鷹君集團有限公司

Great Eagle Holdings Limited

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

ANNUAL REPORT 2018

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 66.0% interest (as at 31 December 2018) in Champion Real Estate Investment Trust, and a 62.9% interest (as at 31 December 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 hotel located on the busy arterial Nathan Road.

The Group's development projects include a luxury residential development project in Pak Shek Kok, Tai Po, Hong Kong, two development projects in San Francisco, U.S., a development project in Seattle, U.S. and a hotel development project in Tokyo, Japan. The Group also owns a 50.0% equity stake in the U.S. Real Estate Fund, which invests in office properties and residential developments in the U.S. The Group's share of net asset value in the U.S. Real Estate Fund amounted to HK$440 million as at the end of 2018. In addition, the Group is the asset manager of the U.S. Real Estate Fund with an 80% stake in the asset management company of the Fund. The Group is also active in property management and maintenance services as well as building materials trading.

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

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

The Group had a core profit after tax of approximately HK$1,995 million in the financial year 2018 and a net asset value (based on share of net assets of Champion Real Estate Investment Trust and LHI) of approximately HK$79 billion as of 31 December 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 *(Chairwoman)*
CHENG Hoi Chuen, Vincent
WONG Yue Chim, Richard
LEE Siu Kwong, Ambrose
POON Ka Yeung, Larry

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

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

COMPANY SECRETARY
WONG Mei Ling, Marina

AUDITOR
Deloitte Touche Tohmatsu

LEGAL ADVISORS
Appleby
Clifford Chance
Pillsbury Winthrop Shaw Pittman LLP
Mayer Brown
Reed Smith Richards Butler
Shartsis Friese LLP

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

REGISTERED OFFICE
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
33rd Floor, Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2827 3668
Fax: (852) 2827 5799

PRINCIPAL SHARE REGISTRAR
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

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

WEBSITE
www.GreatEagle.com.hk

STOCK CODE
41

DIVIDEND NOTICE

FINAL DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK50 cents per share (2017: HK48 cents per share) for the year ended 31 December 2018 to the Shareholders whose names appear on the Registers of Members on Monday, 3 June 2019 subject to the approval of the Shareholders at the forthcoming 2019 Annual General Meeting.

Taken together with the interim dividend of HK33 cents per share paid on 19 October 2018, the total dividend for the year 2018 is HK83 cents per share (2017 total dividend: HK$1.78 per share, comprising an interim dividend of HK30 cents, a special interim dividend of HK50 cents, a final dividend of HK48 cents and a special final dividend of HK50 cents).

Shareholders will be given the option to receive the proposed 2018 final dividend of HK50 cents per share in new shares in lieu of cash. The scrip dividend arrangement is subject to: (1) the approval of the proposed 2018 final dividend at the 2019 Annual General Meeting; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the scrip dividend arrangement will be despatched to the Shareholders together with the form of election for scrip dividend in June 2019. Dividend warrants and share certificates in respect of the proposed 2018 final dividend are expected to be despatched to the Shareholders on 8 July 2019.

CLOSURE OF REGISTERS OF MEMBERS

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

(i) To attend and vote at the 2019 Annual General Meeting

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2019 Annual General Meeting, the Registers of Members of the Company will be closed from Thursday, 16 May 2019 to Wednesday, 22 May 2019, both days inclusive.

In order to be eligible to attend and vote at the 2019 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 May 2019.

(ii) To qualify for the proposed 2018 final dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2018 final dividend, the Registers of Members of the Company will be closed from Wednesday, 29 May 2019 to Monday, 3 June 2019, both days inclusive.

In order to qualify for the proposed 2018 final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28 May 2019.

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

	Year ended 31 December 2018 HK$ million	 2017 HK$ million	 Change
Key Financials on Income Statement			
Based on core business[1]			
Revenue based on core business	**6,661.6**	6,187.6	7.7%
Core profit after tax attributable to equity holders	**1,995.4**	1,900.0	5.0%
Core profit after tax attributable to equity holders (per share)	**HK$2.86**	HK$2.77	
Based on statutory accounting principles[2]			
Revenue based on statutory accounting principles	**10,156.2**	8,948.1	13.5%
Statutory Profit attributable to equity holders	**5,810.7**	8,817.9	- 34.1%
Interim Dividend (per share)	**HK$0.33**	HK$0.30	
Special Interim Dividend (per share)	–	HK$0.50	
Final Dividend (per share)	**HK$0.50**	HK$0.48	
Special Final Dividend (per share)	–	HK$0.50	
Total Dividend (per share)	**HK$0.83**	HK$1.78	

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	
	December 2018	June 2018
Key Financials on Balance Sheet		
Based on share of Net Assets of Champion REIT, LHI and the U.S. Fund (core balance sheet)[1]		
Net gearing	**1.0%**	1.3%
Book value (per share)	**HK$113.7**	HK$110.9
Based on statutory accounting principles[2]		
Net gearing [3]	**20.7%**	21.5%
Book value (per share)	**HK$99.3**	HK$96.7

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

2 As for the Group's balance sheet prepared under the statutory accounting principles, the entire debts of Champion REIT, LHI and the U.S. Fund were consolidated in aggregate. However, the Group only owns a 65.99%, 62.93% and 49.97% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of December 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.

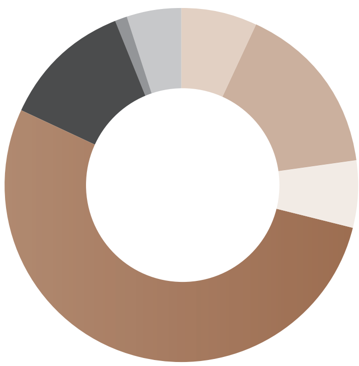
FINANCIAL CALENDAR

2018 Interim Results Announcement	:	23 August 2018
Payment of 2018 Interim Dividend of HK33 cents per share	:	19 October 2018
2018 Annual Results Announcement	:	6 March 2019
Closure of Registers for ascertaining the entitlement to attend and vote at the 2019 Annual General Meeting	:	16 May 2019 – 22 May 2019 (both days inclusive)
2019 Annual General Meeting	:	22 May 2019
Ex-dividend Date	:	27 May 2019
Closure of Registers for ascertaining the entitlement to the proposed 2018 Final Dividend	:	29 May 2019 – 3 June 2019 (both days inclusive)
Record Date for 2018 Final Dividend	:	3 June 2019
Payment of 2018 Final Dividend of HK50 cents per share	:	8 July 2019

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

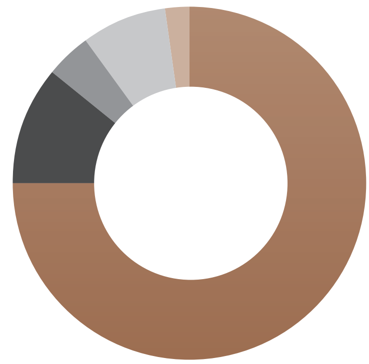
ASSETS EMPLOYED

Total Assets HK$107,125 million



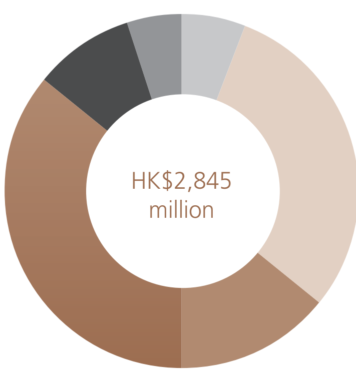
- Property investment **6%**
- Hotel operation **16%**
- Property development **5%**
- Share of assets of Champion REIT **53%**
- Share of assets of LHI **12%**
- Share of assets of U.S. Fund **1%**
- Other operations **7%**

FINANCED BY



- Equity attributable to equity holders **75%**
- Share of liabilities of Champion REIT **11%**
- Share of liabilities of LHI **4%**
- Non-current liabilities **8%**
- Current liabilities **2%**

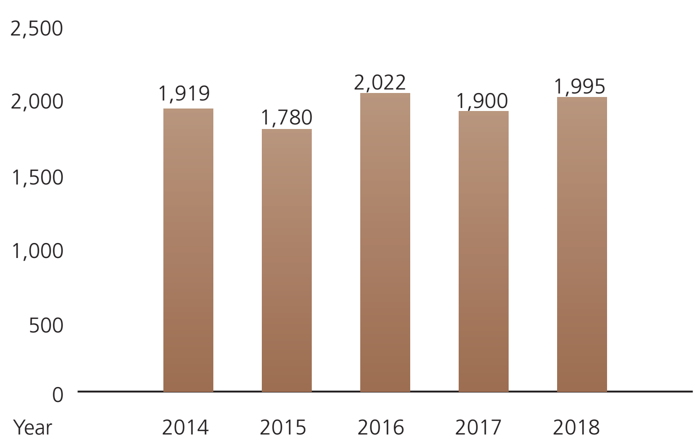
OPERATING INCOME FROM CORE BUSINESS



- Net rental income **6%**
- Hotel EBITDA **30%**
- Management fee income from Champion REIT **14%**
- Distribution from Champion REIT **36%**
- Distribution from LHI **9%**
- Operating income from other operations **5%**

