鷹君集團有限公司
Great Eagle Holdings Limited

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

INTERIM REPORT 2018 中期報告

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 65.8% interest (as at 30 June 2018) in Champion Real Estate Investment Trust, and a 62.5% interest (as at 30 June 2018) in Langham Hospitality Investments and Langham Hospitality Investments Limited (LHI). Champion Real Estate Investment Trust owns 1.64 million square feet of Grade-A commercial office space in Three Garden Road in the central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. As for LHI, it owns three high quality hotels in the heart of Kowloon, 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 HK 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 hotel 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$515 million as at the end of June 2018. 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 more than 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$1,900 million in the financial year 2017 and a net asset value (based on share of net assets of Champion Real Estate Investment Trust and LHI) of approximately HK$77 billion as of 30 June 2018.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

Non-executive Directors
* Independent Non-executive Directors

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE

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

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Appleby
Clifford Chance
Dentons US LLP
Mayer Brown JSM
Reed Smith Richards Butler
Shartsis Friese LLP

PRINCIPAL BANKERS

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Hang Seng Bank Limited
The Hongkong and Shanghai
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DIVIDEND NOTICE AND KEY DATES

INTERIM DIVIDEND

The Board of Directors of the Company has resolved to declare an interim dividend of HK33 cents per share (2017: HK30 cents per share) for the six months ended 30 June 2018 (the "2018 Interim Dividend"), payable on 19 October 2018 to the Shareholders whose names appear on the Registers of Members of the Company on Monday, 8 October 2018.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Tuesday, 2 October 2018 to Monday, 8 October 2018, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2018 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, 28 September 2018.

KEY DATES

2018 Interim Results Announcement	:	23 August 2018
Ex-dividend Date	:	27 September 2018
Closure of Registers of Members	:	2 October 2018 – 8 October 2018 *(both days inclusive)*
Record Date for 2018 Interim Dividend	:	8 October 2018
Payment of 2018 Interim Dividend	:	19 October 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	
	HK$ million	HK$ million	Change
Key Financials on Income Statement			
Based on core business[1]			
Revenue based on core business	**3,145.7**	2,937.7	7.1%
Core profit after tax attributable to equity holders	**906.9**	904.1	0.3%
Core profit after tax attributable to equity holders (per share)	**HK$1.30**	HK$1.32	
Based on statutory accounting principles[2]			
Revenue based on statutory accounting principles	**4,967.7**	4,216.6	17.8%
Statutory Profit attributable to equity holders	**3,487.8**	3,685.7	-5.4%
Interim Dividend (per share)	**HK$0.33**	HK$0.30	
Special Interim Dividend (per share)	**–**	HK$0.50	

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

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

	As at the end of	
	June 2018	December 2017
Key Financials on Balance Sheet		
Based on share of Net Assets of Champion REIT, LHI and the U.S. Fund (core balance sheet)[1]		
Net gearing	**1.3%**	1.1%
Book value (per share)	**HK$110.9**	HK$107.4
Based on statutory accounting principles[2]		
Net gearing[3]	**21.5%**	22.5%
Book value (per share)	**HK$96.7**	HK$93.6

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

2 As for the Group's balance sheet prepared under the statutory accounting principles, the entire debts of Champion REIT, LHI and the U.S. Fund were consolidated in aggregate. However, the Group only owns a 65.76%, 62.48% and 49.97% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of June 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Six months ended 30 June		
	2018	2017	
	HK$ million	HK$ million	Change
Revenue from core business			
Hotels Division	**2,060.5**	1,820.5	13.2%
Gross Rental Income	**114.3**	113.8	0.4%
Management Fee Income from Champion REIT	**190.1**	176.8	7.5%
Distribution Income from Champion REIT^	**480.8**	447.4	7.5%
Distribution Income from LHI^	**118.0**	127.8	-7.7%
Other operations	**182.0**	251.4	-27.6%
Total Revenue	**3,145.7**	2,937.7	7.1%
Hotel EBITDA	**357.9**	297.9	20.1%
Net Rental Income	**90.1**	86.4	4.3%
Management Fee Income from Champion REIT	**190.1**	176.8	7.5%
Distribution Income from Champion REIT^	**480.8**	447.4	7.5%
Distribution Income from LHI^	**118.0**	127.8	-7.7%
Operating income from other operations	**53.8**	137.3	-60.8%
Operating Income from core business	**1,290.7**	1,273.6	1.3%
Depreciation	**(115.4)**	(84.3)	36.9%
Administrative and other expenses	**(214.3)**	(200.7)	6.8%
Other income	**59.4**	29.0	104.8%
Interest income	**60.1**	28.3	112.4%
Finance costs	**(86.6)**	(64.5)	34.3%
Share of results of joint ventures	**(7.3)**	(15.9)	-54.1%
Share of results of associates	**0.4**	0.2	n.m.
Core profit before tax	**987.0**	965.7	2.2%
Income taxes	**(81.3)**	(58.8)	38.3%
Core profit after tax	**905.7**	906.9	-0.1%
Non-controlling interest	**1.2**	(2.8)	n.a.
Core profit attributable to equity holders	**906.9**	904.1	0.3%

^ 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 2018

	Assets HK$ million	**Liabilities HK$ million**	**Net Assets HK$ million**
Great Eagle operations	**36,242**	**10,265**	**25,977**
Champion REIT	**54,540**	**11,674**	**42,866**
LHI	**12,642**	**4,582**	**8,060**
U.S. Fund	**1,229**	**714**	**515**
	104,653	**27,235**	**77,418**

31 December 2017

	Assets HK$ million	Liabilities HK$ million	Net Assets HK$ million
Great Eagle operations	35,644	10,090	25,554
Champion REIT	51,536	11,411	40,125
LHI	12,220	4,489	7,731
U.S. Fund	1,387	873	514
	100,787	26,863	73,924

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Six months ended 30 June		
	2018	2017	
	HK$ million	HK$ million	Change
Revenue based on statutory accounting principles			
Hotels Division	**2,821.5**	2,565.4	10.0%
Gross Rental Income	**114.3**	113.8	0.4%
Other operations (including management fee income from Champion REIT)	**372.1**	428.2	-13.1%
Gross Rental Income – Champion REIT	**1,444.8**	1,317.7	9.6%
Gross Rental Income – LHI	**284.6**	332.8	-14.5%
Gross Rental Income – U.S. Fund	**452.7**	35.1	1,189.7%
Elimination on Intragroup transactions	**(522.3)**	(576.4)	-9.4%
Consolidated Total Revenue	**4,967.7**	4,216.6	17.8%
Hotel EBITDA	**357.9**	297.9	20.1%
Net Rental Income	**90.1**	86.4	4.3%
Operating income from other operations	**243.9**	314.1	-22.3%
Net Rental Income – Champion REIT	**1,035.5**	936.7	10.5%
Net Rental Income – LHI	**271.0**	278.6	-2.7%
Net Rental Income – U.S. Fund	**44.8**	16.9	165.1%
Elimination on Intragroup transactions	**(6.3)**	(26.7)	-76.4%
Consolidated Operating Income	**2,036.9**	1,903.9	7.0%
Depreciation	**(359.9)**	(298.9)	20.4%
Fair value changes on investment properties	**4,244.0**	4,432.7	-4.3%
Fair value changes on derivative financial instruments	**0.9**	(114.1)	n.m.
Fair value changes on financial assets at fair value through profit or loss	**(8.0)**	22.4	n.m.
Administrative and other expenses	**(237.6)**	(215.1)	10.5%
Other income (including interest income)	**121.8**	115.3	5.6%
Finance costs	**(384.8)**	(313.2)	22.9%
Share of results of joint ventures	**(7.3)**	(15.9)	-54.1%
Share of results of associates	**0.4**	0.2	n.m.
Statutory profit before tax	**5,406.4**	5,517.3	-2.0%
Income taxes	**(246.5)**	(215.7)	14.3%
Statutory profit after tax	**5,159.9**	5,301.6	-2.7%
Non-controlling interest	**(55.2)**	(34.0)	62.4%
Non-controlling unitholders of Champion REIT	**(1,616.9)**	(1,581.9)	2.2%
Statutory profit attributable to equity holders	**3,487.8**	3,685.7	-5.4%

OVERVIEW

The Group's core revenue rose by 7.1% to HK$3,145.7 million in the first half of 2018 (1H 2017: HK$2,937.7 million), mainly as a results of a 13.2% increase in revenue from the Hotels Division, and a 7.5% increase in income from Champion REIT, which comprised distribution and management fee income during the period.

Core operating income increased by 1.3% to HK$1,290.7 million in the first half of the year, as higher EBITDA of the Hotels Division and income from Champion REIT were offset by a decrease in operating income from other operations. The decline in operating income from other operations was in part due to a high base for comparison, as 2017's interim results included a one-off distribution declared by the China Fund.

Administrative and other expenses increased by 6.8% to HK$214.3 million in the first half of the year (1H 2017: HK$200.7 million), mainly attributable to the increased headcount for the Project Management and Development team. The expansion was to support the increased number of development projects secured by the Group over the past years when asset values were at much lower levels. These include a prime residential project in Pak Shek Kok, Tai Po, Hong Kong and a luxury hotel development in Roppongi Hill, Tokyo, Japan. In addition, the Group is carrying out feasibility studies on the redevelopment potentials of selected existing properties.

Share of losses of joint ventures in the first half of 2018 dropped by 54.1% to HK$7.3 million, attributable to reduced loss for the Dalian development project. Profit attributable to equity holders rose by 0.3% to HK$906.9 million in the first half of 2018 (1H 2017: HK$904.1 million).

BUSINESS REVIEW

	Six months ended 30 June		
	2018	2017	
Breakdown of Operating Income	**HK$ million**	HK$ million	Change
1. Hotels EBITDA	**357.9**	297.9	20.1%
2. Income from Champion REIT	**670.9**	624.2	7.5%
3. Distribution Income from LHI	**118.0**	127.8	-7.7%
4. Net Rental Income from investment properties	**90.1**	86.4	4.3%
5. Operating Income from other operations	**53.8**	137.3	-60.8%
Operating Income from core business	**1,290.7**	1,273.6	1.3%

1. HOTELS DIVISION

Hotels Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	1H 2018	1H 2017	**1H 2018**	1H 2017	**1H 2018**	1H 2017	**1H 2018**	1H 2017
Europe								
The Langham, London	**380**	376	**74.1%**	73.1%	**336**	307	**249**	224
North America								
The Langham, Boston	**317**	317	**74.7%**	75.2%	**290**	285	**217**	215
The Langham Huntington, Pasadena	**379**	377	**72.2%**	70.4%	**278**	284	**201**	200
The Langham, Chicago	**316**	316	**70.1%**	69.5%	**377**	370	**265**	257
The Langham, New York, Fifth Avenue*	**234**	199	**79.0%**	72.1%	**509**	499	**402**	360
Chelsea Hotel, Toronto	**1,590**	1,590	**79.2%**	70.5%	**161**	153	**128**	108
Australia/New Zealand								
The Langham, Melbourne	**388**	388	**87.4%**	85.7%	**314**	305	**274**	261
The Langham, Sydney	**98**	98	**82.3%**	79.4%	**454**	431	**374**	342
Cordis, Auckland#	**406**	409	**77.5%**	93.0%	**244**	245	**189**	227
China								
The Langham, Shanghai, Xintiandi	**356**	356	**81.1%**	71.0%	**1,671**	1,743	**1,355**	1,237
Cordis, Shanghai, Hongqiao^	**394**	144	**49.8%**	22.7%	**890**	875	**443**	199

* Rebranded from Langham Place in December 2017

\# Rebranded from The Langham in November 2017

^ Soft-opened in May 2017

	Six months ended 30 June		
	2018	2017	
	HK$ million	HK$ million	Change
Hotel Revenue			
Europe	**283.6**	223.2	27.1%
North America	**1,027.1**	939.5	9.3%
Australia/New Zealand	**402.5**	405.1	-0.6%
China	**259.7**	172.5	50.6%
Others (including hotel management fee income)	**87.6**	80.2	9.2%
Total Hotel Revenue	**2,060.5**	1,820.5	13.2%
Hotel EBITDA			
Europe	**49.3**	39.2	25.8%
North America	**128.5**	102.6	25.2%
Australia/New Zealand	**62.8**	75.6	-16.9%
China	**67.4**	35.1	92.0%
Others (including hotel management fee income)	**49.9**	45.4	9.9%
Total Hotel EBITDA	**357.9**	297.9	20.1%

Revenue of the Hotels Division, which comprised eleven hotels and other Hotels Division related business such as hotel management fee income, increased by 13.2% to HK$2,060.5 million during the first half of 2018. EBITDA of the Hotels Division recorded a much higher growth of 20.1% to HK$357.9 million. It should be noted that the hotel in downtown Washington, D.C., USA will be completing its renovation and it will open at the end of September 2018.

