>771,717</b>                             | 2,495,416                                    |
| More than one year but not exceeding two years   | <b>5,957,948</b>                           | 1,803,477                                    |
| More than two years but not exceeding five years | <b>16,661,109</b>                          | 19,988,961                                   |
| More than five years                             | <b>957,375</b>                             | 87,257                                       |
|  | <b>24,348,149</b>                          | 24,375,111                                   |

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

|                          | 30 June<br>2017<br>(unaudited) | 31 December<br>2016<br>(audited) |
|--------------------------|--------------------------------|----------------------------------|
| Effective interest rate  |                                |                                  |
| Fixed-rate borrowings    | <b>0.32% to 0.40%</b>          | –                                |
| Variable-rate borrowings | <b>0.47% to 5.61%</b>          | 0.36% to 5.95%                   |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 24. MEDIUM TERM NOTES

|                   | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|-------------------|--|--|
| Medium term notes | <b>4,634,161</b>                           | 3,839,146                                    |
| Origination fee   | <b>(26,892)</b>                            | (24,762)                                     |
|                   | <b>4,607,269</b>                           | 3,814,384                                    |

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 the HSBC Institutional Trust Services (Asia) Limited, trustee of Champion REIT, in its capacity as trustee.

As at 30 June 2017, the outstanding medium term notes comprised of the following:

- (i) unsecured notes at a fixed rate of 3.75% per annum with principal of US\$386,400,000 (31 December 2016: US\$386,400,000). The issued medium term note is repayable in full in January 2023.
- (ii) unsecured notes at a floating rate of HIBOR plus 1.275% per annum with principal of HK\$643,000,000 (31 December 2016: HK\$643,000,000). The issued medium term note is repayable in full in March 2022.
- (iii) unsecured notes at a fixed rate ranging from 2.75% to 2.85% (31 December 2016: 2.75%) per annum with aggregate principal amount of HK\$975,000,000 (31 December 2016: HK\$200,000,000). The issued medium term notes are repayable in full from October 2024 to June 2025 (31 December 2016: October 2024).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 25. SHARE CAPITAL

|                                | 30 June 2017<br>(unaudited) |                  | 31 December 2016<br>(audited) |                  |
|--------------------------------|-----------------------------|------------------|-------------------------------|------------------|
|                                | Number<br>of shares         | Nominal<br>value | Number<br>of shares           | Nominal<br>value |
|                                | '000                        | HK\$'000         | '000                          | HK\$'000         |
| Authorised:                    |                             |                  |                               |                  |
| <b>Shares of HK\$0.50 each</b> |                             |                  |                               |                  |
| Balance brought forward        | <b>1,200,000</b>            | <b>600,000</b>   | 800,000                       | 400,000          |
| Increase on 10 May 2016        | –                           | –                | 400,000                       | 200,000          |
| Balance carried forward        | <b>1,200,000</b>            | <b>600,000</b>   | 1,200,000                     | 600,000          |

|   | 30 June 2017<br>(unaudited) |                  | 31 December 2016<br>(audited) |                  |
|---|-----------------------------|------------------|-------------------------------|------------------|
|   | Number<br>of shares         | Nominal<br>value | Number<br>of shares           | Nominal<br>value |
|   | '000                        | HK\$'000         | '000                          | HK\$'000         |
| Issued and fully paid:  |                             |                  |                               |                  |
| <b>Shares of HK\$0.50 each</b>  |                             |                  |                               |                  |
| Balance brought forward   | <b>677,470</b>              | <b>338,735</b>   | 664,725                       | 332,363          |
| Issued upon exercise of share options<br>under the share option schemes | <b>3,283</b>                | <b>1,641</b>     | 4,121                         | 2,060            |
| Issued as scrip dividends   | <b>7,021</b>                | <b>3,511</b>     | 8,624                         | 4,312            |
| Balance carried forward   | <b>687,774</b>              | <b>343,887</b>   | 677,470                       | 338,735          |

During the six months ended 30 June 2017, 7,021,203 (year ended 31 December 2016: 8,623,818) shares of HK\$0.5 each in the Company were issued at HK\$35.94 (31 December 2016: HK\$27.08) per share as scrip dividends.