CORE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

HK$ million



CHAIRMAN'S STATEMENT

CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Year ended 31 December		
	2018	2017	Change
	HK$ million	HK$ million	
Revenue from core business			
Hotels Division	**4,393.0**	3,957.7	11.0%
Gross Rental Income	**230.8**	227.6	1.4%
Management Fee Income from Champion REIT	**396.8**	359.5	10.4%
Distribution Income from Champion REIT^	**1,008.9**	928.0	8.7%
Distribution Income from LHI^	**258.4**	270.2	- 4.4%
Other operations	**373.7**	444.6	- 15.9%
Total Revenue	**6,661.6**	6,187.6	7.7%
Hotel EBITDA	**854.3**	726.7	17.6%
Net Rental Income	**182.3**	172.9	5.4%
Management Fee Income from Champion REIT	**396.8**	359.5	10.4%
Distribution Income from Champion REIT^	**1,008.9**	928.0	8.7%
Distribution Income from LHI^	**258.4**	270.2	- 4.4%
Operating income from other operations	**144.3**	215.6	- 33.1%
Operating Income from core business	**2,845.0**	2,672.9	6.4%
Depreciation	**(225.2)**	(178.1)	26.4%
Impairment on an available-for-sale investment	**–**	(127.4)	n.a.
Administrative and other expenses	**(464.3)**	(438.4)	5.9%
Other income	**109.4**	59.9	82.6%
Interest income	**132.0**	70.5	87.2%
Finance costs	**(174.9)**	(139.4)	25.5%
Share of results of joint ventures	**(10.4)**	(26.6)	- 60.9%
Share of results of associates	**0.8**	0.6	33.3%
Core profit before tax	**2,212.4**	1,894.0	16.8%
Income taxes	**(217.6)**	5.0	n.m.
Core profit after tax	**1,994.8**	1,899.0	5.0%
Non-controlling interests	**0.6**	1.0	n.m.
Core profit attributable to equity holders	**1,995.4**	1,900.0	5.0%

^ Under the Group's statutory profit, annual 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:

31 December 2018

	Assets HK$ million	Liabilities HK$ million	Net Assets HK$ million
Great Eagle operations	**36,890**	**10,671**	**26,219**
Champion REIT	**56,283**	**11,700**	**44,583**
LHI	**12,816**	**4,661**	**8,155**
The U.S. Fund	**1,135**	**695**	**440**
	107,124	**27,727**	**79,397**

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
The U.S. Fund	1,387	873	514
	100,787	26,863	73,924

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Year ended 31 December		
	2018 HK$ million	2017 HK$ million	Change
Revenue based on statutory accounting principles			
Hotels Division	**6,022.8**	5,490.7	9.7%
Gross Rental Income	**230.8**	227.6	1.4%
Other operations (including management fee income from Champion REIT)	**770.5**	804.2	- 4.2%
Gross Rental Income – Champion REIT	**2,965.0**	2,699.9	9.8%
Gross Rental Income – LHI	**615.5**	607.6	1.3%
Gross Revenue – U.S. Fund	**664.4**	182.7	263.7%
Elimination on Intragroup transactions	**(1,112.8)**	(1,064.6)	4.5%
Consolidated Total Revenue	**10,156.2**	8,948.1	13.5%
Hotel EBITDA	**854.3**	726.7	17.6%
Net Rental Income	**182.3**	172.9	5.4%
Operating income from other operations	**541.1**	575.1	- 5.9%
Net Rental Income – Champion REIT	**2,116.7**	1,906.4	11.0%
Net Rental Income – LHI	**587.0**	580.7	1.1%
Net Operating Income – U.S. Fund	**(105.5)**	46.4	n.m.
Elimination on Intragroup transactions	**(12.0)**	(12.8)	- 6.3%
Consolidated Operating Income	**4,163.9**	3,995.4	4.2%
Depreciation	**(712.5)**	(620.3)	14.9%
Fair value changes on investment properties	**6,660.6**	10,876.4	- 38.8%
Fair value changes on derivative financial instruments	**(77.5)**	(65.3)	18.7%
Fair value changes on financial assets at fair value through profit or loss	**(37.6)**	57.0	n.m.
Impairment on an available-for-sale investment	**–**	(127.4)	n.a.
Administrative and other expenses	**(511.7)**	(458.1)	11.7%
Other income (including interest income)	**259.9**	194.8	33.4%
Finance costs	**(821.3)**	(660.0)	24.4%
Share of results of joint ventures	**(10.4)**	(26.6)	- 60.9%
Share of results of associates	**0.8**	0.6	33.3%
Statutory profit before tax	**8,914.2**	13,166.5	- 32.3%
Income taxes	**(526.5)**	(377.6)	39.4%
Statutory profit after tax	**8,387.7**	12,788.9	- 34.4%
Non-controlling interests	**90.7**	(145.8)	n.m.
Non-controlling unitholders of Champion REIT	**(2,667.7)**	(3,825.2)	- 30.3%
Statutory profit attributable to equity holders	**5,810.7**	8,817.9	- 34.1%

CHAIRMAN'S STATEMENT

OVERVIEW

Despite a challenging year that was full of economic and political uncertainties, the Group's business has been resilient, as reflected by a 7.7% growth in the Group's core revenue in 2018. Furthermore, the soft opening of the Group's first Eaton hotel in the U.S., the Eaton, Washington D.C., in August 2018 marked an important step in the global expansion of our revamped Eaton brand, which caters for the social lifestyle and needs of emerging travellers. Another highlight of the Group was the soft launch of ONTOLO, our upcoming luxury residential project in Pak Shek Kok on 20 September 2018. The 723-units project, which commands spectacular sea views over Tolo Harbour, should be available for pre-sale in the second half of 2019.

In respect of divestments, as the asset manager of the U.S. Fund, we took advantage of a strong office market in Seattle, and disposed of the U.S. Fund's remaining office building, the Dexter Horton, for US$151 million in December 2018, which was acquired by the U.S. Fund for US$124.5 million in September 2015. As the closing of the sale was in January 2019, the related distribution and disposal asset management fee will be booked in the interim results of 2019.

The Group's core revenue rose by 7.7% to HK$6,661.6 million in 2018 (2017: HK$6,187.6 million), driven by a 11.0% increase in revenue from the Hotels Division, followed by a 9.2% increase in income from Champion REIT, which comprised distribution and management fee income during the period. Correspondingly, core operating income for the Group increased by 6.4% to HK$2,845.0 million in 2018 (2017: HK$2,672.9 million).

Administrative and other expenses increased by 5.9% to HK$464.3 million in 2018 (2017: HK$438.4 million), attributable to the increased headcount, as well as the booking of early stage pre-selling expense for the Pak Shek Kok luxury residential project.

Net interest expense declined in 2018, as the growth in interest income, led by higher deposit rates during 2018, more than offset the impact of increased interest expenses. Net interest expense declined by 37.7% to HK$42.9 million in 2018 (Net interest expense in 2017: HK$68.9 million). Share of losses of joint ventures in 2018 dropped by 60.9% to HK$10.4 million, attributable to the reduced loss incurred in the Dalian development project. Profit attributable to equity holders rose by 5.0% to HK$1,995.4 million in 2018 (2017: HK$1,900.0 million).

BUSINESS REVIEW

Breakdown of Operating Income	Year ended 31 December 2018 HK$ million	2017 HK$ million	Change
1. Hotels EBITDA	**854.3**	726.7	17.6%
2. Income from Champion REIT	**1,405.7**	1,287.5	9.2%
3. Distribution Income from LHI	**258.4**	270.2	- 4.4%
4. Net Rental Income from investment properties	**182.3**	172.9	5.4%
5. Operating Income from other operations	**144.3**	215.6	- 33.1%
Operating Income from core business	**2,845.0**	2,672.9	6.4%

1. HOTELS DIVISION

Hotels Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (local currency)		RevPAR (local currency)	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Europe								
The Langham, London	**380**	378	**79.6%**	77.2%	**366**	329	**292**	254
North America								
The Langham, Boston	**317**	317	**73.7%**	76.5%	**310**	300	**229**	230
The Langham Huntington, Pasadena	**379**	377	**71.7%**	70.9%	**283**	285	**203**	202
The Langham, Chicago	**316**	316	**75.4%**	74.2%	**402**	380	**303**	282
The Langham, New York, Fifth Avenue*	**234**	216	**80.4%**	78.6%	**578**	536	**465**	422
Eaton, Washington D.C.#	**209**	–	**37.7%**	–	**239**	–	**90**	–
Chelsea Hotel, Toronto	**1,590**	1,590	**82.7%**	77.7%	**170**	160	**140**	124
Australia/New Zealand								
The Langham, Melbourne	**388**	388	**87.7%**	87.1%	**313**	305	**274**	266
The Langham, Sydney	**97**	98	**82.0%**	82.2%	**461**	438	**378**	360
Cordis, Auckland**	**407**	316	**79.8%**	90.9%	**235**	243	**187**	221
China								
The Langham, Shanghai, Xintiandi	**356**	356	**81.8%**	74.9%	**1,670**	1,744	**1,367**	1,306
Cordis, Shanghai, Hongqiao^	**394**	279	**54.3%**	39.4%	**926**	883	**503**	348

* Rebranded from Langham Place in December 2017
** Rebranded from The Langham in November 2017
^ Soft-opened in May 2017
# Soft-opened in August 2018

	Year ended 31 December 2018 HK$ million	2017 HK$ million	Change
Hotel Revenue			
Europe	**632.8**	529.3	19.6%
North America	**2,252.3**	2,048.9	9.9%
Australia/New Zealand	**810.5**	804.9	0.7%
China	**519.1**	410.1	26.6%
Others (including hotel management fee income)	**178.3**	164.5	8.4%
Total Hotel Revenue	**4,393.0**	3,957.7	11.0%
Hotel EBITDA			
Europe	**156.7**	120.1	30.5%
North America	**290.0**	297.9	- 2.7%
Australia/New Zealand	**134.2**	132.1	1.6%
China	**151.0**	71.9	110.0%
Others (including hotel management fee income)	**122.4**	104.7	16.9%
Total Hotel EBITDA	**854.3**	726.7	17.6%

Revenue of the Hotels Division, which comprised twelve hotels and other Hotels Division related business such as hotel management fee income, increased by 11.0% to HK$4,393.0 million in 2018. EBITDA of the Hotels Division recorded a much higher growth of 17.6% to HK$854.3 million.