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 12% growth in room revenue and a 9.5% increase in average room rate during the first half of 2018, as the hotel was able to capture corporate and retail business together with long stay Middle East guests during the period. Revenue from food and beverage ("F&B") rose by 18%, driven by increased business in most of the restaurants, including the catering segment. The Wigmore bar was fully operational after its renovation last year.

NORTH AMERICA

The Langham, Boston

Against a slow market demand, the hotel strategically targeted at corporate and retail leisure during the period, which helped the hotel to deliver a 1.7% increase in average room rate during the first half of 2018, despite a slight drop in occupancy during the period. Revenue from F&B dropped by 14% due to the planned renovation which will take place in the third quarter of 2018 and as such the catering team did not actively market banqueting business for the period.

The Langham Huntington, Pasadena

The hotel continued to face challenging market conditions given the weak demand from both the corporate and retail segments. Nonetheless, the hotel still managed to capture some corporate and retail business during the first half of 2018, which resulted in a slight improvement in occupancy but average room rate declined by 2% during the period. Revenue from F&B dropped by 2% in the first half of 2018, 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 offering, the hotel has firmly established itself as one of the most luxurious hotel in Chicago and demonstrated steady performance. Average room rate rose by 2% with a slight increase in occupancy during the first half of 2018. However, revenue from F&B dropped by 13% in the first half of the year due to a reduction in catering business from corporate meetings and events.

The Langham, New York, Fifth Avenue
(rebranded from Langham Place in December 2017)

After the completion of the refurbishment last year, the hotel demonstrated good performance for the first half of 2018 with a 32% increase in room revenue mainly due to an increase in the number of available rooms. The hotel enjoyed a good market mix of retail, corporate and group business. Revenue from F&B rose by 29% in the first half of 2018 as compared with last year when its performance was affected by noise disruption from the renovation works. With improved revenue, the hotel turned into profit in the first half of 2018.

Chelsea Hotel, Toronto

Given the strong market demand with convention activities in the city coupled with a good mix of retail, corporate, group and crew business, the average room rate was lifted by 5% and the occupancy for the hotel increased by 8.7 percentage points in the first half of 2018. Revenue from F&B dropped by 1% in the first half of the year, with improved restaurant business offset by slower catering business.

AUSTRALIA/NEW ZEALAND

The Langham, Melbourne

The hotel strategically targeted at high yielding retail leisure during the period to offset the weak demand for group business. This helped the hotel to command better room rates. During the first half of 2018, its average room rate rose by 3.1% and its occupancy improved 1.7 percentage points. Revenue from F&B declined by 5% as improved business from the restaurants was not sufficient to offset the reduction in catering business.

The Langham, Sydney

The hotel's operations continued to ramp up since its re-opening after a major renovation, with average room rate increased by 5.5% and occupancy improved by 2.9 percentage points in the first half of 2018. Revenue from F&B rose by 13% with improved catering business during the period.

Cordis, Auckland
(rebranded from The Langham in November 2017)

The hotel has been operating under challenging conditions given the lower market demand for hotel rooms following the Lion Rugby Tournament held last year and the renovation works at the hotel which continued until the first quarter of 2018. Room revenue was affected mainly by reduced businesses in the leisure and group segments. Revenue from F&B declined by 7% from shortfall in restaurant business, although banquet business was satisfactory in the first half of 2018 as compared with the same period last year.

CHINA

The Langham, Shanghai, Xintiandi

Group and corporate demand remained weak during the first half of 2018 and the hotel continued to focus on retail leisure business. While the hotel managed to improve its occupancy by 10.1 percentage points in the first half of 2018, average room rate declined by 4.1% during the period. Revenue from F&B dropped by 9% during the period due to weaker business from the Chinese restaurant and banqueting business.

Cordis, Shanghai, Hongqiao

After the hotel's soft opening on 26 May 2017, the hotel continues to build momentum in increasing its revenue and gradually gaining market share as it has become fully operational during the year. As a result, there was a substantial improvement in occupancy and the hotel turned into profit after a loss was incurred in the first half of 2017, when there was a booking of pre-opening charge amounting to HK$19 million.

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 2018, resulted from stronger performance of the managed hotels, where operations have mostly ramped up.

HOTEL MANAGEMENT BUSINESS

As at the end of June 2018, there were seven hotels with approximately 2,200 rooms in our management portfolio.

2. INCOME FROM CHAMPION REIT

The Group's core profit is based on the attributable distribution income and management fee income from Champion REIT in respect of the same financial period. On that basis, total income from Champion REIT in the first half of 2018 increased by 7.5% to HK$670.9 million. Distribution income rose 7.5% to HK$480.8 million, as the REIT declared a 6.8% increase in distribution per unit and our holdings in the REIT has been increased from 65.62% as at the end of June 2017 to 65.76% as at the end of June 2018. 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 2018, overall management fee income from Champion REIT still increased by 7.5% to HK$190.1 million in the first half of 2018.

	Six months ended 30 June		
	2018	2017	
	HK$ million	HK$ million	Change
Attributable Dividend income	**480.8**	447.4	7.5%
Management fee income	**190.1**	176.8	7.5%
Total income from Champion REIT	**670.9**	624.2	7.5%

The following text was extracted from the 2018 interim results announcement of Champion REIT relating to the performance of the REIT's properties.

Three Garden Road

The total rental income increased by 12.8% to HK$672 million (1H 2017: HK$596 million). The occupancy rate of the property reached a record high of 98.8% as at 30 June 2018, compared with 94.2% as at 31 December 2017. The uptrend in market rentals has driven up the passing rents to HK$95.87 per sq. ft. (based on lettable area) as at 30 June 2018, compared with HK$92.52 per sq. ft. (based on lettable area) as at 31 December 2017. Net property income attained a solid growth of 13.1% to HK$607 million (1H 2017: HK$537 million).

Langham Place Office Tower

The total rental income was HK$167 million for the first half of 2018, compared with HK$175 million in 2017. The decline in rental income stemmed from a lower average occupancy level. Latest achieved rents are above HK$50 per sq. ft. (based on gross floor area), higher than the passing rents of HK$41.24 per sq. ft. (based on gross floor area) as at 30 June 2018. Total net property operating expenses went up 4.5% to HK$12 million. Net property income fell 5.2% to HK$155 million (1H 2017: HK$163 million).

Langham Place Mall

Rental income from the Mall grew 12.6% to HK$464 million, driven mainly by a significant increase in turnover rents on the back of solid sales performance of beauty and skincare tenants. Turnover rents have more than doubled to HK$94 million (1H 2017: HK$41 million) while base rents remained stable. The average passing base rents marginally improved to HK$177.56 per sq. ft. (based on lettable floor area) as at 30 June 2018. Overall positive rental reversion was achieved for new leases and lease renewals effective in 2018. Net property income grew 13.9% to HK$415 million, compared with HK$364 million last year.

3. DISTRIBUTION INCOME FROM LHI

Under statutory accounting basis, our investment in LHI is classified as a subsidiary, and its results are consolidated into the Group's statutory income statement. However, as LHI is principally focused on distributions, the Group's core profit will be derived from the attributable distribution income 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 2018, LHI declared a 12.6% decline in distribution per share stapled unit as higher interest payments reduced its income available for distribution. However, our share of distribution income received from LHI only declined by 7.7% to HK$118.0 million for the first half of 2018, as all of our units held are entitled to distribution in 2018. As compared with 2017, during which distribution entitlement in respect of our 50 million share stapled units held was waived, all of our holdings will be entitled to receive distribution payable from this year onwards.

	Six months ended 30 June		
	2018	2017	
	HK$ million	HK$ million	Change
Attributable Distribution income	**118.0**	127.8	-7.7%

Performances of the Hong Kong hotels below were extracted from the 2018 interim results announcement of LHI relating to the performance of the trust group's properties.

	Average Daily Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	1H 2018	1H 2017	**1H 2018**	1H 2017	**1H 2018**	1H 2017	**1H 2018**	1H 2017
The Langham, Hong Kong	**498**	498	**90.6%**	85.6%	**2,270**	2,086	**2,057**	1,787
Cordis, Hong Kong	**666**	661	**95.2%**	91.6%	**1,749**	1,590	**1,666**	1,456
Eaton HK	**376**	465	**90.3%**	96.9%	**1,025**	945	**925**	915

The Langham, Hong Kong

For The Langham, Hong Kong, the hotel witnessed a growth of 11.1% in arrivals from Mainland China in the first half of 2018 as well as growth in other Asia countries and Europe. F&B revenue for the hotel rose by 3.7% year-on-year in the first six months of 2018. 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 the Palm Court. However, banqueting business continued to be soft in the first half of 2018.

Cordis, Hong Kong

At Cordis, Hong Kong, in addition to growth of 4.6% in arrivals from Mainland China in the first half of 2018, the hotel witnessed growth from arrivals across all other geographic regions. Revenue from F&B also witnessed growth of 6.1% year-on-year for the first six months of 2018. The increase was due to improved banqueting business in the first half period.

Eaton HK

Eaton HK's performance was negatively impacted by large scale renovation at the hotel throughout the first half of 2018. Arrivals from all major geographical countries, including Mainland China, witnessed decline during the period. Revenue from F&B at Eaton HK, dropped by 53.1% year-on-year in first half of 2018, which was attributable to closure of the majority of its F&B outlets due to major renovation.

4. RENTAL INCOME FROM INVESTMENT PROPERTIES

	Six months ended 30 June		
	2018	2017	
	HK$ million	HK$ million	Change
Gross rental income			
Great Eagle Centre	**71.0**	69.1	2.7%
Eaton Residence Apartments	**27.7**	26.2	5.7%
Others^	**15.6**	18.5	-15.7%
	114.3	113.8	0.4%
Net rental income			
Great Eagle Centre	**69.6**	67.6	3.0%
Eaton Residence Apartments	**18.2**	17.0	7.1%
Others^	**2.3**	1.8	27.8%
	90.1	86.4	4.3%

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

Great Eagle Centre

	As at the end of		
	June 2018	June 2017	Change
Office (on lettable area)			
Occupancy	**100.0%**	97.2%	2.8ppt
Average passing rent	**HK$68.1**	HK$66.3	2.7%
Retail (on lettable area)			
Occupancy	**99.4%**	99.4%	–
Average passing rent	**HK$99.7**	HK$98.4	1.3%

After the Group has taken up more space at Great Eagle Centre for its in-house expansion, the remaining offices with smaller floor plate sizes were leased to independent third parties. As a result, Great Eagle Centre experienced a full office occupancy as at the end of June 2018. As asking rents rose, there was a 2.7% growth in the average passing rent for the leased office space at Great Eagle Centre, which increased from HK$66.3 per sq. ft. as at June 2017 to HK$68.1 per sq. ft. as at June 2018. Gross rental income for Great Eagle Centre rose by 2.7% to HK$71.0 million in the first half of 2018, whereas net rental income rose by 3.0% to HK$69.6 million.

Eaton Residence Apartments

	Six months ended 30 June		
	2018	2017	Change
(on gross floor area)			
Occupancy	**86.1%**	83.1%	3.0ppt
Average net passing rent	**HK$32.3**	HK$30.9	4.5%

Increased demand from the corporate segment helped boost the occupancy of the portfolio from 83.1% in the first half of 2017 to 86.1% in the first half of 2018. The Wanchai Gap Road property witnessed improved demand from the leisure and local corporate segments, and the Village Road property also performed well in both the corporate and medical market segments. Meanwhile, the Blue Pool Road property saw softer demand from both the corporate and retail segments. Average net passing rent for the three serviced apartments rose by 4.5% to HK$32.3 per sq. ft. on gross floor area in the first half of 2018, as compared with HK$30.9 per sq. ft. in the first half of 2017. Gross rental income rose by 5.7% year-on-year to HK$27.7 million in the first half of the 2018, and net rental income increased by 7.1% year-on-year to HK$18.2 million for the first half of 2018.