### 26. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2017, 7,021,203 (year ended 31 December 2016: 8,623,818) shares of HK\$0.5 each in the Company were issued at HK\$35.94 (31 December 2016: HK\$27.08) per share as scrip dividends.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 27. SHARE-BASED PAYMENTS

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

|                               | Number of<br>share options<br>(unaudited) |
|-------------------------------|---|
| Outstanding at 1 January 2017 | 11,777,000                                |
| Granted during the period     | 5,344,000                                 |
| Exercised during the period   | (3,283,000)                               |
| Lapsed during the period      | (303,000)                                 |
| Outstanding at 30 June 2017   | 13,535,000                                |

During the period, 5,344,000 share options were granted on 14 March 2017. The closing price of the Company's shares immediately before 14 March 2017, the date of grant, was HK\$36.62 (adjusted after declaration of special dividend). The fair value of the options determined at the date of grant using the Black-Scholes option pricing model were derived with the following significant assumptions:

|                                   |           |
|-----------------------------------|-----------|
| Date of grant:                    | 14.3.2017 |
| Exercise price:                   | HK\$37.15 |
| Expected volatility (note a):     | 25.21%    |
| Expected dividend yield (note b): | 2.12%     |
| Expected life from grant date:    | 5 years   |
| Risk free interest rate (note c): | 2.20%     |
| Fair value per option:            | HK\$7.65  |

Notes:

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 28. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2017, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in the condensed consolidated financial statements amounting to HK\$7,853,041,000 (31 December 2016: HK\$3,134,531,000) of which HK\$780,620,000 (31 December 2016: HK\$441,591,000) was contracted for.

At 30 June 2017, 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) (31 December 2016: 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) (31 December 2016: US\$46,000,000 (equivalent to approximately HK\$357,000,000)).

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

### 29. CONNECTED AND RELATED PARTY DISCLOSURES

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

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2017                     | 2016        |
|   | HK\$'000                 | HK\$'000    |
|   | (unaudited)              | (unaudited) |
| <b>Transactions with a related party for the period</b> |                          |             |
| Dr. Lo Ka Shui  |                          |             |
| Management fee received                                 | <b>600</b>               | 600         |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

**29. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)**

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2017                     | 2016        |
|   | HK\$'000                 | HK\$'000    |
|   | (unaudited)              | (unaudited) |
| <b>Transactions with related companies for the period</b>           |                          |             |
| SFK Construction Holdings Limited and its subsidiaries <sup>1</sup> |                          |             |
| Rental income   | 3,580                    | 3,498       |
| Building management fee income                                      | 567                      | 558         |
| Carpark income  | 118                      | 118         |
| Cleaning service charge   | 12,577                   | 20,060      |
| Trading income  | –                        | 131         |
| Consultancy service income  | –                        | 107         |
| Construction fee paid   | –                        | 490         |
| SOCAM Development Limited and its subsidiaries <sup>2</sup>         |                          |             |
| Trading income  | –                        | 2,270       |
| Shui On Land Limited and its subsidiaries <sup>2</sup>              |                          |             |
| Rental expenses   | 565                      | 586         |
| Management fee expenses   | 1,523                    | 868         |
| Hotel income  | 137                      | 125         |
| Shui Sing Holdings Limited and its subsidiaries <sup>3</sup>        |                          |             |
| Management fee income   | 120                      | 120         |
| Healthy Seed Limited <sup>4</sup>                                   |                          |             |
| Rental income   | 134                      | –           |
| Building management fee income                                      | 80                       | –           |
| Management fee income   | 131                      | –           |
| Lo Ying Shek Chi Wai Foundation <sup>4</sup>                        |                          |             |
| Management fee income   | 489                      | –           |
| <b>Transactions with a joint venture for the period</b>             |                          |             |
| Wealth Joy and its subsidiaries                                     |                          |             |
| Investment management income  | 6,274                    | 6,292       |
| Project advisory service income                                     | 4,586                    | 4,533       |
| Supply procurement and consultancy services income                  | 3,429                    | 3,405       |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 29. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

|   | 30 June<br>2017<br>HK\$'000<br>(unaudited) | 31 December<br>2016<br>HK\$'000<br>(audited) |
|---|--|--|
| <b>Balances with a joint venture and related companies as at</b>  |  |  |
| Amount due from a joint venture<br>(included in trade debtors under debtors, deposits and prepayments)<br>Wealth Joy and its subsidiaries | <b>157,793</b>                             | 141,882                                      |
| Amounts due from related companies<br>(included in debtors, deposits and prepayments)   |  |  |
| SFK Construction Holdings Limited and its subsidiaries <sup>1</sup>   | <b>201</b>                                 | 201  |
| SOCAM Development Limited and its subsidiaries <sup>2</sup>   | <b>2,416</b>                               | 2,268  |
|   | <b>2,617</b>                               | 2,469  |
| Amounts due to related companies<br>(included in creditors, deposits and accruals)  |  |  |
| SFK Construction Holdings Limited and its subsidiaries <sup>1</sup>   | <b>1,340</b>                               | 1,193  |
| Shui On Land Limited and its subsidiaries <sup>2</sup>  | <b>2,843</b>                               | –  |
| Healthy Seed Limited <sup>4</sup>   | <b>146</b>                                 | –  |
|   | <b>4,329</b>                               | 1,193  |

Notes:

- <sup>1</sup> Mr. Lo Kai Shui, being a controlling shareholder of this company, is a past director of the Company in the last 12 months and a family member of Dr. Lo Ka Shui who being a substantial shareholder of the Company.
- <sup>2</sup> Mr. Lo Hong Sui, Vincent, being a director and controlling shareholder of these companies, is a family member of Dr. Lo Ka Shui who being a substantial shareholder of the Company.
- <sup>3</sup> Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, and Mr. Lo Kai Shui, being a past director of the Company in the last 12 months, are among the discretionary beneficiaries under a discretionary trust, being a substantial shareholder of this company, holding 33.42% (31 December 2016: 33.48%) interest of the Company.
- <sup>4</sup> Lo Ying Shek Chi Wai Foundation, a charitable trust, is the founding sponsor of Healthy Seed Limited. The former is under the management control of Dr. Lo Ka Shui. Healthy Seed Limited is under the management control of both Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander, Directors of the Company.

Apart from the transactions with a joint venture, all the above transactions are connected transactions as defined in Chapter 14A of the Listing Rules.

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



### 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair values at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) to active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than those quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets/(liabilities)  | Fair value as at |                | Fair value hierarchy | Valuation technique and key inputs  |
|---|------------------|----------------|----------------------|---|
|   | 30 June          | 31 December    |                      |   |
|   | 2017             | 2016           |                      |   |
|   | HK\$'000         | HK\$'000       |                      |   |
| Listed equity securities classified as AFS investments in the condensed consolidated statement of financial position.                               | 302,725          | 262,364        | Level 1              | Quoted market bid prices in an active market.   |
| Listed equity securities held for trading in the condensed consolidated statement of financial position.  | 269,174          | 260,745        | Level 1              | Quoted market bid prices in an active market.   |
| Unlisted equity securities classified as AFS investments in the condensed consolidated statement of financial position.                             | 429,352          | 426,869        | Level 1              | Broker's quote which reflects the Group's share of fair value of the underlying investments which are publicly traded equity investments.   |
| Foreign currency derivative contracts classified as derivative financial instruments in the condensed consolidated statement of financial position. | (1,371)          | 9,951<br>(247) | 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. |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

| Financial assets/(liabilities)  | Fair value as at                 |             | Fair value hierarchy | Valuation technique and key inputs   | Significant unobservable inputs               |
|---|----------------------------------|-------------|----------------------|--|---|
|   | 30 June                          | 31 December |                      |  |   |
|   | 2017                             | 2016        |                      |  |   |
|   | HK\$'000                         | HK\$'000    |                      |  |   |
| Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position.     | <b>18,721</b><br><b>(50,722)</b> | 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.                                     | N/A   |
| Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position.    | <b>(38,904)</b>                  | 32,408      | Level 2              | Discounted cash flow. Future cash flows are estimated based on forward exchange rates and interest rates (from observable forward exchange rates and interest rates at the end of the reporting period) and contracted forward rates discounted at a rate that reflects the credit risk of various counterparties. | N/A   |
| Equity linked notes classified as financial assets designated at FVTPL in the condensed consolidated statement of financial position. | –                                | 38,616      | 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.

There were no transfers between Level 1 and 2 during the period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

### 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Reconciliation of Level 3 fair value measurements

|                          | Equity<br>linked notes<br>HK\$'000 |
|--------------------------|------------------------------------|
| As at 1 January 2017     | 38,616                             |
| Redemption upon maturity | (38,789)                           |
| Change in fair value     | 173                                |
| As at 30 June 2017       | –                                  |

The above change in fair value is included in “fair value changes on financial assets at fair value through profit or loss” in the condensed consolidated income statement.

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

### 31. EVENT AFTER THE END OF THE REPORTING PERIOD

In July 2017, the Group further acquired land located in Roppongi 4-Chome, Minato-ku Tokyo, Japan for a consideration of JPY470,400,000.

## GLOSSARY OF TERMS

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

| Term  | Definition   |
|---|--|
| "2009 Share Option Scheme"                    | the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009   |
| "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 65.62% as at 30 June 2017                            |
| "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  |
| "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 62.11% as at 30 June 2017 |
| "Listing Rules"                               | Rules Governing the Listing of Securities on the Stock Exchange  |
| "Model Code"                                  | Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules  |
| "RevPAR"                                      | Revenue per available room   |
| "SFO"   | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| "Shareholder(s)"                              | holder(s) of ordinary share(s) in the share capital of the Company   |
| "Stock Exchange"                              | The Stock Exchange of Hong Kong Limited  |
| "U.S. Fund" or "U.S. Real Estate Fund"        | Pacific Eagle (US) Real Estate Fund, L.P., in which the Group had an interest of approximately 49.97% as at 30 June 2017   |



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