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

EUROPE

The Langham, London

After the completion of the renovation works in 2017, the hotel was able to capture more demand for suites from long stay Middle East guests in 2018, as well as strong demand from corporate and retail travellers, resulting in a 11% increase in average room rate and a 2 percentage points improvement in occupancy for the hotel in 2018. Revenue from food and beverage ("F&B") rose by 10%, driven by improved revenue at The Wigmore bar, which was fully operational in 2018 after its renovation in the year before, as well as by the improvement in the catering segment.

NORTH AMERICA

The Langham, Boston

A major renovation that was scheduled to start in the second half of 2018 has been postponed to April 2019 in order to coordinate works with a neighbouring property. Hence, 2018's operational performance slackened as a result of the hotel's strategic plan to slow down its room sales in preparation for the planned renovation. Although the hotel did make up for some of the lost business as soon as the postponement was confirmed, the decision to postpone the renovation also impacted revenue from F&B, which dropped by 5% due to the planned renovation as the catering team did not actively market banqueting business for the second half of 2018.

The Langham Huntington, Pasadena

The hotel continued to face challenging market conditions given the weak demand from both corporate and retail segments. Nonetheless, the hotel still managed to capture some corporate and retail business in 2018, which resulted in a slight improvement in occupancy but average room rate declined by 1% during the year. Revenue from F&B was flat in 2018 as compared with the prior year, considering that improved businesses at the restaurants were offset by decline in catering business.

The Langham, Chicago

After receiving multiple prestigious accolades in the lodging industry thanks to its luxurious product and service offerings, the hotel has firmly established itself as one of the most luxurious hotels in Chicago and demonstrated steady progress in its performance. Average room rate rose by 6% with a 1 percentage point increase in occupancy during 2018. Revenue from F&B was steady in 2018 as compared with that in the prior year.

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

After the completion of the refurbishment in 2017, the hotel demonstrated good performance in 2018 with a 19% increase in room revenue due to improved average rates and an increase in the number of available rooms. The hotel enjoyed a good market mix of retail, corporate and group businesses. Revenue from F&B rose by 43% in 2018 as compared with the prior year, supported by banquet business from corporate meetings and events.

Eaton, Washington D.C.

The opening for the majority of the hotel's 209-guestrooms commenced in August 2018, whereas the openings for restaurants, bars and Eaton House, the hotel's co-work office facility, were staggered from September 2018 to November 2018. The hotel continues to build recognition with well supported media coverage of the brand. Guest comments have been very positive and continued growth of market share is expected. The hotel made a loss in 2018, attributable to early stage ramp up operating loss and the booking of a pre-opening expense.

Chelsea Hotel, Toronto

The hotel witnessed healthy results for 2018, benefitting from buoyant local market conditions, supported by strong citywide conventions. Given the hotel's accommodative pricing, the hotel's RevPAR grew more than those of its competitive set which were supported by a good mix of retail, corporate group and aircrew business. Revenue from F&B rose by 1% in 2018, with improved restaurant business offset by slower catering business from conferences and events.

AUSTRALIA/NEW ZEALAND

The Langham, Melbourne

Performance of the hotel was held back by a planned renovation originally commenced in September 2018, which was subsequently postponed. This has affected the hotel's ability to secure larger groups and events for the fourth quarter of 2018. Nonetheless, the hotel reacted promptly upon confirmation of the postponement of renovations and strategically targeted at retail leisure business to make up for the lost group business. Revenue from F&B declined by 9% in 2018 on reduced catering business.

The Langham, Sydney

The hotel's operations continued to ramp up since its re-opening after a major renovation which was completed in 2017. The hotel benefitted from its focused strategy to drive business from the retail segment during weekends, making it possible for the hotel to deliver a 5% increase in average room rate in 2018. Revenue from F&B rose by 6% owing to improved catering business during the period and the opening of a newly renovated Bar in the fourth quarter of 2018.

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

The Hotel was affected by the slower recognition of the Cordis brand in the market as well as a renovation that was completed in the first quarter of 2018. These adverse effects abated as the year progressed with meaningful improvement witnessed in the fourth quarter of 2018. Revenue from F&B rose by 7% due to improvement in restaurant business.

There is unutilized plot ratio in the site for the Cordis, Auckland. The Group had applied in 2018 for the construction of an additional 244 rooms on the site, which were subsequently approved by the local planning department. Detailed design for the expansion has commenced, with construction scheduled to complete ahead of the 2021 Auckland APEC summit event.

CHINA

The Langham, Shanghai, Xintiandi

Group and corporate demand remained weak in 2018 and the hotel continued to focus on retail leisure business. While the hotel managed to improve its occupancy by 7 percentage points in 2018, average room rate declined by 4.0% during the period. Revenue from F&B dropped by 10% 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 gains market share as it has become fully operational during 2018. As a result, there was a substantial improvement in occupancy and the hotel turned into profit after a loss was incurred in 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 2018, resulted from stronger performance of the managed hotels, where majority of the hotel's operations have ramped up.

HOTEL MANAGEMENT BUSINESS

As at the end of December 2018, there were eight hotels with approximately 2,400 rooms in our management portfolio. The most recent hotel added to the portfolio was The Langham hotel in Hefei with 249 rooms.

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 2018 increased by 9.2% to HK$1,405.7 million. Of which, distribution income rose 8.7% to HK$1,008.9 million, as the REIT declared a 7.9% increase in distribution per unit and our holdings in the REIT has been increased from 65.69% as at the end of December 2017 to 65.99% as at the end of December 2018. Given higher net property income of Champion REIT, together with increased agency leasing commission income in 2018, these have led to an overall 10.4% growth in management fee income from Champion REIT, which came to HK$396.8 million in 2018.

	Year ended 31 December		
	2018	2017	Change
	HK$ million	HK$ million	
Attributable Dividend income	**1,008.9**	928.0	8.7%
Management fee income	**396.8**	359.5	10.4%
Total income from Champion REIT	**1,405.7**	1,287.5	9.2%

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

Three Garden Road

The property was almost fully-let. After reaching a new high in the middle of 2018, occupancy further edged up to another record of 99.1% as at 31 December 2018. The latest rents achieved for the property exceeded HK$140 per sq. ft. (based on lettable area), well above the passing rent of HK$98.61 per sq. ft. (based on lettable area) as at 31 December 2018 (2017: HK$92.52 per lettable sq. ft.). Total rental income amounted to HK$1,390 million in 2018, increased by 12.9% compared with HK$1,232 million in 2017. Net property income of the property surged 14.2% to HK$1,270 million.

Langham Place Office Tower

Total rental income of the property amounted to HK$350 million in 2018, increased by 1.7% (2017: HK$344 million), mainly attributable to positive rental reversion. Passing rents improved to HK$42.68 per sq. ft. (based on gross floor area) as at 31 December 2018, which still represented a gap to the latest achieved rents of over HK$50 per sq. ft. (based on gross floor area). The property was fully occupied as at 31 December 2018. Net property income was HK$322 million, increased by 1.2% (2017: HK$318 million).

Langham Place Mall

Total rental income increased by 9.5% to HK$937 million in 2018, mainly driven by growth in turnover rent to HK$187 million (2017: HK$116 million). Positive rental reversion drove up passing base rents to HK$184.28 per lettable sq. ft. as at 31 December 2018, an increase of 4.3%. Net property income increased to HK$813 million, climbed 10.5% from HK$736 million in 2017 on higher rental income.

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, 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 2018, LHI declared a 8.9% decline in distribution per share stapled unit. However, our share of distribution income received from LHI only declined by 4.4% to HK$258.4 million for 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.

	Year ended 31 December		
	2018	2017	Change
	HK$ million	HK$ million	
Attributable Distribution income	**258.4**	270.2	- 4.4%

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

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK$)		RevPAR (in HK$)	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
The Langham, Hong Kong	**498**	498	**91.2%**	88.8%	**2,336**	2,135	**2,130**	1,895
Cordis, Hong Kong	**666**	663	**95.0%**	93.9%	**1,806**	1,660	**1,715**	1,559
Eaton HK	**405**	465	**87.0%**	94.4%	**1,114**	986	**969**	931

The Langham, Hong Kong

The Langham, Hong Kong, welcomed an increased number of arrivals from Mainland China, followed by arrivals from other Asia countries including Korea, Singapore, Thailand and Malaysia. Given the hotel's strategy which focuses on driving high spending leisure and business travellers, this helped the hotel report a 9.4% increase in average rate and a 12.4% increase in RevPAR in 2018. F&B revenue for the hotel rose by 2.4% year-on-year in 2018. The increase was driven by the growth in business from T'ang Court, which has received the prestigious Michelin three-star rating for the third consecutive year, as well as improved business at the Palm Court. However, banqueting business was relatively soft in 2018.