5. OPERATING INCOME FROM OTHER OPERATIONS

The Group's operating income from other business operations included property management and maintenance income, trading income from our trading and procurement subsidiaries, asset management fee income and dividend or distribution income from securities portfolio or other investments.

In the first half of 2018, operating income from other business operations dropped by 60.8% to HK$53.8 million (1H 2017: HK$137.3 million), the decline was in part due to a high base for comparison, as 2017's interim results included a one-off HK$35.7 million in distribution income for our investment in the China 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 2018, the Group held 49.97% interest in the U.S. Fund and acts as the fund's 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 in January 2015. The site is situated in the trendy Polk Street neighbourhood, in proximity to the traditional luxury residential areas of Nob Hill and Pacific Heights, and within easy reach from the burgeoning technology cluster in Mid-Market. The development with gross floor area of approximately 135,000 sq. ft. comprised 100 studio, one- and two-bedroom residences. Construction work started in the first quarter of 2016 and by December 2017, substantial completion of construction was achieved. As at the end of June 2018, 78 residential units have been sold. The profitability of this small project would be minimal.

Cavalleri, Malibu

The acquisition of the residential property with 68 rental apartment units in Malibu, California was completed in September 2015. Malibu is a sought-after high-end coastal residential area in Los Angeles, where regulatory development constraints establish high barriers to entry and currently no similar competing properties are available for sale or under development. The Fund has successfully repositioned the units to high-end products with renovation works completed by the first quarter of 2018. While the project has been launched to the market, the responses for an en-bloc sale to institutional buyers have not been too keen thus far, given the overall low institutional familiarity with Malibu, as such, there will be more active marketing of the project towards individual buyers. A loss is expected to be incurred for this investment.

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. While 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, as rental rates are still trending up and the Fund anticipates there will be further rental increases going forward. Hence, instead of putting the building on offer, the Fund has decided to retain the property for the time being.

There was an absence of asset management fee income from the U.S. Fund for the first half of 2018 (1H 2017: HK$26.9 million), which reflect a revised incentive structure to improve alignment of interest between the Group, acting as the Fund's asset manager and our long term partner, China Orient Asset Management, as the Fund has entered into its divestment phase. The Group will book incentive management fee and/or disposal fee income, if any, when assets are being disposed of.

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 main superstructure works commenced in July 2017, while topping-out of the buildings is expected to take place in late 2018 and the main superstructure work is scheduled to complete by the end of 2019. Meanwhile, the fitting out contract was awarded in June 2018 and the project is expected to complete in early 2020 with presale of the residential apartments in the second half of 2019 at the earliest. 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 of approximately 360 rooms. The Group has an equity interest in the project, investment in the preferred shares of the project and acts as the project manager. The project is developed in two phases: Phase I comprises approximately 800 apartments and Phase II comprises the remaining apartments and the hotel.

Phase I development is expected to complete by the end of 2018. However, there is no immediate plan to start Phase II development until local housing demand is strong enough to minimise development risk. The Group's share of net asset value in the project, including HK$661.5 million invested in the preferred shares of the project with a fixed rate of return, was HK$1,163 million as at 30 June 2018.

During the first half of 2018, 64 apartments were sold at an average selling price of approximately RMB18,000 per sq. m., which was higher than that of the same period of 2017 at approximately RMB16,000 per sq. m. On an accumulated basis, a total of 459 apartments were sold as at the end of June 2018, representing 57% of the total Phase I unit count.

However, as the majority of sales are for apartments at presale stage, revenue was recognised for only 5 apartments completed and handed over to buyers in the first half of 2018. In addition, sales of 83 car parking spaces were recognised with higher margin. Revenue of first half of 2018 rose by 8.0% year-on-year, while after-tax loss for our interest in the project was reduced to HK$4.2 million, compared with a loss of HK$15 million in the first half of 2017. Our share of the loss was included under the share of results of joint ventures in the core profit of the Group for the period.

JAPAN

Tokyo Hotel Redevelopment Project

Artistic rendering only

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

World renowned architect, Kengo Kuma & Associates has been commissioned to design this 280-key flagship The Langham Hotel. Planning application has been submitted to the local government, while construction is expected to commence in 2020. Total investment cost is currently under review and is expected to exceed the JPY49 billion previously budgeted based on the original development plan.

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 of the guest rooms which has commenced since the first quarter of 2017 has been mostly completed by the end of 2017, whereas the public space and co-working space are being redesigned to accommodate more event space and to better reflect Eaton's standards. As a result of fine-tune on the design, soft opening of the hotel is expected to be in August 2018 with full opening of the hotel by end September 2018.

San Francisco Hotel Development Project, 1125 Market Street

Artistic rendering only

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

The site has been earmarked for the development of an "Eaton" hotel. After optimizing the design, the property can achieve a gross floor area of approximately 139,000 sq. ft. with 180-key. Updated plans will be submitted to the city's planning department in August 2018 for approval. Construction of the project will start after the development rights for the hotel are approved by the city's planning department and construction documents are completed. The famous AvroKO group has been commissioned as the interior designer for this iconic Eaton Hotel project. Assuming development approval will be granted in 2018, construction would start in 2019 with opening of the hotel targeted in 2021/2022.

San Francisco Hotel Redevelopment Projects, 555 Howard Street

Artistic rendering only

555 Howard Street is a redevelopment project located right across the new Transbay Transit Center, the recently launched US$4.5 billion transportation hub, in the heart of The East Cut San Francisco's new central business district in the South of Market (SOMA) area. The Group 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 world renowned international architecture firm Renzo Piano Building Workshop has been commissioned to design this prestigious project in collaboration with the acclaimed California architect Mark Cavagnero Associates. While the initial plan was to develop a mixed-use project comprising the luxurious Langham Hotel with approximately 240 rooms and condominiums with 100,000 net sq. ft. for sale, studies are currently being carried out with an attempt to further optimize the efficiency of project.

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 residential component to the project, so as to further enhance the financial attractiveness of the project. We have again brought in world renowned architect, Kengo Kuma & Associates, to design this landmark mixed use development project.

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 2018 was HK$22,105 million, a decrease of HK$201 million compared to that as of 31 December 2017. The decrease in net borrowings was mainly due to cash generated from operations, in particular the property sales in U.S. during the period, offset by additional loans drawn for development project in Hong Kong.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2018 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK$67,562 million, representing an increase of HK$3,093 million compared to the value of HK$64,469 million as of 31 December 2017. The increase was mainly attributable to profit for the period, increase in share premium from additional shares issued under employee share option scheme and after offsetting by dividends paid out during the period.

For statutory accounts reporting purpose, on consolidation the Group is treated as to include entire debts of Champion REIT, LHI and the U.S. Fund. Based on the consolidated net debts attributable to the Group (i.e. only 65.76%, 62.48% 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 2018 was 21.5%. Since the debts of these three subsidiary groups had no recourse to the Group, we consider it is more meaningful to account for the Group's own net debts instead of attributable consolidated net debts against the Group's sharing of net assets of those subsidiaries, and the resulting net position is illustrated below.

Net debt at 30 June 2018	On Consolidated Basis HK$ million	On Core Balance Sheet Basis HK$ million
Great Eagle	996	996
Champion REIT	13,466	–
LHI	6,811	–
U.S. Fund	832	–
Net debts	22,105	996
Net debts attributable to Shareholders of the Group	14,522	996
Equity attributable to Shareholders of the Group	67,562	77,418
Net gearing ratio^	21.5%	1.3%

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

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

INDEBTEDNESS

Our gross debts (including medium term notes) after consolidating Champion REIT, LHI and the U.S. Fund amounted to HK$31,044 million as of 30 June 2018.

Outstanding gross debts(1)(2)	Floating rate debts HK$ million	Fixed rate debts HK$ million	Utilised Facilities HK$ million
Secured bank loans	16,720	9,199(3)	25,919(4)
Medium term notes	643	4,482(5)	5,125
Total	17,363	13,681	31,044
%	55.9%	44.1%	100%

(1) All amounts are stated at face value.

(2) All debt facilities were denominated in Hong Kong Dollars except for (4) and (5) below.

(3) Included floating rate debts which have been swapped to fixed rate debts. As at 30 June 2018, the Group had outstanding interest rate swap contracts with notional amount HK$7,450 million to manage the interest rate exposure. The Group also entered into cross currency swaps with notional amount equivalent to HK$1,749 million in total, to mitigate the exposure to fluctuation in both exchange rate and interest rate of Japanese YEN.

(4) Equivalent to HK$6,432 million was originally denominated in other currencies.

(5) Included a US dollars note of principal amount of US$386.4 million, conversion of which was fixed at an average rate of HK$7.7595 to US$1.00.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 30 June 2018, our cash, bank deposits and undrawn loan facilities amounted to a total of HK$14,324 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 2018:

Within 1 year	18.3%
More than 1 year but not exceeding 2 years	22.8%
More than 2 years but not exceeding 5 years	51.7%
More than 5 years	7.2%

FINANCE COST

The net consolidated finance cost during the period was HK$346 million in which HK$32 million was capitalised to property development projects. Overall interest cover at the reporting date was 5.4 times.

PLEDGE OF ASSETS

At 30 June 2018, properties of the Group with a total carrying value of approximately HK$65,963 million (31 December 2017: HK$64,253 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2018, the Group had authorised capital expenditure for investment properties and property, plant and equipment of HK$9,590 million (31 December 2017: HK$8,795 million) which had not yet been provided for in these consolidated financial statements. Out of the amount, HK$169 million (31 December 2017: HK$230 million) had been contracted for.

At 30 June 2018, 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 2017: RMB25.8 million).

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

OUTLOOK

Despite the rising interest rates, the Group's businesses have been improving steadily in the first six months of the year. However, as the tension of international trade escalates, it could evolve into a currency war as already evidenced by the 6% depreciation of China's currency against the U.S. dollar in the second quarter of 2018 alone. If depreciation continues at its current rapid pace, compounded by ongoing Fed policies to drain liquidity, these will certainly drag on the global economy and will inevitably impact our businesses. Therefore, we must stay vigilant and be ready to respond to any slowdown in our business.

As for the Hotels Division, growth for EBITDA of the overseas hotels in the second half of the year is expected to continue, although its pace will become slower as there will be a one-off pre-opening charge for Eaton, Washington D.C. Nonetheless, the increase in EBITDA of the newly opened hotel, Cordis, Hongqiao, and expected pick up in EBITDA of the renovated hotels will more than offset additional expense incurred in the second half of the year.

For Champion REIT, The high base effect in the second half of 2017 would present a challenging outlook for the second half of this year. Though the base rents of the Mall are expected to remain stable, volatilities in the turnover rents portion could affect the overall rental income. For LHI, earnings of Eaton HK will still be affected as new facilities are ramped up for operation, which will continue to impact on its distributable income in the second half 2018.

Despite heightened geopolitical risks and potential headwinds in the medium term, the Group has secured a number of development projects in prior years when asset values were at much more accommodating levels, as these projects complete, recurring income from these projects should enhance the Group's future earnings growth. At the same time, with our strong balance sheet, as well as a strong recurring cash flow, these will enable us to comfortably add investments in markets where asset values are suppressed. We will continue to prudently look for opportunities in the uncertain times ahead.

Lo Ka Shui
Chairman and Managing Director

Hong Kong, 23 August 2018

DIRECTORS' BIOGRAPHICAL INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the Company subsequent to the publication of the 2017 Annual Report of the Company and up to the date of this Interim Report, are updated as follows:

Dr. LO Ka Shui

Chairman and Managing Director

Dr. LO Ka Shui, aged 71, has been a member of the Board since 1980. He is the Chairman, Managing Director of the Company, the Chairman of the Finance Committee and is also a director of various subsidiaries of the Company. He is the Chairman and a Non-executive Director of the Manager of the publicly listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. He is also a Vice President of The Real Estate Developers Association of Hong Kong, a member of the Board of Trustees of The Hong Kong Centre for Economic Research and a Vice Chairman of The Chamber of Hong Kong Listed Companies. 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 98, 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 70, 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 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 China Minsheng Banking Corp., Ltd. 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 66, 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 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 69, was appointed as an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. She is a partner of the firm of solicitors Woo, Kwan, Lee & Lo and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs. Lee is active in public service, during the period she was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and ceased to be a member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She was previously a Non-executive Director of the Securities and Futures Commission and the Mandatory Provident Fund Schemes Authority. She is a Non-executive Director of CK Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited, all of which are listed companies.

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

Mr. LEE Siu Kwong, Ambrose, aged 70, was appointed as an Independent Non-executive Director of the Company in January 2016 and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is currently an independent non-executive director of HSBC Bank (China) Company Limited and was a non-executive director of Digital Broadcasting Corporation Hong Kong Limited. Mr. Lee had served with the Hong Kong Government for 38 years and retired from it in 2012. He joined the Hong Kong Government as an Immigration Officer in 1974. He advanced through the ranks and in 1998, took charge of the Department as Director of Immigration. In 2002, Mr. Lee was appointed as Commissioner of the Independent Commission Against Corruption and one year later, he was appointed as Secretary for

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

Professor POON Ka Yeung, Larry

Independent Non-executive Director

Professor POON Ka Yeung, Larry, aged 50, was appointed as an Independent Non-executive Director of the Company in March 2016. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He has been teaching marketing-related subjects for 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 76, 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 81, 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 70, 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 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 and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He was awarded the Grand Bauhinia Medal (GBM) in 2017, the Gold Bauhinia Star in 1998 and was appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. Mr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Dr. Lo Ying Sui, a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Dr. LO Ying Sui
Non-executive Director

Dr. LO Ying Sui, aged 66, 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 33, joined the Group in 2010 and was appointed as an Executive Director of the Company in December 2015. He is also a member of the Finance Committee. Mr. Lo holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, Great Eagle (China) Investment Limited, The Great Eagle Development and Project Management Limited, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Pacific Eagle Holdings Corporation and Pacific Eagle China Orient (US) Real Estate GP, LLC. He is also a Non-executive Director of Langham Hospitality Investments Limited and LHIL Manager Limited (Manager of the publicly listed Langham Hospitality Investments). Prior to joining the Group, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of The Real Estate Developers Association of Hong Kong 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 66, 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 56, joined the Group in 1989 and was appointed as an Executive Director of the Company in December 2015. He is a member of the Finance Committee and also the Head of Tax and Investment primarily responsible for the Group's taxation, finance and investment matters. Mr. Chu is a fellow of The Chartered Association of Certified Accountants and an associate of The Hong Kong Institute of Certified Public Accountants. He is also a full member of the Society of Registered Financial Planners. Mr. Chu has 30 years' aggregated experience in taxation, finance, accounting, legal, and acquisition and investment.

GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Company is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost Shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of our Shareholders. The Board of Directors of the Company will from time to time monitor and review the Company's corporate governance practices in light of the regulatory requirements and the needs of the Company to underpin our engrained value of integrity and accountability. 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 34, 36 and 37. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. Notwithstanding that Dr. Lo is not subject to retirement by rotation, he has disclosed his biographical details in accordance with Rule 13.74 of the Listing Rules in the circular to the Shareholders in relation to, among other things, the re-election of retiring Directors, for Shareholders' information.

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

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

CG Code Provision B.1.5 requires that details of any remuneration payable to members of Senior Management should be disclosed by band in annual reports

Remuneration details of Senior Management are highly sensitive and confidential. Over-disclosure of such information may induce inflationary spiral and undesirable competition which in turn is detrimental to the interests of the Shareholders. The Board considers that our current approach in disclosing the emoluments of Directors on named basis and that of the five highest paid individuals of the Group in the forms of aggregate amount and by bands in our annual reports is appropriate to maintain the equilibrium between transparency and privacy.

COMPLIANCE POLICIES AND PROCEDURES

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

At Great Eagle, CSR is a concept whereby we would integrate social and environmental concerns in our business operations. Our commitment to this concept is long-standing as we believe that CSR could create long-term value for our stakeholders and improve the quality of life in our workplace, the local community as well as the world at large. Based on the above belief, we have crafted "Create Value, Improve Quality of Life" as our CSR vision. Our committed 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 the right people to meet current and future business requirements. We offer competitive salaries to employees and discretionary bonuses are granted based on performance of the Group as well as the performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In line with our commitment to corporate social responsibility, staff wellness program (e.g. green workshop, mindfulness class), staff recreational activities as well as community involvement through volunteering projects are provided to employees.

There had been no material change to the number of employees and staff composition of the Group for the six months ended 30 June 2018.

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

(a) Senior staff meetings hosted by the Chairman, on recent business development of the Group;

(b) Departmental meetings with light refreshments, which enable every employee to enjoy a casual conversation with the Chairman; and

(c) Executives luncheons hosted by the Chairman and/or Executive Directors which facilitate ideas exchange among top management members of the Group in Hong Kong.

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

We believe that the provision of opportunities for training and development is an important component to attract and retain staff. Since 2012, the corporate culture of applying the best practices from "The 7 Habits of Highly Effective People" program and adopting innovative approaches at work is continuously cultivated. We raise staff awareness through different channels such as training programs, promotional items, forming a committee and leveraged on the intranet for staff to express their ideas. Since 2014, the Group has further promoted the innovation culture through establishing an on-line platform of the Great Eagle Innovation Portal to facilitate exchange of innovative ideas among staff and business units/departments. The Group has also developed external and in-house designed training programmes in supervisory, management, soft skills as well as technical skills training. Focusing on talent management through training and development, succession planning and mentoring program further strengthen the Group's organisational agility. The organisation strategies are sustainable due to staff involvement and management's support.

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

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

Our Hotels Division continues to be acknowledged as "Manpower Developer 1st" in the Manpower Developer Scheme by the Employee Retraining Board from 2010 to 2020. The Langham and Cordis 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 2017.

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 2018.

REVIEW OF INTERIM RESULTS

The unaudited financial statements for the six months ended 30 June 2018 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 2018, the total number of issued shares of the Company was 698,354,038. As compared with the position of 31 December 2017, a total of 9,764,000 new shares were issued during the period. These new shares comprise the following:

- During the period, 3,045,000 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$82,913,640.

- On 11 June 2018, a total of 6,719,000 new shares at a price of HK$36.96 per share were issued to the Shareholders who had elected to receive scrip shares under the Scrip Dividend Arrangement in respect of the 2017 final dividend.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2018, 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 2018.

DISCLOSURE OF INTERESTS

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

As at 30 June 2018, 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[11]
Lo Ka Shui	Beneficial Owner	Personal Interests	51,891,303[1]		
	Interests of Controlled Corporations	Corporate Interests	78,374,292[2]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848[3]		
	Founder of a Discretionary Trust	Trust Interests	60,788,762	423,884,205	60.70
Lo To Lee Kwan	Beneficial Owner	Personal Interests	1,099,099		
	Interests of Controlled Corporations	Corporate Interests	5,098,600[4]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848[3]	239,027,547	34.23
Cheng Hoi Chuen, Vincent	Interests of Spouse	Family Interests	10,000	10,000	0.00
Wong Yue Chim, Richard	Beneficial Owner	Personal Interests	10,000	10,000	0.00
Lo Hong Sui, Antony	Beneficial Owner	Personal Interests	1,161,010[5]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848[3]	233,990,858	33.51
Law Wai Duen	Beneficial Owner	Personal Interests	2,046,081[6]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848[3]	234,875,929	33.63

DISCLOSURE OF INTERESTS

Name of Director	Capacity	Nature of Interests	Number of Ordinary Shares/Underlying Shares Held	Total	Percentage of issued share capital[11]
Lo Hong Sui, Vincent	Beneficial Owner	Personal Interests	293		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848[3]	232,830,141	33.34
Lo Ying Sui	Beneficial Owner	Personal Interests	1,500,000		
	Interests of Controlled Corporations	Corporate Interests	35,628,206[7]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848[3]	269,958,054	38.66
Lo Chun Him, Alexander	Beneficial Owner	Personal Interests	595,000[8]	595,000	0.09
Kan Tak Kwong	Beneficial Owner	Personal Interests	3,959,164[9]	3,959,164	0.57
Chu Shik Pui	Beneficial Owner	Personal Interests	1,253,554[10]	1,253,554	0.18

Notes:

(1) Among these interests, 1,358,000 were share options.

(2) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies.

(3) These 232,829,848 shares were owned by a discretionary trust of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui are among the discretionary beneficiaries.

(4) These 5,098,600 shares were held by two companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies. Dr. Lo Ka Shui is a director of one of these companies.

(5) Among these interests, 500,000 were share options.

(6) Among these interests, 200,000 were share options.

(7) These 35,628,206 shares were held by a company wholly-owned by Dr. Lo Ying Sui who is also a director of this company.

(8) Among these interests, 590,000 were share options.

(9) Among these interests, 1,730,000 were share options.

(10) Among these interests, 1,070,000 were share options.

(11) This percentage has been compiled based on 698,354,038 shares of the Company in issue as at 30 June 2018.

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 2018, the Group owned 65.80% 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 2018 are disclosed as follows:

Name of Director	Total Number of Units/ Underlying Units Held	Percentage of issued units[4]
Lo Ka Shui	21,694,000[1]	0.37
Lo Ying Sui	239,000[2]	0.00
Chu Shik Pui	8,000[3]	0.00

Notes:

(1) Among these 21,694,000 units:

- (i) 2,579,000 units were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies; and
- (ii) 19,115,000 units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.

(2) Dr. Lo Ying Sui had personal interests in 239,000 units of Champion REIT.

(3) Mr. Chu Shik Pui had personal interests in 8,000 units of Champion REIT.

(4) This percentage has been compiled based on 5,834,898,392 units of Champion REIT in issue as at 30 June 2018.

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 2018, the Group owned 62.48% 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 2018 are disclosed as follows:

Name of Director	Total Number of SSUs/ Underlying SSUs Held	Percentage of issued SSUs[6]
Lo Ka Shui	54,233,500[1]	2.58
Lo To Lee Kwan	306,177[2]	0.01
Wong Yue Chim, Richard	150,000[3]	0.01
Law Wai Duen	280,000[4]	0.01
Lo Ying Sui	320,000[5]	0.02

Notes:

(1) Among these 54,233,500 SSUs:

(i) 8,073,500 SSUs were held by Dr. Lo Ka Shui personally;

(ii) 2,060,000 SSUs were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies; and

(iii) 44,100,000 SSUs were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.

(2) These SSUs were held by two companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies. Dr. Lo Ka Shui is a director of one of these companies.

(3) Professor Wong Yue Chim, Richard had personal interests in 150,000 SSUs of LHI.

(4) Madam Law Wai Duen had personal interests in 280,000 SSUs of LHI.

(5) Dr. Lo Ying Sui had personal interests in 320,000 SSUs of LHI.

(6) This percentage has been compiled based on 2,099,083,438 SSUs of LHI in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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 2018 are as follows:

	Number of Share Options						
Date of grant[1]	Outstanding as at 01/01/2018	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/06/2018	Exercisable period	Exercise price per share (HK$)
06/06/2013	736,000	–	(659,000)	(77,000)	–	07/06/2015–06/06/2018	31.45
27/02/2014	940,000	–	(41,000)	(97,000)	802,000	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	1,459,000	–	(253,000)	(126,000)	1,080,000	12/03/2017–11/03/2020	26.88
14/03/2016	3,903,000	–	(1,792,000)	(233,000)	1,878,000	15/03/2018–14/03/2021	25.70
14/03/2017	5,211,000	–	–	(250,000)	4,961,000	15/03/2019–14/03/2022	37.15
14/03/2018	–	5,209,000[2]	–	(172,000)	5,037,000	15/03/2020–14/03/2023	42.40
08/05/2018	–	300,000[2]	–	–	300,000	09/05/2020–08/05/2023	38.83
Total	**12,549,000**	**5,509,000**	**(3,045,000)**	**(955,000)**	**14,058,000**		

Notes:

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

(2) During the six months ended 30 June 2018, 1,928,000 share options were granted to the Directors of the Company and their Associates, while 3,581,000 share options were granted to eligible employees of the Group.