Cordis, Hong Kong

Cordis, Hong Kong, with its more accommodative pricing point in the high end hotel spectrum witnessed growth from arrivals across different geographic regions. In addition to the growth in arrivals from Mainland China in 2018, the hotel witnessed growth in business from other segments, such as long-haul markets including the U.S. and the UK. Revenue from F&B also witnessed a growth of 4.5% year-on-year in 2018 which was mostly contributed by strong banquet business.

Eaton HK

Eaton HK has undergone a spectacular transformation with extensive renovation in its F&B outlets, common areas, facilities and some of its rooms in 2018, becoming the first hotel in Hong Kong to focus immensely on culture, socialization and the community. The designs are amongst the most stylish and targeted to attract millennials, who are looking for a thorough experience-based stay. As the renovation works were completed in 2018, the hotel's RevPAR started to recover in the second half of 2018. RevPAR rose by 4.1% in 2018 as compared with only 1.1% growth in RevPAR in the first half of the year. Revenue from F&B at Eaton HK was up 10.6% in 2018, following the completion of the renovation works in its F&B outlets which commenced in 2017.

4. RENTAL INCOME FROM INVESTMENT PROPERTIES

	Year ended 31 December		
	2018	2017	Change
	HK$ million	HK$ million	
Gross rental income			
Great Eagle Centre	**142.4**	139.1	2.4%
Eaton Residence Apartments	**57.0**	53.7	6.1%
Others^	**31.4**	34.8	- 9.8%
	230.8	227.6	1.4%
Net rental income			
Great Eagle Centre	**139.8**	136.2	2.6%
Eaton Residence Apartments	**37.6**	34.6	8.7%
Others^	**4.9**	2.1	133.3%
	182.3	172.9	5.4%

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

Great Eagle Centre

	As at the end of December 2018	December 2017	Change
Office (on lettable area)			
Occupancy	**98.8%**	100.0%	- 1.2ppt
Average passing rent	**HK$68.6**	HK$67.2	2.1%
Retail (on lettable area)			
Occupancy	**99.4%**	99.3%	0.1ppt
Average passing rent	**HK$100.6**	HK$98.4	2.2%

Office occupancy at the Great Eagle Centre is almost full at 98.8% as at the end of December 2018. As asking rents rose, there was a 2.1% growth in the average passing rent for the leased office space at Great Eagle Centre, which increased from HK$67.2 per sq. ft. as at December 2017 to HK$68.6 per sq. ft. as at December 2018. Gross rental income for Great Eagle Centre rose by 2.4% to HK$142.4 million in 2018, whereas net rental income rose by 2.6% to HK$139.8 million. The Group intend to take up additional space for in-house expansion in 2019, which will reduce available space to let for third parties going forward.

Eaton Residence Apartments

	Year ended 31 December 2018	2017	Change
(on gross floor area)			
Occupancy	**86.6%**	83.4%	3.2ppt
Average net passing rent	**HK$33.2**	HK$31.5	5.4%

Recovered demand from the corporate and retail segment helped boost the occupancy of the portfolio, which comprised of serviced apartments at the Village Road, the Wanchai Gap Road and Blue Pool Road. Occupancy rose from 83.4% in 2017 to 86.6% in 2018. Average net passing rent for the three serviced apartments rose by 5.4% to HK$33.2 per sq. ft. on gross floor area in 2018, as compared with HK$31.5 per sq. ft. in 2017. Gross rental income rose by 6.1% year-on-year to HK$57.0 million in 2018, and net rental income increased by 8.7% year-on-year to HK$37.6 million for 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 2018, operating income from other business operations dropped by 33.1% to HK$144.3 million (2017: HK$215.6 million), the decline was in part due to a high base for comparison, as 2017's results included a one-off HK$70.0 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 December 2018, the Group held 49.97% interest in the U.S. Fund and acts as its asset manager with a 80% stake in the asset management company, and the remaining interest was held by China Orient Asset Management (International) Holding Limited.

While the financials of the U.S. Fund are consolidated into the Group's financial statements under statutory accounting principles, the Group's core profit is based on distribution received from the U.S. Fund, as well as our share of asset management fee income from the U.S. Fund. The Group's core balance sheet is based on our share of net asset in the U.S. Fund. Since the establishment of the U.S. Fund, it has already disposed of three office buildings with attractive returns by the end of 2016. The progress of other projects still held by the U.S. Fund are as follows:

The Austin, San Francisco

The site, located at 1545 Pine Street, San Francisco was acquired in January 2015. The site is situated in the trendy Polk Street neighbourhood, in proximity to the traditional luxury residential areas of Nob Hill and Pacific Heights, and within easy reach from the burgeoning technology cluster in Mid-Market. The development with gross floor area of approximately 135,000 sq. ft. comprised 100 studio, one- and two-bedroom residences. Construction work started in the first quarter of 2016 and was completed by December 2017. The property was highly acclaimed by Wallpaper Magazine as an embodiment of Californian modernism. Out of 100 units, 87 were sold and handed to buyers by the end of 2018. The profitability of this small project would be minimal.

Cavalleri, Malibu

The acquisition of the residential property with 68 rental apartment units in Malibu, California was completed in September 2015. Malibu is a sought-after high-end coastal residential area in Los Angeles, where regulatory development constraints establish high barriers to entry and currently no similar competing properties are available for sale or under development. The U.S. Fund has successfully repositioned the units to high-end products with renovation works completed in 2018. As at the end of December 2018, several offers from mostly institutional buyers had been received for an en-bloc sale of the project, whereas the sale is expected to close in the first half of 2019. 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.

CHAIRMAN'S STATEMENT

The U.S. Fund had successfully completed its value-added strategy on this building by reshuffling the tenant mix towards more of tenants from technology sector who pay higher rents, in addition, the U.S. Fund took advantage of a strong office market in Seattle, and have disposed of the property for US$151 million in December 2018. However, as the closing of the sale was in January 2019, the related distribution and disposal asset management fee will be booked in the interim results of 2019.

DEVELOPMENT PROJECTS

Hong Kong and China

ONTOLO, Pak Shek Kok

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

In terms of development progress, the main superstructure works commenced in July 2017, and a majority of the buildings were topped out in late 2018, completion of the main superstructure work is scheduled 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. Currently, works are being carried out on the design of the sales office making sure that it will be ready for deployment once the presale permit is granted. 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 has been developed in two phases: Phase I comprises approximately 800 apartments and Phase II comprises the remaining apartments and the hotel.

Phase I development was completed by the end of 2018. However, Phase II development work has not yet been commenced pending local housing demand is strong enough to minimise development risk. At the same time, the joint venture is also considering other options, including an en bloc sale of the development, which would allow the joint venture to recoup its invested capital. As at 31 December 2018, 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$1,128 million. No definitive agreement is in place. Any en bloc sale option if materialized and subject to the declaration of distributions by the joint venture, completion adjustments and other deductions as the case may be, the Group's share of net asset value in the project, including the preferred shares of the project, is estimated to be approximately HK$1,380 million.

During 2018, 86 apartments were sold at an average selling price of approximately RMB18,000 per sq. m., which was higher than that of the same period in 2017 at approximately RMB17,000 per sq. m. On an accumulated basis, a total of 481 apartments were sold as at the end of December 2018, representing 60% of the total number of Phase I units.

In terms of revenue recognition, sales of a total of 196 apartments (2017: 40 apartments), including those that were presold in prior years, were recognised as these units had been completed and handed over to buyers in 2018. In addition, sales of 96 car parking spaces were recognised with higher margins. As revenue rose in 2018, after-tax loss for our interest in the project was reduced to HK$4.9 million, compared with a loss of HK$23.1 million in 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 year.

Japan

Tokyo Hotel Redevelopment Project

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

World renowned architect, Kengo Kuma & Associates has been commissioned to design this 280-key flagship The Langham Hotel. Demolition of the existing structures is complete, planning application has been submitted to the local government, and the contractor tender process will start in the second quarter of 2019 with construction expected to commence in 2020.

United States

San Francisco Hotel Development Project, 1125 Market Street

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

The site has been earmarked for the development of an "Eaton" hotel. After optimizing the design, the property can achieve a gross floor area of approximately 139,000 sq. ft. with 180-key. Updated plans were submitted to the city's planning department in August 2018 for approval. Construction of the project will start after the development rights for the hotel are approved by the city's planning department and construction documents are completed. The famous AvroKO group has been commissioned as the interior designer for this iconic Eaton Hotel project. Assuming development approval will be granted in 2019, construction would start in 2020 with opening of the hotel targeted in 2022/2023.

San Francisco Hotel Redevelopment Projects, 555 Howard Street

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

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

Seattle Development Project, 1931 Second Avenue

The Group acquired a site in downtown Seattle for US$18 million in December 2016. The site is located at one of the highest points of downtown Seattle and near the famous Pike Place market. The site has an area of approximately 19,400 sq. ft. Although the Seattle site has already been approved for the development of a hotel, we are evaluating an opportunity to expand the development's floor area, and incorporate residential component to the project, so as to further enhance the financial attractiveness of the project. We have again brought in world renowned architect, Kengo Kuma & Associates, to design this landmark mixed use development project.

FINANCIAL REVIEW

DEBT

On statutory basis, after consolidating the results of Champion REIT, LHI and the U.S. Fund, the consolidated net debts of the Group as of 31 December 2018 was HK$21,856 million, a decrease of HK$450 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 the US during the year, 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 31 December 2018 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK$69,353 million, representing an increase of HK$4,884 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 year.