(3) During the six months ended 30 June 2018, 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 2018, i.e. 13 March 2018 was HK$42.55 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK$42.014).

(7) The closing price of the shares of the Company immediately before the date of grant of 8 May 2018, i.e. 7 May 2018 was HK$38.55.

On 14 March 2018, 1,888,000 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 2018 to 14 March 2020 as non-cash emoluments of the respective Executive Directors:

Name of Executive Directors	Number of Options	Option Value* (HK$)
Lo Ka Shui *(Chairman and Managing Director)*	688,000	4,788,480
Lo Hong Sui, Antony	100,000	696,000
Law Wai Duen	100,000	696,000
Lo Chun Him, Alexander	220,000	1,531,200
Kan Tak Kwong *(General Manager)*	430,000	2,992,800
Chu Shik Pui	350,000	2,436,000

* Further details of the share options are set out in note 26 to the Condensed Consolidated Financial Statements on pages 88 and 89 of this interim report.

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 2018 are as follows:

		Number of Share Options						
Directors	Date of grant[1]	Outstanding as at 01/01/2018	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/06/2018	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Lo Ka Shui	14/03/2016	655,000	–	(655,000)	–	–	25.70	39.93
	14/03/2017	670,000	–	–	–	670,000	37.15	–
	14/03/2018	–	688,000	–	–	688,000	42.40	–
		1,325,000	688,000	(655,000)	–	1,358,000		
Lo Hong Sui, Antony	06/06/2013	100,000	–	(100,000)	–	–	31.45	39.93
	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	–
	14/03/2018	–	100,000	–	–	100,000	42.40	–
		500,000	100,000	(100,000)	–	500,000		

DISCLOSURE OF INTERESTS

		Number of Share Options						
Directors	Date of grant[1]	Outstanding as at 01/01/2018	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/06/2018	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Law Wai Duen	14/03/2016	100,000	–	(100,000)	–	–	25.70	39.93
	14/03/2017	100,000	–	–	–	100,000	37.15	–
	14/03/2018	–	100,000	–	–	100,000	42.40	–
		200,000	100,000	(100,000)	–	200,000		
Lo Chun Him, Alexander	06/06/2013	5,000	–	(5,000)	–	–	31.45	39.93
	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	–
	14/03/2018	–	220,000	–		220,000	42.40	–
		375,000	220,000	(5,000)	–	590,000		
Kan Tak Kwong	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	–
	14/03/2018	–	430,000	–	–	430,000	42.40	–
		1,300,000	430,000	–	–	1,730,000		
Chu Shik Pui	06/06/2013	90,000	–	(90,000)	–	–	31.45	39.93
	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	–
	14/03/2018	–	350,000	–	–	350,000	42.40	–
		810,000	350,000	(90,000)	–	1,070,000		

Directors	Date of grant(1)	Number of Share Options: Outstanding as at 01/01/2018	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/06/2018	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Associates of Directors of the Company(7)	06/06/2013	108,000	–	(108,000)	–	–	31.45	39.93
	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	–
	14/03/2018	–	40,000	–	–	40,000	42.40	–
		770,000	40,000	(108,000)	–	702,000		
Eligible Employees (other than Directors of the Company and their Associates)	06/06/2013	433,000	–	(356,000)	(77,000)	–	31.45	39.93
	27/02/2014	310,000	–	(41,000)	(97,000)	172,000	26.05	39.93
	17/03/2014	300,000	–	(300,000)	–	–	27.55	39.93
	11/03/2015	709,000	–	(253,000)	(126,000)	330,000	26.88	39.93
	14/03/2016	2,286,000	–	(1,037,000)	(233,000)	1,016,000	25.70	39.93
	14/03/2017	3,231,000	–	–	(250,000)	2,981,000	37.15	–
	14/03/2018	–	3,281,000	–	(172,000)	3,109,000	42.40	–
	08/05/2018	–	300,00	–	–	300,000	38.83	–
		7,269,000	3,581,000	(1,987,000)	(955,000)	7,908,000		

Notes:

(1) Share options were granted under the 2009 Share Option Scheme.
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.
Share options granted on 14/03/2018 are exercisable during the period from 15/03/2020 to 14/03/2023.
Share options granted on 08/05/2018 are exercisable during the period from 09/05/2020 to 08/05/2023.

(2) During the six months ended 30 June 2018, 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 2018, i.e. 13 March 2018 was HK$42.55 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK$42.014).

(6) The closing price of the shares of the Company immediately before the date of grant of 8 May 2018, i.e. 7 May 2018 was HK$38.55.

(7) Being share options held by Mr. Lo Kai Shui, Ms. Lo Bo Lun, Katherine, Mr. Lo Chun Cheong and Mr. Lo Chun Lai, Andrew.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2018, the interests and short positions of persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

Long positions in shares of the Company

Name of Shareholders	Total Number of Ordinary Shares/Underlying Shares Held	Percentage of issued share capital[7]
HSBC International Trustee Limited	293,184,166[1]	41.98
Powermax Agents Limited	172,704,109[2]	24.41
Surewit Finance Limited	41,454,452[3]	5.86
Eagle Guardian Limited	38,182,632[4]	5.47
Mind Reader Limited	36,053,386[5]	5.16
Adscan Holdings Limited	35,628,206[6]	5.10

Notes:

(1) The number of shares disclosed was based on the latest Disclosure of Interest Form (with the date of relevant event as at 2 January 2018) received from HSBC International Trustee Limited ("HITL"). According to the latest disclosures made by the Directors of the Company, as at 30 June 2018:

(i) 232,829,848 shares representing 33.34% of the issued share capital of the Company were held in the name of HITL as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, are among the discretionary beneficiaries.

(ii) 60,788,762 shares representing 8.70% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the founder.

(2) Powermax Agents Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 172,704,109 shares held by it were among the shares referred to in Note (1)(i) above.

(3) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 41,454,452 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is a director of this company.

(4) Eagle Guardian Limited is a company wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of this company.

(5) Mind Reader Limited is a company wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of this company.

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

(7) This percentage has been compiled based on 698,354,038 shares of the Company in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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 34 and 35) 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 44 to 95, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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
23 August 2018

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	3	**4,967,731**	4,216,642
Cost of goods and services		**(2,930,794)**	(2,312,772)
Operating profit before depreciation		**2,036,937**	1,903,870
Depreciation		**(359,905)**	(298,912)
Operating profit		**1,677,032**	1,604,958
Fair value changes on investment properties		**4,244,070**	4,432,739
Fair value changes on derivative financial instruments		**887**	(114,090)
Fair value changes on financial assets at fair value through profit or loss		**(8,003)**	22,460
Other income		**121,832**	115,293
Administrative and other expenses		**(237,626)**	(215,135)
Finance costs	5	**(384,814)**	(313,222)
Share of results of joint ventures		**(7,297)**	(15,866)
Share of results of associates		**362**	182
Profit before tax	6	**5,406,443**	5,517,319
Income taxes	7	**(246,548)**	(215,666)
Profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		**5,159,895**	5,301,653
Profit for the period attributable to:			
Owners of the Company		**3,487,790**	3,685,732
Non-controlling interests		**55,180**	34,025
		3,542,970	3,719,757
Non-controlling unitholders of Champion REIT		**1,616,925**	1,581,896
		5,159,895	5,301,653
Earnings per share:	9		
Basic		**HK$5.01**	HK$5.37
Diluted		**HK$4.99**	HK$5.35

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	**5,159,895**	5,301,653
Other comprehensive (expense) income:		
Item that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at fair value through other comprehensive income	**(22,763)**	–
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments	**–**	94,697
Reclassification adjustment upon disposal of available-for-sale investments	**–**	(1,518)
Exchange differences arising on translation of foreign operations	**(42,911)**	286,566
Share of other comprehensive (expense) income of a joint venture	**(10,981)**	22,179
Share of other comprehensive (expense) income of associates	**(11,874)**	20,780
Cash flow hedges:		
Fair value adjustment on cross currency swaps and interest rate swaps designated as cash flow hedges	**51,173**	(82,168)
Reclassification of fair value adjustments to profit or loss	**(4,325)**	(13,547)
Other comprehensive (expense) income for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT	**(41,681)**	326,989
Total comprehensive income for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT	**5,118,214**	5,628,642
Total comprehensive income for the period attributable to:		
Owners of the Company	**3,426,736**	4,040,839
Non-controlling interests	**58,508**	38,848
	3,485,244	4,079,687
Non-controlling unitholders of Champion REIT	**1,632,970**	1,548,955
	5,118,214	5,628,642

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**At 30 June 2018 HK$'000 (unaudited)**	At 31 December 2017 HK$'000 (audited)
Non-current assets			
Investment properties	10	**88,126,594**	83,999,025
Property, plant and equipment	10	**19,830,356**	19,716,816
Interests in joint ventures	11	**1,403,884**	1,411,273
Interests in associates	12	**142,523**	159,491
Equity instruments at fair value through other comprehensive income	13	**874,077**	–
Available-for-sale investments	14	**–**	907,261
Notes and loan receivables	15	**309,413**	309,247
Derivative financial instruments	20,21	**147,737**	64,887
		110,834,584	106,568,000
Current assets			
Stock of properties	16	**4,519,786**	4,569,586
Inventories		**136,589**	109,627
Debtors, deposits and prepayments	17	**952,407**	1,019,764
Notes and loan receivables	15	**–**	23,382
Financial assets at fair value through profit or loss	18	**284,271**	139,261
Derivative financial instruments	20	**101**	–
Tax recoverable		**1,605**	109,851
Restricted cash		**130,862**	92,917
Time deposits with original maturity over three months		**1,169,816**	1,879,586
Bank balances and cash		**7,638,282**	6,491,562
		14,833,719	14,435,536
Current liabilities			
Creditors, deposits and accruals	19	**3,547,242**	3,730,729
Derivative financial instruments	20	**–**	236
Provision for taxation		**230,791**	188,219
Distribution payable		**250,302**	250,799
Borrowings due within one year	22	**5,672,601**	1,656,371
		9,700,936	5,826,354
Net current assets		**5,132,783**	8,609,182
Total assets less current liabilities		**115,967,367**	115,177,182

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**At 30 June 2018 HK$'000 (unaudited)**	At 31 December 2017 HK$'000 (audited)
Non-current liabilities			
Derivative financial instruments	20, 21	**42,952**	20,723
Borrowings due after one year	22	**20,147,886**	24,353,881
Medium term notes	23	**5,101,461**	4,612,054
Deferred taxation		**1,397,566**	1,362,093
		26,689,865	30,348,751
NET ASSETS		**89,277,502**	84,828,431
Equity attributable to:			
Owners of the Company			
Share capital	24	**349,177**	344,295
Share premium and reserves		**67,213,231**	64,124,417
		67,562,408	64,468,712
Non-controlling interests		**(354,473)**	(346,792)
		67,207,935	64,121,920
Net assets attributable to non-controlling unitholders of Champion REIT		**22,069,567**	20,706,511
		89,277,502	84,828,431

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company															
	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note a)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000	Amount attributable to non-controlling unitholders of Champion REIT HK$'000	Total HK$'000
At 1 January 2017 (audited)	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 2018

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Notes:

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

(b) It mainly represents the effect from the Group's increase in interests in Champion REIT and Langham (both defined in note 4) upon the settlement of management fees in units and purchase of units of Champion REIT and Langham from the market by the Group.