For statutory accounts reporting purpose, on consolidation the Group is treated as to include entire debts of Champion REIT, LHI and the U.S. Fund. Based on the consolidated net debts attributable to the Group (i.e only 65.99%, 62.93% and 49.97% of the net debts of Champion REIT, LHI and the U.S. Fund respectively) and equity attributable to shareholders, the gearing ratio of the Group as at 31 December 2018 was 20.7%. 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 31 December 2018	On Consolidated Basis HK$ million	On Core Balance Sheet Basis HK$ million
Great Eagle	776	776
Champion REIT	13,469	–
LHI	6,878	–
U.S. Fund	733	–
Net debts	21,856	776
Net debts attributable to Shareholders of the Group	**14,360**	**776**
Equity Attributable to Shareholders of the Group	**69,353**	**79,397**
Net Gearing ratio^	**20.7%**	**1.0%**

^ 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$31,275 million as of 31 December 2018.

Outstanding gross debts(1)(2)	Floating rate debts HK$ million	Fixed rate debts HK$ million	Utilised facilities HK$ million
Secured bank loans	**15,578**	**10,128(5)**	**25,706(3)**
Medium Term Notes	**843**	**4,726(4)**	**5,569**
Total	**16,421**	**14,854**	**31,275**
%	**52.5%**	**47.5%**	**100%**

(1) All amounts were stated at face value.

(2) All debt facilities were denominated in Hong Kong Dollars except for (3) and (4) below.

(3) Equivalence of HK$6,247 million was originally denominated in other currencies.

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

(5) Included floating rate debts which had been swapped to fixed rate debts. As at 31 December 2018, the Group had outstanding interest rate swap contracts with notional amount equivalent to HK$8,380 million to manage the interest rate exposure. The Group also entered into cross currency swaps with notional amount equivalent to HK$1,748 million in total, to mitigate the exposure to fluctuation in both exchange rate and interest rate of Japanese YEN.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2018, our cash, bank deposits and undrawn loan facilities amounted to a total of HK$14,364 million. The majority of our loan facilities were secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding gross debts (including medium term notes) as of 31 December 2018:

Within 1 year	15.9%
More than 1 year but not exceeding 2 years	29.5%
More than 2 years but not exceeding 5 years	46.2%
More than 5 years	8.4%

FINANCE COST

The net consolidated finance cost during the year was HK$731 million in which HK$69 million was capitalised to property development projects. Overall interest cover at the reporting date was 5.4 times.

PLEDGE OF ASSETS

At 31 December 2018, properties of the Group with a total carrying value of approximately HK$67,594 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 31 December 2018, the Group had authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$8,374 million (31 December 2017: HK$8,795 million) of which HK$150 million (31 December 2017: HK$230 million) was contracted for.

At 31 December 2018, the Group had outstanding financial commitment in respect of capital injection to a joint venture of RMB25.8 million (equivalent to approximately HK$33 million) (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

While global uncertainties, especially the US-China trade war, have yet to be resolved, negative effects started to appear since the fourth quarter of 2018, as witnessed by slowdowns in different countries and across multiple industries. Nonetheless, as central governments around the world are proactively launching stimulus programs and retracting tightening monetary policies to counter economic slowdowns, we expect our business to perform steadily in 2019 unless there is an abrupt downturn in the global economy.

In 2019, we target to launch our residential development project, ONTOLO in Pak Shek Kok. Notwithstanding that the project enjoys breathtaking view over the Tolo Harbour, and that the latest state of the art technologies including a comprehensive property management mobile application will be deployed, market and buyers sentiment will still play a key role in determining the pace of unit sale for the project. Pre-selling expenses to be incurred for the project will increase even further in 2019.

As for the Hotels Division, growth of EBITDA for the overall overseas hotels is expected to slow meaningfully in 2019 after achieving a strong performance in 2018. While performance of the newly opened hotel, the Eaton, Washington D.C., and the relatively new hotel, Cordis, Hongqiao, is expected to improve as their operations continue to ramp up in 2019, the improvement will be offset by lower EBITDA of Langham Boston, which will undergo major renovations in 2019.

For Champion REIT, the growth trend of the Trust's office portfolio should be sustainable in 2019. In the case of Three Garden Road and Langham Place Office Tower, the market rents are well above the passing rents, it is anticipated that the office portfolio will deliver a stable growth thanks to positive rental reversion. The retail market, on the other hand, could be vulnerable to an economic downturn, with a high base effect in a sluggish market environment, the sales growth of Langham Place Mall is unlikely to repeat in 2019.

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 cheaper. As these projects complete, recurring income from these projects should enhance the growth of the Group's future earnings. At the same time, our strong balance sheet, as well as a strong recurring cash flow will enable us to comfortably add investments in markets where asset values are suppressed. We will continue to look for opportunities prudently in the uncertain times ahead.

Lo Ka Shui
Chairman and Managing Director

Hong Kong, 6 March 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Great Eagle Music Children Ensemble Ceremony

Great Eagle Water for Free Ceremony

Langham Hospitality Group – "Taking Initiative" Workshop

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At Great Eagle, Corporate Social Responsibility (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.

The above belief is harnessed into our CSR Vision – "*Create Value, Improve Quality of Life*".

Our CSR commitment extends to support the UN Global Compact which encourages business worldwide to adopt CSR policies. It also drives business awareness and action in support of achieving the Sustainable Development Goals (SDGs) by 2030. Based on our business focus, we have identified the relevant SDGs that we believe are most closely related to us. They are:

REPORTING APPROACH

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

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

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

Our Hotels Division, Langham Hospitality Group, annually issues their sustainability report which reviews their current systems and performance, as well as sets out their environmental and social objectives for the coming years.

CSR MANAGEMENT

Management Framework

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

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

Stakeholder Engagement and Materiality Assessment

We recognise that engaging our stakeholders is vital for understanding the impact of our operations on different groups, as well as material issues that may impact us or them. Therefore, we periodically conduct stakeholder engagement with our key stakeholders such as employees, tenants, suppliers, investors and media. The engagement provide insights for us to conduct a materiality assessment based on "Stakeholder Interest" and "Potential Impact to Business", and the result is taken into consideration when review our existing CSR strategy at the CSR Steering Committee Meeting.

A new round of stakeholder engagement was conducted in 2018. The materiality assessment identified "Employee Satisfaction", "Health & Safety at Work" and "Communication" as our three CSR material issues which require a strategy to manage them.

In Employee Satisfaction:

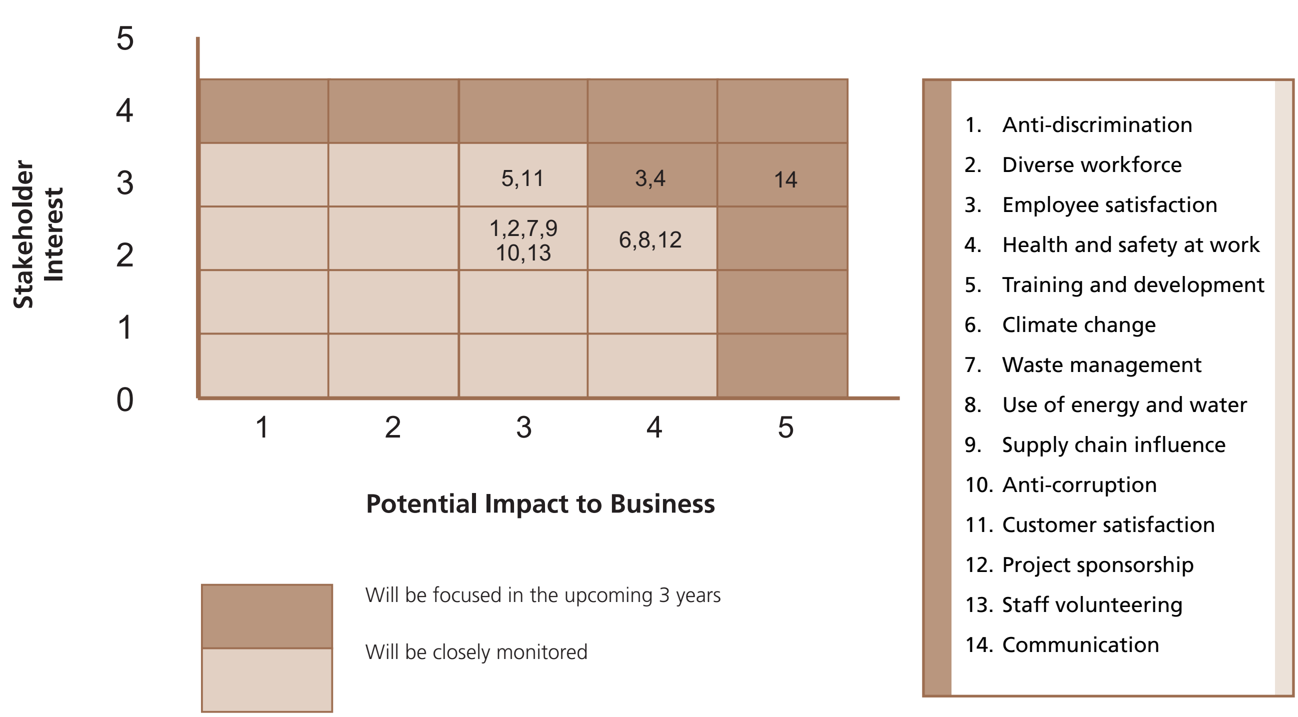
- review to enhance staff benefits; and
- organise CSR activities, interest classes, sports clubs and recreational events.

In Health & Safety at Work:

- launch health & safety campaign such as wellness and exercise month; and
- promulgate the importance of physical and mental wellness and share healthy tips in our workplace.

In Communication:

- communicate with colleagues through social media platform; and
- timely update media of our CSR news.



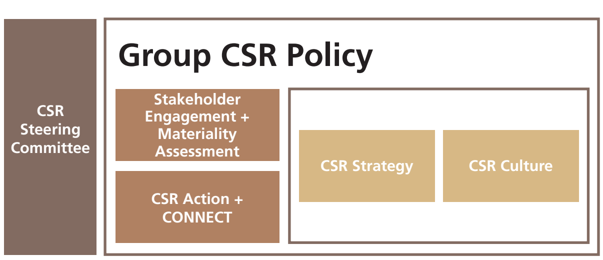
Materiality Assessment

CSR Culture

To achieve our CSR vision, we believe nurturing a CSR culture in our Group is a crucial factor. To this end:

- we convey CSR in a friendly and funny way by branding our CSR approach as "CSR Action", which consists of seven "Great Action" icons to represent our CSR commitments in human rights, labour practices, the environment and so forth;
- this year, we developed "CSR 2018+3 Strategy & Application Workshop" which aimed to properly and effectively communicate the latest CSR strategy with the managerial staff so as to integrate the strategy across the Group;
- "CONNECT" is the corporate social responsibility programme of our Hotel Division. The programme implies the connection between the Division's initiatives, the environment and society, enabling the Division collectively act responsibly every day and contribute to the sustainable development of the neighbourhoods where they operate.; and
- based on the four focus areas of "CONNECT", namely Governance, Environment, Community and Colleagues, the Division could prioritise the CSR efforts they would take and the resources they invest in so as to amplify the impact of the collective actions.

CSR Vision



CSR Management Structure

EMPLOYMENT AND LABOUR PRACTICES

Employment

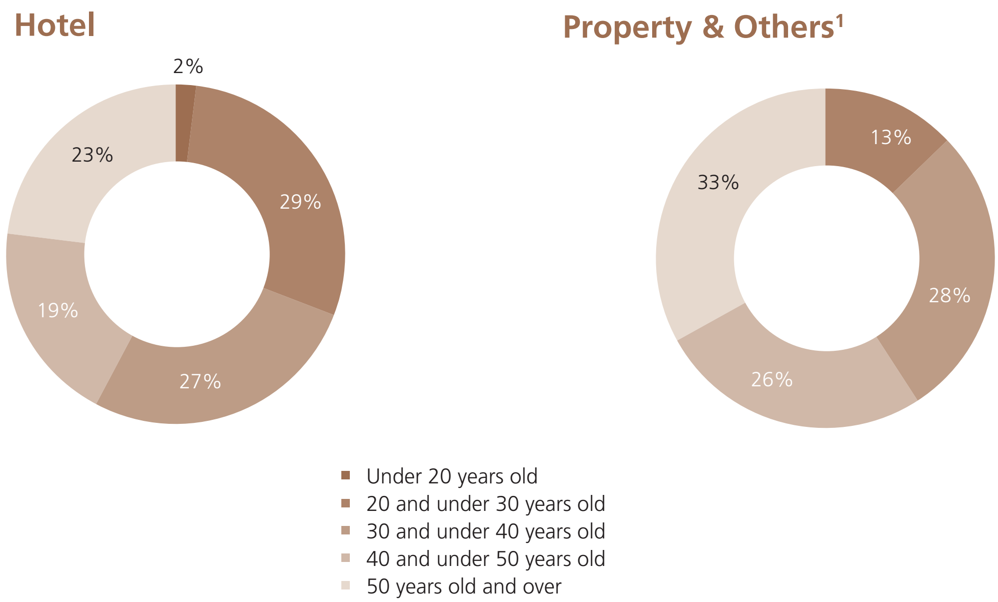
The Group is committed to providing lawful and proper employment that signifies human development. As such, we have established the Employee Handbook which sets out our policies relating to recruitment, promotion, working hours, rest periods, welfare as well as grievance mechanism. The Handbook, which was drafted with reference to related labour standards, ensures our employment and labour practices comply with relevant employment laws and regulations. As we reckon that child and forced labour likely occur in developing countries where our suppliers are based, we have stipulated prevention of such practices in the Supplier Code of Conduct (please see Operating Practices).

We are committed to providing a fair working space by adhering to UN International Bill of Rights and relevant anti-discrimination laws. A diverse workforce is also encouraged to increase our creativity and competitive advantages. Our Equal Opportunity Policy ensures that no job applicant or employee receives less favourable treatment or is disadvantaged by sex, pregnancy, disability, marital status or family status when applying for a position with the Group or during employment. During the year, neither did we receive any human rights violations nor labour standard non-compliance.

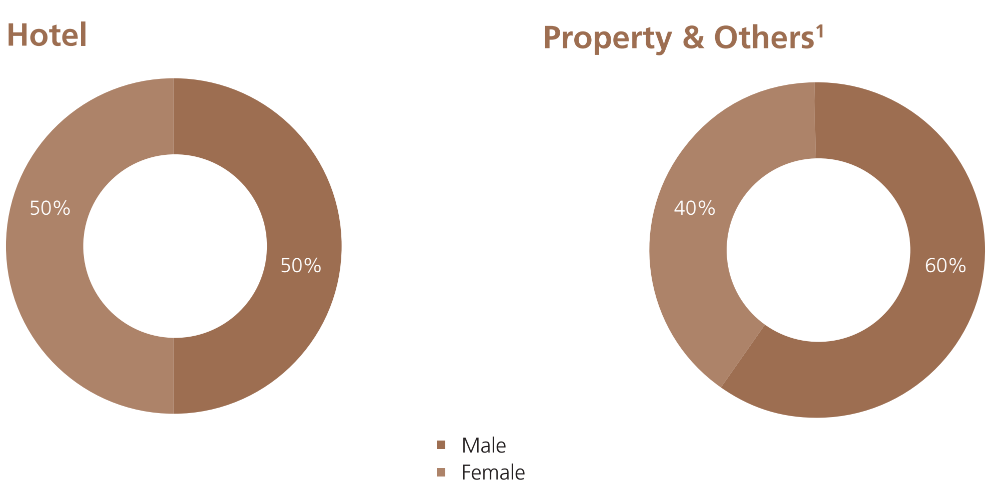
Supporting employment of persons with disabilities, we have participated in Labour and Welfare Bureau's Talent-Wise Employment Charter & Inclusive Organisations Recognition Scheme. One of our practices is the partnership of our Hotels Division with Hong Chi Association whose trainees work in hotels'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

In 2018, our hotels in Shanghai hired colleagues with disability through Disable Persons Federation, school of deaf-mutes and internal referral. The hotels have been providing on-going support to the colleagues with disabilities in order to ensure they receive the same level of attention and training as of other colleagues in their daily work.

Total Workforce by Age Group



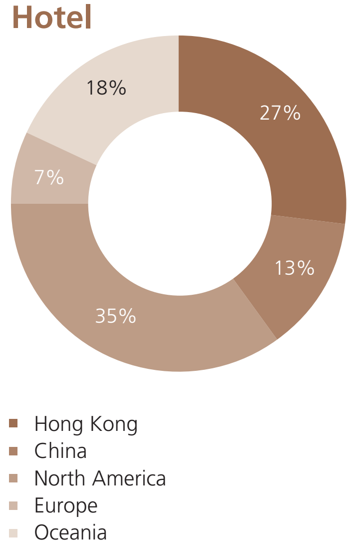
Total Workforce by Gender



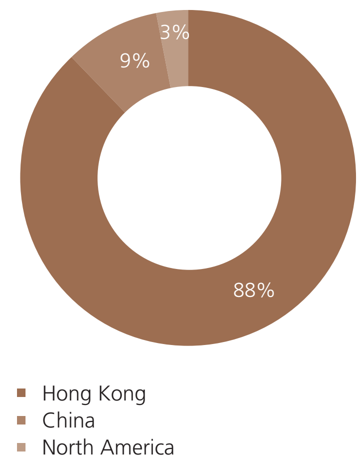
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total Workforce by Geographical Region

Hotel

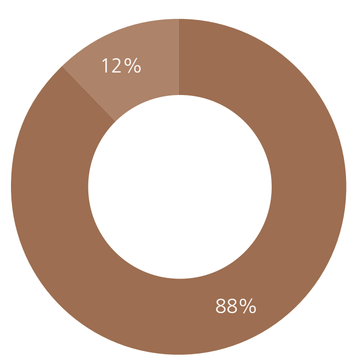


Property & Others[1]

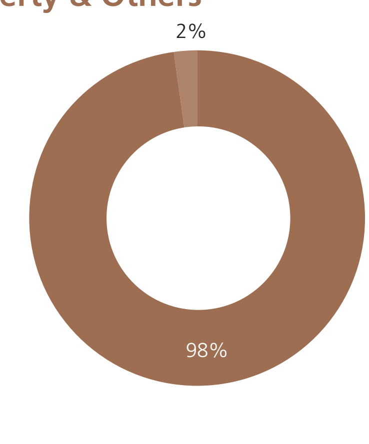


Total Workforce by Employment Type

Hotel



Property & Others[1]



Total Workforce by Employment Contract

Note:

1. Property & Others include businesses such as property development, property management, maintenance and property agency services, sales of building materials, restaurant operation and investment in securities.