(c) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, a subsidiary, has agreed to waive its entitlement to receive any distributions payable from its 100,000,000 share stapled units for 2016 and 50,000,000 share stapled units for 2017 in Langham. During the period, distribution of HK$2,927,000 (30 June 2017: HK$4,762,000) was waived by the Group.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cash generated from operations	**1,887,364**	1,286,968
Hong Kong Profits Tax paid	**(6,240)**	(7,724)
Other jurisdictions tax paid	**(46,766)**	(50,752)
Hong Kong Profits Tax refunded	**33**	–
Net cash from operating activities	**1,834,391**	1,228,492
Investing activities		
Additions of available-for-sale investments	**–**	(1,826)
Additions of financial assets at fair value through profit or loss	**(219,809)**	–
Additions of investment properties	**(15,982)**	(9,168)
Additions of property, plant and equipment	**(496,058)**	(525,103)
Placement of restricted cash	**(38,380)**	–
Withdrawal of pledged bank deposits	**–**	623,640
Dividends received from associates	**5,759**	3,562
Dividends received from equity securities held for trading	**1,078**	4,496
Dividends received from		
– equity instruments at fair value through other comprehensive income	**9,029**	–
– available-for-sale investments	**–**	48,327
Return of capital of available-for-sale investments	**–**	287,632
Proceeds on disposal of		
– equity instruments at fair value through other comprehensive income	**12,718**	–
– available-for-sale investments	**–**	56,068
Proceeds on disposal of financial assets at fair value through profit or loss	**68,735**	38,789
Proceeds on redemption of notes receivable	**23,503**	–
Proceeds on disposal of property, plant and equipment	**469**	227
Net proceeds on disposal of an investment property	**–**	104,562
Advance of loan receivables	**–**	(35,516)
Additions of interests in a joint venture	**(10,482)**	(115,951)
Interest received	**63,146**	31,872
Placement of time deposits with original maturity over three months	**(209,532)**	(722,321)
Withdrawal of time deposits with original maturity over three months	**919,302**	400,907
Net cash from investing activities	**113,496**	190,197

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Financing activities		
Change of interests in subsidiaries	**607**	(10,566)
Bank origination fees	**–**	(13,424)
Dividends paid to shareholders	**(428,987)**	(414,661)
Distribution paid to non-controlling unitholders of Champion REIT	**(250,933)**	(240,082)
Distribution paid to non-controlling interests	**(87,424)**	(108,691)
Interest paid	**(397,776)**	(308,115)
Issue of shares	**82,884**	89,409
New bank loans raised	**412,406**	4,507,791
Proceeds from issuance of medium term notes	**475,000**	775,000
Repayments of bank loans	**(570,698)**	(3,627,030)
Transaction costs for issuance of medium term notes	**(690)**	(3,813)
Net cash (used in) from financing activities	**(765,611)**	645,818
Net increase in cash and cash equivalents	**1,182,276**	2,064,507
Effect of foreign exchange rate changes	**(35,556)**	109,655
Cash and cash equivalents at 1 January	**6,491,562**	5,457,044
Cash and cash equivalents at 30 June	**7,638,282**	7,631,206

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Hotel income (including hotel room revenue, food and beverage sales and other ancillary services)
- Building management service income
- Sales of properties
- Sales of goods
- Others (including property management and maintenance income and property agency commission)

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard, if any, recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers" (continued)

Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output Method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers" (continued)

Summary of effects arising from initial application of HKFRS 15

Upon the application of HKFRS 15, the Group's contract assets named as retention money receivables have been included in debtors, deposits and prepayments, and the Group's contract liabilities named as customer deposits and other deferred revenue have been included in creditors, deposits and accruals.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
	HK$'000	HK$'000	HK$'000
Debtors, deposits and prepayments			
– Retention money receivables	–	17,520	17,520
– Other receivables	220,075	(17,520)	202,555
Creditors, deposits and accruals			
– Customer deposits and other deferred revenue	–	226,483	226,483
– Deposits received	914,974	(196,344)	718,630
– Accruals, interest payable and other payables	2,128,525	(30,139)	2,098,386

* The amounts in this column are before the adjustments from the application of HKFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers" (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported HK$'000	Adjustment HK$'000	Amounts without application of HKFRS 15 HK$'000
Debtors, deposits and prepayments			
– Retention money receivables	14,615	(14,615)	–
– Other receivables	185,799	14,615	200,414
Creditors, deposits and accruals			
– Customer deposits and other deferred revenue	269,993	(269,993)	–
– Deposits received	772,949	234,574	1,007,523
– Accruals, interest payable and other payables	2,055,258	35,419	2,090,677

The application of HKFRS 15 has no significant impact on the timing and amounts of revenue recognised in the current interim period and retained profits at 1 January 2018.

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" (continued)

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "fair value changes on financial assets at fair value through profit or loss" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in section named "Summary of effects arising from initial application of HKFRS 9".

Impairment under ECL model

The Group recognise a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade debtors, other receivables and deposits, retention money receivables, notes and loan receivables, amount due from a joint venture, restricted cash, time deposits with original maturity over three months and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade debtors. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

For all other instruments, the Group measure the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group consider that default has occurred when the instrument is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers the default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstration that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL (continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Hedge accounting

The Group has elected to adopt the new general hedge accounting in HKFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	Available-for-sale investments HK$'000	Equity instruments at FVTOCI HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000
Closing balance at 31 December 2017 – HKAS 39		907,261	–	217,565	50,143,577
Effect arising from initial application of HKFRS 9:					
Reclassification					
From available-for-sale investments	(a)	(907,261)	907,261	(168,080)	168,080
Opening balance at 1 January 2018		–	907,261	49,485	50,311,657

Note:

(a) Available-for-sale investments

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale ("AFS"), of which investments with carrying amounts of HK$41,103,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future.

At the date of initial application of HKFRS 9, HK$907,261,000 were reclassified from AFS investments to equity instruments at FVTOCI, of which HK$41,103,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. Based on the Group's fair value measurement of those unquoted equity investments, their aggregate carrying amounts of HK$41,103,000 as at 31 December 2017 approximate to their fair values. In addition, impairment loss previously recognised of HK$168,080,000 were transferred from retained profits to investment revaluation reserve as at 1 January 2018.

Except as described above, the application of new and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

Revenue represents the aggregate of income from hotel and restaurant operations, gross rental income, building management service income, income from sale of properties, proceeds from sale of building materials, dividend income from investments and income from other operations (including property management and maintenance income and property agency commission).

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Hotel income	**2,788,560**	2,532,377
Rental income from investment properties	**1,432,811**	1,308,828
Building management service income	**155,114**	147,635
Sales of properties	**411,807**	–
Sales of goods	**91,647**	85,052
Dividend income	**11,056**	53,487
Others	**76,736**	89,263
	4,967,731	4,216,642

For the six months ended 30 June 2018, revenue from contracts with customers recognised over time amounted to HK$1,998,733,000 which mainly consists of hotel room revenue and building management service income. The revenue recognised at a point in time amounted to HK$1,525,131,000 which mainly consists of income from hotel food and beverage sales, income from sales of properties and sales of goods.

4. SEGMENT INFORMATION

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

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

Hotel operation	–	hotel accommodation, food and banquet operations as well as hotel management.
Property investment	–	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Property development	–	income from selling of properties held for sale.
Other operations	–	sales of building materials, co-working space operation, investment in securities, provision of property management, maintenance and property agency services.
Results from Champion REIT	–	based on published financial information of Champion REIT.
Results from Langham	–	based on published financial information of Langham.
US Real Estate Fund	–	based on income from sale of properties, rental income and related expenses of the properties owned by the US Real Estate Fund.

Segment results of Champion REIT represent the published net property income less manager's fee. Segment results of Langham represent revenue less property related expenses and services fees. Segment results of US Real Estate Fund represent revenue less fund related expenses. Segment results of other operating segments represent the results of each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, Directors' salaries, share of results of joint ventures, share of results of associates, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets at FVTPL, 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.

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 2018

	Hotel operation HK$'000 (unaudited)	Property investment HK$'000 (unaudited)	Property development HK$'000 (unaudited) (note 1)	Other operations HK$'000 (unaudited)	Sub-total HK$'000 (unaudited)	Champion REIT HK$'000 (unaudited)	Langham HK$'000 (unaudited)	US Real Estate Fund HK$'000 (unaudited) (note 2)	Eliminations HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
REVENUE										
External revenue	2,788,560	113,979	–	179,439	3,081,978	1,433,021	41	452,691	–	4,967,731
Inter-segment revenue	32,982	341	–	192,659	225,982	11,754	284,596	–	(522,332)	–
Total	2,821,542	114,320	–	372,098	3,307,960	1,444,775	284,637	452,691	(522,332)	4,967,731

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation	Property investment	Property development	Other operations	Sub-total	Champion REIT	Langham	US Real Estate Fund	Eliminations	Consolidated
RESULTS										
Segment results	357,854	90,142	–	243,901	691,897	1,035,550	271,063	44,766	(6,339)	2,036,937
Depreciation					(264,415)	–	(95,171)	–	(319)	(359,905)
Operating profit after depreciation					427,482	1,035,550	175,892	44,766	(6,658)	1,677,032
Fair value changes on investment properties					220,231	4,033,138	–	(8,299)	(1,000)	4,244,070
Fair value changes on derivative financial instruments					(35,643)	–	36,530	–	–	887
Fair value changes on financial assets at FVTPL					(8,003)	–	–	–	–	(8,003)
Other income					50,153	–	–	1,203	(480)	50,876
Administrative and other expenses					(214,315)	(16,306)	(6,301)	(5,092)	4,388	(237,626)
Net finance costs					(26,466)	(187,034)	(86,325)	(14,033)	–	(313,858)
Share of results of joint ventures					(7,297)	–	–	–	–	(7,297)
Share of results of associates					362	–	–	–	–	362
Profit before tax					406,504	4,865,348	119,796	18,545	(3,750)	5,406,443
Income taxes					(80,573)	(143,021)	(23,021)	–	67	(246,548)
Profit for the period					325,931	4,722,327	96,775	18,545	(3,683)	5,159,895
Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					1,165	(1,616,925)	(36,362)	(19,983)	–	(1,672,105)
Profit attributable to owners of the Company					327,096	3,105,402	60,413	(1,438)	(3,683)	3,487,790

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Six months ended 30 June 2017

	Hotel operation HK$'000 (unaudited)	Property investment HK$'000 (unaudited)	Property development HK$'000 (unaudited) (note 1)	Other operations HK$'000 (unaudited)	Sub-total HK$'000 (unaudited)	Champion REIT HK$'000 (unaudited)	Langham HK$'000 (unaudited)	US Real Estate Fund HK$'000 (unaudited) (note 2)	Eliminations HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
REVENUE										
External revenue	2,532,377	113,780	–	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	290,680	–	(535,148)	–
Total	2,565,398	113,780	–	428,210	3,107,388	1,317,684	291,551	35,167	(535,148)	4,216,642

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation HK$'000 (unaudited)	Property investment HK$'000 (unaudited)	Property development HK$'000 (unaudited) (note 1)	Other operations HK$'000 (unaudited)	Sub-total HK$'000 (unaudited)	Champion REIT HK$'000 (unaudited)	Langham HK$'000 (unaudited)	US Real Estate Fund HK$'000 (unaudited) (note 2)	Eliminations HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
RESULTS										
Segment results	297,878	86,435	–	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 investment properties					413,745	3,962,708	–	58,386	(2,100)	4,432,739
Fair value changes on derivative financial instruments					(63,367)	–	(50,723)	–	–	(114,090)
Fair value changes on financial 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 non-controlling interests/ non-controlling unitholders of Champion REIT					(2,772)	(1,581,896)	(11,736)	(19,517)	–	(1,615,921)
Profit attributable to owners of the Company					630,441	3,019,314	19,239	19,692	(2,954)	3,685,732

Notes:

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

2. During the period, income from sale of properties and rental income of HK$411,807,000 (2016: Nil) and HK$40,884,000 (2016: HK$35,167,000), respectively, were recognised by the US Real Estate Fund.

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 2018

	Assets HK$'000 (unaudited)	**Liabilities HK$'000 (unaudited)**	**Net Assets HK$'000 (unaudited)**
Hotel operation (note a)	**17,402,055**	**7,970,062**	**9,431,993**
Property investment (note a)	**6,660,579**	**143,442**	**6,517,137**
Property development (note a)	**5,081,620**	**1,509,055**	**3,572,565**
Other operations (note a)	**514,330**	**243,000**	**271,330**
Unallocated	**6,583,173**	**399,888**	**6,183,285**
Great Eagle operations (note b)	**36,241,757**	**10,265,447**	**25,976,310**
Champion REIT (note c)	**54,540,200**	**11,673,535**	**42,866,665**
Langham (note c)	**12,641,793**	**4,582,376**	**8,059,417**
US Real Estate Fund (note d)	**1,229,166**	**714,301**	**514,865**

31 December 2017

	Assets HK$'000 (audited)	Liabilities HK$'000 (audited)	Net Assets HK$'000 (audited)
Hotel operation (note a)	17,327,465	8,132,153	9,195,312
Property investment (note a)	6,455,194	132,260	6,322,934
Property development (note a)	4,747,912	1,284,845	3,463,067
Other operations (note a)	606,146	194,178	411,968
Unallocated	6,507,298	346,941	6,160,357
Great Eagle operations (note b)	35,644,015	10,090,377	25,553,638
Champion REIT (note c)	51,535,669	11,410,758	40,124,911
Langham (note c)	12,219,987	4,489,133	7,730,854
US Real Estate Fund (note d)	1,386,816	872,692	514,124

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

Notes:

(a) The segment assets include primarily investment properties, property, plant and equipment, equity instruments classified as AFS investments or at FVTOCI, as appropriate, stock of properties, inventories, notes and loan receivables, financial assets at FVTPL, time deposits with original maturity over three months, bank balances and cash and debtors, deposits and prepayments attributable to respective operating segments. The segment liabilities include primarily creditors, deposits and accruals, borrowings, provision for taxation and deferred taxation attributable to respective operating segments.