Health and Safety

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

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

- the group-wide Occupational Health and Safety Policy stipulates all hotels to maintain an effective and efficient health and safety management system with policies, committees, training and incident reporting mechanism;

- the senior management, human resources directors and security departments of hotels are responsible for implementing and monitoring the system;

- the effectiveness of the system is monitored in conjunction with the Key Performance Indicators (KPI) System which allows the improvement teams analyse the data, find the root causes of the problems, run improvement action plans and follow up on the results; and

- colleagues' wellness is promoted globally through the annual Global CONNECT event - Colleague Wellness Week, which is dedicated to enhancing awareness of colleagues on their wellbeing and supporting them in developing a healthy lifestyle. Health promotion programmes include yoga classes, wellness fairs, mental health and so forth.

The highlighted programme of this year was inter-hotel Vistance Health Challenge in which the hotels competed with each other through mobile technology, gaming and social media. The winning team was Chelsea, Toronto, which generously contributed the prize money to a charity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Safety Squad

Vistance Health Challenge

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

- identifies health and safety hazards which are in turn managed by the operating procedures and safety devices;
- establishes Safety Committees to implement action plans and review effectiveness of the management system in order to achieve zero accident;
- uses checklists to monitor high risk activities such as working in confined space, installing electrical systems and manual handling; and
- provides training courses such as monthly safety induction training, first aid and AED certification training, and field demonstration to the frontline staff.

This year, to further enhance health and safety at the properties, the Division implemented the following measures:

- installing protective barrier on the roof floor to provide a safe working environment to workers;
- installing additional safety monitoring devices in the long escalators for enhancing public safety at Langham Place Shopping Mall; and
- participating in Joyful@Healthy Workplace Charter, pledging to promote physical and mental well-being among colleagues.

Safety Induction Training

Protective Barrier on the Roof

Work Related Fatalities & Lost Working Days Due To Injuries

Business	Total workforce hours (in thousands)	Number of fatalities	Lost working days due to injuries
Hotel	15,683	0	4,594
Property & Others[1]	1,982	0	641

Note:

1. Property & Others include businesses such as property development, property management, maintenance and property agency services, sales of building materials, restaurant operation and investment in securities

Development and Training

Provision of opportunities for training and development has become a key factor to attract and retain staff. Apart from offering a competitive compensation and benefits package, we provide corporate and vocational training to the colleagues according to the Training and Development Policy. Core training such as "The 7 Habits of Highly Effective People" and "Business Innovation" are held regularly for colleagues to attend. Other learning and development workshops such as Management Development Program, Supervisor Development Program, Effective Communication Skills, Introduction of Fintech and Team Building have been arranged.

Team Building

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

- the Division has developed a learning and development pathway which is made up of the First60 Certification Programme, Langham Curriculum Certification (LCC), and Advanced Programme for Executives (APEX). These programmes enable the colleagues to gain new skills and experiences which could help them to advance in their current and future jobs;
- in 2018, the Hotel Division continued to advocate the "Taking Initiatives" culture with the purpose of inspiring the colleagues to create guest memories and enhance guest experiences. All hotel leaders were engaged at the global launch of "Taking Initiative" workshops which were delivered by the Steering Committee Members; and
- the major rebranding and refurbishment of Eaton Hotels in 2018 require colleagues' new skills and knowledge about the Eaton brand. To this end, a learning and development programme was designed to equip the colleagues with new concept of service culture, health & safety, security, as well as art & culture awareness. For example, Eaton, Hong Kong has organised workshops for the colleagues with topic in upcycling coffee ground into body scrubs using fair-trade coconut oil, watching a comedy + dance performance by local artist, drawing a beloved anime and visiting a local craft beer factory in Wong Chuk Han.

Upcycling Coffee Ground Workshop

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

Percentage of Employees Receiving Regular Performance and Career Development Reviews

Business	Employee receiving performance reviews
Hotel[1]	97%
Property & Others[2,3]	99%

Notes:

1. Hong Kong and China employees who are eligible to receive performance review during the reporting year.
2. Property & Others include businesses such as property development, property management, maintenance and property agency services, sales of building materials, restaurant operation and investment in securities.
3. Employees joined from 1 August to 31 December are not subject to review for the year as per policy.

Work-life Balance

We recognise that productive employees are those who maintain a healthy work-life balance. To achieve work-life balance, we have organised various interest classes and recreational events for colleagues to participate in such as DIY Mini Aquarium Workshop, Yoga Class, Tree Top Cottage Trip and Hotelier Olympics. Sports teams such as basketball and running have also been established in order to encourage colleagues to exercise regularly and stay healthy.

DIY Mini Aquarium Workshop

Recognition

In recognition of our efforts in people strategies and practices, we were granted the following prestigious awards in 2018:

- Langham Hospitality Group
  - The award of "Manpower Developer" by the Employees Retraining Board (ERB) Hong Kong
- Cordis, Auckland:
  - 2018 New Zealand Hotel Industry Awards – Hotel Industry Administration Employee of the Year by New Zealand Hotel Industry Conference
- Cordis, Hong Kong:
  - 2017/18 Family-Friendly Employers Award
  - Signatory of Good Employer Charter 2018 by Labour Department

- Chelsea Hotel, Toronto:
    - o Aspiring Hotelier Award of the Year 2017 by the Hotel Association of Canada
    - o 2018 Spirit Awards – Reservations Ambassador of the Year by Greater Toronto Hotel Association
    - o 2018 Pinnacle Awards - Hotelier of the Year by Hotelier Magazine of Kostuch Media
- The Langham, Huntington, Pasadena:
    - o The Civitan Employer Awards (for employing individuals with disabilities in the community) by the Civitan Club of Pasadena
- The Langham, Sydney:
    - o Awards for Excellence 2018 – Sales Talent of the Year by Tourism Accommodation Australia (NSW)

Pinnacle Awards – Hotelier of the Year

ENVIRONMENTAL

Environmental Policy and Impact Assessment

Minimising the significant impacts of our operations on the environment is a key component of our Group CSR Policy. We regularly conduct environmental impact assessment which evaluates our environmental aspects together with relevant laws and regulations. Through the assessment, we have determined energy consumption, carbon emission and water consumption as our significant aspects which require managing actions (hazardous & non-hazardous waste produced and packaging material used for finished products are less significant/not applicable due to the nature of our businesses). Managing actions such as establishing an environmental policy and management system at each division enable us to communicate our environmental commitment to the colleagues and determine environmental measures to mitigate our adverse impacts.

Green Champion Working Group

To cultivate a green culture within the Group, we have established the Green Champion Working Group. The Working Group is formed by the nominated Green Champions from all divisions, acting as a platform to share and learn green practices from each other and in turn spread the best green practices to the colleagues. In 2018, several green awareness campaigns were launched by the Working Group:

- Take a Green Shot Campaign: the campaign invited the colleagues to submit photos with green actions in office or home based on the theme "low carbon living". Each submitted photo was rewarded with a green gift and the best ten photos were acknowledged on the intranet forum;
- Water for Free: in support of our sponsored project with Water for Free, (please refer to section "Community" for details), we organised various activities for the colleagues to participate in this green movement. Activities included promoting Water for Free Mobile app, holding Bottle Water & Plastic Waste Talk and screening Water Scarcity Documentary Film to the colleagues; and
- Exchange Corner: the campaign aimed to promote the concept of "reuse" by asking the colleagues to exchange their items they no longer needed with the others. The remaining items were donated to The Salvation Army for charity cause.

Exchange Corner

Environmental Measures

Our Hotel Division has been implementing a systematic approach in managing environmental issues at the hotels through a partnership with EarthCheck, which is the leading international sustainability benchmarking and certification service for the travel and tourism industry. Its standard aligns with international frameworks such as the Sustainable Development Goals (SDGs) and International Organisation for Standardisation (ISO). EarthCheck Certified is also accredited by the Global Sustainable Tourism Council (GSTC).

In 2018, Cordis, Auckland retained its EarthCheck Platinum Certification recognising its sustainability efforts for at least ten years. Eight hotels also received Gold Certified status (with the addition of The Langham, Shanghai, Xintiandi) and four hotels retained Silver Certified.

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

- holding the "lights out" campaign at the hotels in support of the Earth Hour movement;
- offering meatless dishes at the restaurants and colleague cafeterias on Monday to promote healthy green diet; and
- organising a Beverage Container Upcycling Competition for the colleagues to design and create their innovative products made from used containers.

Earth Hour at The Langham, New York, Fifth Avenue

Meatless Monday at Colleague Cafeterias

The major rebranded and refurbished Eaton Hotels approached sustainability from three angles: economic, environmental, and cultural. The followings are their measures in environmental:

- the guestrooms feature Plushbed's Luxury Bliss mattress which is 100% natural, Green-Guard Gold Certified, GOTS certified organic, eco-INSTITUT certified and so forth;
- the bathrooms are outfitted with organic, environmentally conscious amenities from Australia-based company Grown Alchemist (100% natural ingredients, free of harmful chemicals); and
- guestroom rugs are from Creative Matters, a company which prioritizes ethically produced products.

Eaton Hotel Rebranding and Refurbishment

Eaton, Washington DC is registered for LEED New Construction and is targeting Gold certification. Key initiatives to achieve the status include the followings:

- reuse of the existing hotel instead of new build (75% re-use of existing walls and roof);
- systems in place to capture rainwater for use in flushing toilets;
- targeting 45% water reduction through the use of low flow faucets, dual flush toilets, and pre-rinse spray valves in the kitchens;
- enhancing commissioning of the building including a re-commissioning one year after the opening;
- targeting air quality standards developed by ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers);
- composite wood, paint & coatings, adhesives, sealants and flooring all meet low emission standards; and
- all lightings are LED.