(b) Included in the assets and liabilities are bank deposit and restricted cash of HK$7,003,892,000 (31 December 2017: HK$6,993,398,000) and borrowings of HK$7,999,980,000 (31 December 2017: HK$7,811,695,000), representing net debt of HK$996,088,000 as at 30 June 2018 (31 December 2017: HK$818,297,000).

(c) Assets and liabilities of Champion REIT and Langham are based on published results of Champion REIT and Langham, at the respective interests held by Great Eagle Holdings Limited, being 65.76% and 62.48% (31 December 2017: 65.69% and 62.29%), respectively, excluding distribution payable attributable from Champion REIT of HK$480,720,000 (31 December 2017: HK$480,180,000).

Additionally, in 2013, three hotel properties had been transferred to Langham from Great Eagle operations. The hotel properties are valued at fair value in the financial statements of Langham with appraised value of HK$20,000,000,000 as at 30 June 2018 (31 December 2017: HK$19,373,000,000), while the hotel properties with a carrying amount (at cost less accumulated depreciation) of HK$4,096,078,000 (31 December 2017: HK$4,069,242,000) were 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 2017: 49.97%) interest held by Great Eagle Holdings Limited.

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	**303,329**	241,160
Interest on medium term notes	**80,117**	65,981
Other borrowing costs	**33,569**	37,056
	417,015	344,197
Less: amount capitalised (note)	**(32,201)**	(30,975)
	384,814	313,222

Note:

Interest were capitalised at an average annual rate of 1.46% (2017: 1.27%) to property development projects.

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	**1,275,417**	1,152,745
Share based payments (including Directors' emoluments)	**14,077**	9,959
	1,289,494	1,162,704
Depreciation	**359,905**	298,912
Recovery of bad debts written off	**(246)**	(446)
Share of tax of a joint venture (included in the share of results of joint ventures)	**468**	413
Share of tax of associates (included in the share of results of associates)	**64**	68
Dividend income from equity investments	**(11,056)**	(53,487)
Bank interest income (included in other income)	**(53,155)**	(30,439)
Interest income received from other financial assets (included in other income)	**(17,801)**	(8,732)
Net gain on disposal of AFS investments (included in other income)	**–**	(1,518)
Loss on disposal of property, plant and equipment (included in administrative and other expenses)	**4,285**	–
Gain on disposal of property, plant and equipment (included in other income)	**–**	(104)
Net exchange gain (included in other income)	**(680)**	(49,348)

7. INCOME TAXES

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Current period:		
Hong Kong Profits Tax	**164,276**	159,368
Other jurisdictions	**39,800**	26,221
	204,076	185,589
(Over)underprovision in prior periods:		
Hong Kong Profits Tax	**(98)**	(167)
Other jurisdictions	**2,419**	13,165
	2,321	12,998
	206,397	198,587
Deferred tax:		
Current period	**40,151**	21,324
Underprovision in prior periods	**–**	312
Attributable to change in tax rate	**–**	(4,557)
	40,151	17,079
	246,548	215,666

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.

8. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividends paid:		
Final dividend of HK48 cents in respect of the financial year ended 31 December 2017 (2017: HK48 cents in respect of the financial year ended 31 December 2016) per ordinary share	**331,748**	326,694
Special final dividend of HK50 cents in respect of the financial year ended 31 December 2017 (2017: HK50 cents in respect of the financial year ended 31 December 2016) per ordinary share	**345,573**	340,309
	677,321	667,003
Dividends declared after the end of reporting period:		
Interim dividend of HK33 cents in respect of the six months ended 30 June 2018 (2017: HK30 cents in respect of the six months ended 30 June 2017) per ordinary share	**230,457**	206,332
Special interim dividend of HK50 cents in respect of the six months ended 30 June 2017 per ordinary share	**–**	343,887
	230,457	550,219

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

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.

8. DIVIDENDS (CONTINUED)

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividends		
Cash	**83,414**	74,352
Share alternative	**248,334**	252,342
	331,748	326,694

On 23 August 2018, the Directors have determined that an interim dividend of HK33 cents (2017: an interim dividend of HK30 cents and a special interim dividend of HK50 cents) per ordinary share will be paid to the shareholders of the Company whose names appear in the Register of Members on 8 October 2018.

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	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**3,487,790**	3,685,732

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**696,668,458**	685,947,320
Effect of dilutive potential shares:		
Share options	**1,879,543**	2,654,067
Weighted average number of shares for the purpose of diluted earnings per share	**698,548,001**	688,601,387

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

Investment properties

During the current interim period, the Group had additions to improvement work on investment properties at a cost of HK$15,982,000 (six months ended 30 June 2017: HK$9,761,000). In addition, investment properties with carrying value of HK$134,200,000 were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation.

The fair value of the Group's investment properties of HK$88,126,594,000 as at 30 June 2018 (31 December 2017: HK$83,999,025,000) has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

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

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

Investment property in the United States of America ("USA") – Newmark Knight Frank Valuation & Advisory, LLC.

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

Property, plant and equipment

During the current interim period, the Group acquired a freehold land in Tokyo, Japan amounting to HK$30,437,000 (six months ended 30 June 2017: HK$12,903,000) for hotel development and also had additions in relation to structural improvement work on hotel properties of HK$12,931,000 (six months ended 30 June 2017: HK$13,970,000) and hotel buildings under development of HK$21,886,000 (six months ended 30 June 2017: HK$145,576,000). The additions of other property, plant and equipment were HK$367,883,000 (six months ended 30 June 2017: HK$405,375,000). During the current interim period, the Group had disposals of other property, plant and equipment with carrying amount of HK$4,754,000 (six months ended 30 June 2017: HK$123,000).

At 30 June 2018 and 2017, the Directors conducted an impairment assessment on hotel properties, no reversal or additional impairment loss was recognised for the six months ended 30 June 2018 and 2017.

11. INTERESTS IN JOINT VENTURES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Cost of investments in joint ventures	**1,417,512**	1,405,445
Share of post-acquisition results and other comprehensive income	**(150,796)**	(132,445)
	1,266,716	1,273,000
Amount due from a joint venture (note 25)	**137,168**	138,273
	1,403,884	1,411,273

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.

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

The Group's interests in joint ventures amounting to HK$1,266,716,000 as at 30 June 2018 (31 December 2017: HK$1,273,000,000) are accounted for using the equity method in these condensed consolidated financial statements.

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

12. INTERESTS IN ASSOCIATES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Cost of investment in associates	**70,727**	70,424
Share of post-acquisition profit and other comprehensive income, net of dividend received	**71,796**	89,067
	142,523	159,491

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. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI as at 30 June 2018 comprise:

	30 June 2018 HK$'000 (unaudited)
Listed equity securities in Hong Kong	**216,298**
Listed equity securities outside Hong Kong	**45,860**
Unlisted equity securities in Hong Kong	**10,447**
Unlisted equity securities outside Hong Kong	**601,472**
	874,077

As mentioned in note 2, on 1 January 2018, equity securities previously classified as AFS investments has been reclassified to equity instruments at FVTOCI in accordance with the requirement of HKFRS 9.

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.

14. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments as at 31 December 2017 comprised:

	31 December 2017 HK$'000 (audited)
Listed equity securities in Hong Kong	236,541
Listed equity securities outside Hong Kong	58,965
Unlisted equity securities in Hong Kong	10,403
Unlisted equity securities outside Hong Kong	601,352
	907,261
Market value of listed securities	295,506

At 31 December 2017, all the listed securities were stated at fair values which have been determined by reference to closing prices quoted in the active markets, 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.

Unlisted investments represented unlisted equity investments and club debentures. An aggregate amount of unlisted equity securities of HK$570,652,000 were measured at fair values. The remaining amount of unlisted equity securities and club debentures of HK$41,103,000 were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so widespread that the Directors were of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2017, the Group's investment in an investor of China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund L.P., namely China Orient Great Eagle (PRC) Real Estate Investment Opportunity Fund Limited Partner, an exempted company incorporated with limited liability in the Cayman Islands amounted to HK$409,048,000 was returned.

15. NOTES AND LOAN RECEIVABLES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Notes receivables	**220,314**	243,913
Loan receivables	**89,099**	88,716
	309,413	332,629
Less: Amounts due within one year shown under current assets	**–**	(23,382)
Amounts due after one year	**309,413**	309,247

Notes receivables

At the end of the reporting period, the Group held unsecured bonds with principal amounts of HK$220,314,000 (31 December 2017: HK$243,913,000) denominated in United States dollars ("US$") with nominal values ranging from US$1,200,000 to US$7,640,000 (31 December 2017: US$1,000,000 to US$7,640,000), bears interest at fixed interest rates ranging from 3.75% to 5.88% (31 December 2017: 2.63% to 5.88%) per annum and has maturity dates ranging from February 2021 to May 2024 (31 December 2017: March 2018 to May 2024). The Group designated unsecured bonds amounting to HK$220,314,000 (31 December 2017: HK$220,531,000) as held-to-maturity investments.

Loan receivables

Loan receivables represented the following:

(i) Pacific Miami Corporation, a wholly-owned subsidiary of the Company, entered into unsecured promissory notes from 2015 to 2017 with an investee classified as a joint venture for a loan receivable of US$11,355,000 (equivalent to approximately HK$89,099,000) (31 December 2017: US$11,355,000 (equivalent to approximately HK$88,716,000)), which bears interest at 18% per annum and has a maturity date on 31 December 2022.

(ii) During the year ended 31 December 2017, Smart Easy Global Limited ("Smart Easy"), a wholly owned subsidiary of the Company, converted the subordinated unsecured convertible promissory notes of US$30 million (equivalent to approximately HK$232,804,000) with a carrying amount of US$5 million (equivalent to approximately HK$39,029,000) after impairment and corresponding interest receivable into fully paid units of a third party as the cost of investment in an associate.

16. STOCK OF PROPERTIES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Properties under development for sale	**3,551,115**	3,244,172
Properties held for sale	**968,671**	1,325,414
	4,519,786	4,569,586

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 development of residential properties is completed and available for sale to customers.

(iii) A residential site in Pak Shek Kok, Tai Po at the land premium of HK$2,412,000,000 acquired in 2014. The site is under development of luxury residential properties for sale.

(iv) A site in Howard Street, San Francisco, the USA acquired in 2015. The site is under planning for development of condominiums for sale.

The properties under development for sale with carrying amount of HK$3,551,115,000 (31 December 2017: HK$3,244,172,000) are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Trade debtors, net of allowance for doubtful debts	**247,866**	247,448
Deferred rent receivables	**181,211**	184,129
Retention money receivables	**14,615**	–
Other receivables	**185,799**	220,075
Deposits and prepayments	**322,916**	368,112
	952,407	1,019,764

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

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

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within 3 months	**230,781**	212,835
More than 3 months but within 6 months	**11,336**	8,425
Over 6 months	**5,749**	26,188
	247,866	247,448

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Equity linked notes designated at FVTPL	**146,939**	–
Listed equity securities held for trading	**137,332**	139,261
	284,271	139,261

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

(i) US$ equity linked notes with nominal values ranging from US$300,000 to US$500,000 (31 December 2017: nil) have maturity period of six months to nine months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

(ii) HK$ equity linked notes with nominal values ranging from HK$4,000,000 to HK$10,000,000 (31 December 2017: nil) have maturity period of four months to five months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

19. CREDITORS, DEPOSITS AND ACCRUALS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Trade creditors	**260,706**	337,435
Deposits received	**772,949**	914,974
Customer deposits and other deferred revenue	**269,993**	–
Construction fee payable and retention money payable	**188,336**	349,795
Accruals, interest payable and other payables	**2,055,258**	2,128,525
	3,547,242	3,730,729

Included in the accruals is accrual of stamp duty based on the current stamp duty rate of 4.25% (31 December 2017: 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.

19. CREDITORS, DEPOSITS AND ACCRUALS (CONTINUED)

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within 3 months	**234,360**	314,700
More than 3 months but within 6 months	**13,300**	5,500
Over 6 months	**13,046**	17,235
	260,706	337,435

20. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2018		31 December 2017	
	Assets HK$'000 (unaudited)	**Liabilities HK$'000 (unaudited)**	Assets HK$'000 (audited)	Liabilities HK$'000 (audited)
Interest rate swaps	**66,600**	**1,845**	28,300	76
Cross currency swaps	**–**	**40,323**	–	2,973
Foreign currency derivative contracts	**101**	**–**	–	236
	66,701	**42,168**	28,300	3,285
Less: Would be matured within one year shown under current assets/liabilities	**(101)**	**–**	–	(236)
Would be matured after one year	**66,600**	**42,168**	28,300	3,049

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Non-current assets		
Cash flow hedges – interest rate swaps	**80,841**	36,587
Fair value hedge – interest rate swap	**296**	–
	81,137	36,587
Non-current liability		
Cash flow hedges – cross currency swaps	**784**	17,674

The Group entered into cross currency swap contracts to minimise the exposure to fluctuation in foreign currency exchange rates and interest rate of the medium term notes, which is denominated in US$, in respect of the principal and fixed rate interest payments. The cross currency swaps and the corresponding medium term notes have similar terms and the Directors considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

The Group also entered into interest rate swap contracts with various financial institutions of a total notional amount of HK$3,450,000,000 to minimise its exposure to fluctuations in interest rates of its variable interest bearing secured term loan. The interest rate swaps and the corresponding secured bank loan have similar terms and the Directors considered that the interest rate swaps were highly effective hedging instruments.

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 and/or quoted exchange rates.

22. BORROWINGS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Bank loans and revolving loans (secured)	**25,918,788**	26,133,315
Loan front-end fee	**(98,301)**	(123,063)
	25,820,487	26,010,252

22. BORROWINGS (CONTINUED)

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within one year	**5,672,601**	1,656,371
More than one year but not exceeding two years	**6,836,498**	4,478,714
More than two years but not exceeding five years	**12,340,464**	18,883,606
More than five years	**970,924**	991,561
	25,820,487	26,010,252
Less: Amounts due within one year shown under current liabilities	**(5,672,601)**	(1,656,371)
Amounts due after one year	**20,147,886**	24,353,881

All of the Group's borrowings are at floating rate. The effective interest rates (which approximately to contracted interest rates) range from 0.33% to 5.10% (31 December 2017: 0.26% to 5.90%) per annum.

23. MEDIUM TERM NOTES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Medium term notes	**5,124,888**	4,636,866
Origination fee	**(23,427)**	(24,812)
	5,101,461	4,612,054

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

23. MEDIUM TERM NOTES (CONTINUED)

As at 30 June 2018, the outstanding medium term notes comprised of the followings:

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

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

(ii) The foreign currency rate and interest rate are fixed by the use of cross currency swaps.

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

24. SHARE CAPITAL

	30 June 2018 (unaudited)		31 December 2017 (audited)	
	Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
Authorised:				
Shares of HK$0.50 each				
Balance brought forward and carried forward	**1,200,000**	**600,000**	1,200,000	600,000
Issued and fully paid:				
Shares of HK$0.50 each				
Balance brought forward	**688,590**	**344,295**	677,470	338,735
Issued upon exercise of share options under the share option schemes	**3,045**	**1,523**	4,099	2,050
Issued as scrip dividends	**6,719**	**3,359**	7,021	3,510
Balance carried forward	**698,354**	**349,177**	688,590	344,295

During the six months ended 30 June 2018, 6,719,000 (year ended 31 December 2017: 7,021,203) shares of HK$0.5 each in the Company were issued at HK$36.96 (31 December 2017: HK$35.94) per share as scrip dividends.

25. MAJOR NON-CASH TRANSACTION

As disclosed in note 24, during the six months ended 30 June 2018, 6,719,000 (year ended 31 December 2017: 7,021,203) shares of HK$0.5 each in the Company were issued at HK$36.96 (31 December 2017: HK$35.94) per share as scrip dividends.

During the year ended 31 December 2017, trade and other receivables of HK$138,273,000 had been transferred to amount due from a joint venture as the amount would not be repaid within twelve months from the end of the reporting period.

26. SHARE-BASED PAYMENTS

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

	Number of share options (unaudited)
Outstanding at 1 January 2018	12,549,000
Granted during the period	5,509,000
Exercised during the period	(3,045,000)
Lapsed during the period	(955,000)
Outstanding at 30 June 2018	14,058,000

During the period, 5,209,000 and 300,000 share options were granted on 14 March 2018 and 8 May 2018, respectively. The closing price of the Company's shares immediately before 14 March 2018 and 8 May 2018, the date of grant, were HK$42.01 and HK$38.55, respectively. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model were derived with the following significant assumptions:

Date of grant:	14 March 2018	8 May 2018
Closing price per share as at the date of grant:	HK$42.40	HK$37.75
Exercise price:	HK$42.40	HK$38.83
Expected volatility (note a):	18.63%	18.79%
Expected dividend yield (note b):	1.87%	2.07%
Expected life from grant date:	5 years	5 years
Risk free interest rate (note c):	2.49%	2.76%
Fair value per option:	HK$6.96	HK$6.18

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.

26. SHARE-BASED PAYMENTS (CONTINUED)

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.

27. COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2018, 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$9,589,657,000 (31 December 2017: HK$8,794,740,000) of which HK$169,427,000 (31 December 2017: HK$230,304,000) was contracted for.

At 30 June 2018, the Group has outstanding financial commitment in respect of capital injection to a joint venture of Renminbi ("RMB") 25,800,000 (equivalent to approximately HK$33,050,000) (31 December 2017: RMB25,800,000 (equivalent to approximately HK$33,050,000)).

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

28. 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	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Transactions with related parties for the period		
Dr. Lo Ka Shui		
Management fee income	**642**	600
Mr. Lo Kai Shui		
Management fee income	**116**	–

28. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Transactions with related companies for the period		
SFK Construction Holdings Limited and its subsidiaries[1]		
Rental income	**3,580**	3,580
Building management fee income	**567**	567
Carpark income	**127**	118
Cleaning service charge	**107**	12,577
Agency fee income	**76**	–
SOCAM Development Limited and its subsidiaries[2]		
Trading income	**219**	–
Shui On Land Limited and its subsidiaries[2]		
Rental expenses	**895**	565
Management fee expenses	**1,774**	1,523
Hotel income	**129**	137
Trading income	**17**	–
Shui Sing Holdings Limited and its subsidiaries[3]		
Management fee income	**132**	120
Repair and maintenance income	**186**	–
Agency fee income	**10**	–
Haining Haixing Hotel Company Limited[5]		
Hotel income	**705**	–
Healthy Seed Limited[4]		
Rental income	**201**	134
Building management fee income	**80**	80
Management fee income	**1,671**	131
Repair and maintenance income	**16**	–
Lo Ying Shek Chi Wai Foundation[4]		
Management fee income	**–**	489

28. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Transactions with a joint venture for the period		
Wealth Joy and its subsidiaries		
Investment management income	–	6,274
Project advisory service income	–	4,586
Supply procurement and consultancy services income	6,158	3,429

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Balances with a joint venture and related companies		
Amount due from a joint venture		
(included in debtors, deposits and prepayments)		
Wealth Joy and its subsidiaries	23,633	23,936
Amounts due from related companies		
(included in debtors, deposits and prepayments)		
SFK Construction Holdings Limited and its subsidiaries[1]	73	–
SOCAM Development Limited and its subsidiaries[2]	125	486
Shui On Land Limited and its subsidiaries[2]	1,885	2,389
Shui Sing Holdings Limited and its subsidiaries[3]	52	56
Haining Haixing Hotel Company Limited[5]	547	446
Lo Ying Shek Chi Wai Foundation[4]	216	216
	2,898	3,593
Amounts due from related parties		
(included in debtors, deposits and prepayments)		
Dr. Lo Ka Shui	–	127
Mr. Lo Kai Shui	664	548
	664	675
Amounts due to related companies		
(included in creditors, deposits and accruals)		
SFK Construction Holdings Limited and its subsidiaries[1]	1,203	1,203
Shui On Land Limited and its subsidiaries[2]	–	212
Healthy Seed Limited[4]	146	146
	1,349	1,561

28. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Balances with a joint venture and related companies are unsecured, interest-free and repayable on demand. Other than the above balance with a joint venture as at the end of the reporting period, the Group also has amount due from a joint venture as disclosed in note 11.

Notes:

[1] Mr. Lo Kai Shui, being a controlling shareholder of these companies, is a past director of the Company (retired on 10 May 2017) and an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company.

[2] Mr. Lo Hong Sui, Vincent, being a director and controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company, and Mr. Lo Kai Shui, being a past director of the Company (retired on 10 May 2017).

[3] Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, and Mr. Lo Kai Shui, being a past director of the Company (retired on 10 May 2017), are among the discretionary beneficiaries under a discretionary trust, being a substantial shareholder of this company, holding 33.34% (31 December 2017: 33.38%) interest of the Company.

[4] Lo Ying Shek Chi Wai Foundation, a charitable trust of which Dr. Lo Ka Shui is a member of Advisory Committee and Management Committee, is the founding sponsor of Healthy Seed Limited. Both Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander, are directors of Healthy Seed Limited.

[5] The company is also a connected party of the Company in which a director of a subsidiary has controlling interest.

29. 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 each reporting period. The following table gives information about how the fair values of these financial instruments that 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 30 June 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Listed equity securities classified as equity instruments at FVTOCI in the condensed consolidated statement of financial position.	**262,158**	–	Level 1	Quoted market bid prices in an active market.
Listed equity securities classified as AFS investments in the condensed consolidated statement of financial position.	**–**	295,506	Level 1	Quoted market bid prices in an active market.
Listed equity securities held for trading in the condensed consolidated statement of financial position.	**137,332**	139,261	Level 1	Quoted market bid prices in an active market.
Unlisted equity securities classified as equity instruments at FVTOCI in the condensed consolidated statement of financial position.	**570,640**	–	Level 1	Broker's quote which reflects the Group's share of fair value of the underlying investments which are publicly traded equity investments.

29. 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 30 June 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Unlisted equity securities classified as AFS investments in the condensed consolidated statement of financial position.	–	570,652	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.	101	(236)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position.	147,737 (1,845)	64,887 (76)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable forward interest rates at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position.	(41,107)	(20,647)	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.

29. 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 30 June 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Unlisted equity securities classified as equity instruments at FVTOCI in the condensed consolidated statement of financial position.	**41,279**	–	Level 3	Market approach. It is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability.	Multiples of several comparable companies and risk adjustments for lack of marketability. (Note a)
Equity linked notes classified as financial assets at FVTPL in the condensed consolidated statement of financial position.	**146,939**	–	Level 3	Discounted cash flow. Future cash flows are estimated based on probability-adjusted share prices, contracted share prices and volatility discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices. (Note b)

Notes:

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

(b) The higher the volatility, the higher the fair value of equity linked notes. A reasonably possible change in the unobservable input would result in a significantly higher or lower fair value measurement.

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

Reconciliation of Level 3 fair value measurements

	Equity linked notes HK$'000	Unlisted equity securities HK$'000
As at 1 January 2018*	–	41,279
Purchases	219,809	–
Redemption upon maturity	(68,735)	–
Change in fair value	(4,135)	–
As at 30 June 2018	146,939	41,279

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The above change in fair value of equity linked notes 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.

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 65.76% as at 30 June 2018
"China Fund"	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 62.48% as at 30 June 2018
"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 2018

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