Eaton, Washington DC has also partnered with Plan Do See which oversees the menu of Kintsugi Café. The menu focuses on organic, sustainable and fair trade third-wave coffee from Red Rooster Coffee Roaster. Also in the mix is mushroom coffee, raw superfood chocolates, Native American-inspired wellness teas, in house daily made juices, and vegan & gluten-free pastries.

Kintsugi Café

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

- implemented ISO 14001 Environmental Management System Standard at the properties they manage;
- formulated a Green Purchasing Policy for the colleagues, tenants, contractors and suppliers as a reference when making green purchasing decisions;
- retrofitted fluorescent luminaries/metal halide lights to LED luminaries fitted with motion sensors at staircases, corridors and lavatories;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- installed Variable Speed Drive (VSD) for chilled water pumps and air handling units;
- installed vertical gardens and eco farms at rooftop;
- participated in Earth Hour whilst encouraged the retail tenants, office occupiers and shoppers to join the meaningful event;
- installed automatic low flow water faucet for wash basin; and
- drawn underground water for irrigation.

Retrofit of Metal Halide to LED Lights

Vertical Garden

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

- introduced a few recycling initiatives to collect used paper, glass containers, computers, red packets and mooncake boxes from the tenants;
- collected used books and stationery from the tenants for donation to charities;
- co-organised "Food Waste Recycling Partnership Scheme" with Environmental Protection Department and Green Council for the F&B tenants to participate in; and
- organised green workshops such as Eco-enzyme Making Workshop.

Used Red Packet Collection

Energy Consumption

Business	Direct energy consumption (GJ)	Indirect energy consumption (GJ)	Total energy consumption (GJ)	Total energy consumption intensity (GJ/sqm)
Hotel[1]	243,753	496,426	740,180	1.25
Property & Others[2]	204	180,771	180,975	0.44

Carbon Emissions

Business	Direct carbon emission (tonnes CO_2-eq)	Indirect carbon emission[3] (tonnes CO_2-eq)	Total carbon emission (tonnes CO_2-eq)	Total carbon emission intensity (tonnes CO_2-eq/sqm)
Hotel[1]	13,658	69,556	83,214	0.14
Property & Others[2]	14	37,706	37,780	0.09

Water Consumption

Business	Total water consumption (m^3)	Total water consumption intensity (m^3/sqm)
Hotel[1]	1,562,752	2.64
Property & Others[2]	336,958	0.81

Notes:

1. Hotel includes owned hotels only.

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

3. Scope 3 carbon emissions are not reported as the data is not material due to the nature of our businesses.

Our Development and Project Management Division is committed to pursuing environmental initiatives as an integral part of the development and project management process. They consider the environmental impacts throughout the planning, design, construction, and operational phases of the hotel, office, retail and residential assets. The Division researches building rating schemes for each of our projects, which are appropriate for the specific assets. For example:

- in San Francisco, the recently completed Austin Condominium project, on Pine Street, follows both the Title 24 standard as well as Greenpoint certification. Furthermore, our future developments in San Francisco are also being designed to achieve LEED Accreditation – the Langham Hotel San Francisco on Howard Street (Platinum), and the Eaton hotel on Market Street (Gold);

- in Washington DC, The Eaton Hotel has been redeveloped and is in its first year of operation with LEED Gold Accreditation. Sustainable property development, operation and lifestyle, are firmly aligned with the values of The Eaton brand; and

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

Implementation of web based management systems is reducing the environmental impact of the Division and its supply partners. Business processes are also being improved with process inefficiencies being designed out as new systems are brought on line.

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

In our corporate office, Administration Division implements green practices according to the slogan "ER3" (Environmental Protection, Recycle, Reduce and Reuse). The following green actions were taken in 2018:

- organised Green Monday Lunch with its menu mostly homemade and 100% out of additives; the Executive Directors took time out of their busy schedule to design the food recipe;

- in Green Monday Lunch, encouraged the colleagues to bring their own lunch ware so as to reduce disposable containers/utensils;

- installed energy saving fittings such as LED lightings, glass partitions, energy saving timer, motion sensors and large glass white boards in new offices;

- required the office carpet cleaning tenderers to use chemicals which are harmless to the environment and complied with international standards;
- used FSC certified paper in offices and for business cards printing;
- collected printer cartridges and waste paper for recycling;
- relocated old furniture for new offices to use; and
- participated in Hong Kong Environmental Production Association's Tree Conservation Scheme to recycle Peach Blossom and Chinese New Year plants.

Green Monday Lunch

Recognition and Signatories

In recognition of our efforts in environmental protection, we were honoured by the following green awards this year:

- Great Eagle Holdings Limited:
  - Best Initiative in Environmental Responsibility Initiative: Free Water Campaign by The Asset Corporate Awards 2018
- Cordis, Auckland:
  - Qualmark Enviro – Gold by Qualmark New Zealand
- Cordis, Hong Kong:
  - Certificate of Excellence – Sustainable Product Supplier Award by Business Environment Council
- GreenLeader by TripAdvisor:
  - The Langham, London – Gold Level
  - The Langham, Melbourne – Silver Level
  - Cordis, Auckland – Silver Level
  - The Langham, Boston – Bronze Level
- Great Eagle Center:
  - BOCHK Corporate Environmental Leadership Award 2017 – EcoPartner by the Federation of Hong Kong Industries
- Langham Place:
  - The Hong Kong Awards for Environmental Excellence (Certificate of Merit – Property Management (Commercial & Industrial)) by the Environmental Campaign Committee
- Hong Kong Green Organisations Certificate by the Environmental Campaign Committee:
  - Cordis, Hong Kong
  - Eaton, Hong Kong
  - Great Eagle Centre
  - Langham Place
  - Three Garden Road

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

The Asset Corporate Award

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

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

Charter on External Lighting

The Hong Kong Awards for Environmental Excellence

OPERATING PRACTICES

Anti-corruption and Supply Chain Management

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

- all colleagues are given a Code of Conduct which they are required to adhere to. The Code explicitly prohibits colleagues from soliciting, accepting, or offering bribes or any other form of advantage, extortion, fraud and money laundering. The Code also outlines the Group's expectations on the colleagues with regard to conflicts of interest as well as whistle-blowing procedure. Any colleagues who have engaged or considered engaging in activities that might have conflict with the Group's interests, they are required to make full disclosure. During the year, we did not receive any non-compliance or fines in this regard;

- The Group recognises that through leadership and monitoring along the supply chain, we could promote adoption and support of fair operating practices as well as labour practices (including preventing child and forced labour) and environmental protection. In order to guide these aspects in our supply chain more systematically, the Supplier Code of Conduct has been formulated and communicated through the tendering documents; and

- to ensure further suppliers' commitment to adopt CSR, the Group has enhanced the process by using a checklist. The checklist is transformed from the requirements as stated in the Supplier Code of Conduct to a Q&A format and has been sent to the suppliers along with the tendering documents. Response rate and scoring profile have been analysed for compliance status, monitoring and implementation improvement. The suppliers are required to fill in the checklist every three years, keeping us informed of their CSR performance status.

Superior Quality Services

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

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

- "Quality League", a Total Quality Management System, is one of the Division's core management strategies to drive the best performance in the business. This team-oriented system is based on the renowned Malcolm Baldridge Performance Excellence Framework. It focuses on engaging every colleague towards the same goal from a systematic perspective on continuous improvement. The third edition of Quality League Standard was released in 2018;

- the Division utilised a robust voice-of-the-customers (VOC) system to collect the guests' feedback, and tailor services and products. Through an integrated platform to compile the data collected from all VOC channels, the Division could analyse the guests' preferences and enhance the service delivery and business strategy to increase guest loyalty. This year, the VOC system platform was enhanced with a real time translation function on guest written comments that enable the colleagues to comprehend guests' feedback in different languages;

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

- to incorporate the "Taking Initiatives" culture at the hotel, Cordis, Auckland launched the "Create Magic Moment Campaign" for all colleagues in 2018. The Campaign aimed to drive the empowerment culture by encouraging the team to make as many genuine connections as possible with the guests during their stay, creating the magic moments for them. These magic moments were shared by the colleagues every week with the best one who could spin the wheel of fortune to win exciting prizes.

Wheel of Fortune for "Create Magic Moment Campaign"

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

- establishing a Customer Feedback System to collect appreciations, complaints and general enquiries from the customers;
- regularly sending questionnaires to the tenants to obtain their feedback; and
- timely giving feedback to the customers and determining improvement actions.

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

- installed automatic swing doors for barrier free access;
- replaced the conventional directories with e-directories in order to improve convenience for the shoppers;
- installed real time temperature monitoring system for busbar system so as to detect any likelihood of abnormal overheating that may cause electrical system breakdown; and
- installed diaper changing stations in the toilets.

Automatic Swing Doors

Diaper Changing Stations

Recognition

In recognition of our commitment in providing superior quality services, we have received the following outstanding awards:

- Great Eagle Holdings Limited:
  - o Listed Enterprises of the Year 2018 & Outstanding Performance – Best Development Strategy by Bloomberg Businessweek (Chinese edition)
- Langham Hotels and Resorts:
  - o Top 10 Best Luxury Hotel Brand by USA Today
- 2018 Reader's Choice Awards by Condé Nast Traveler:
  - o The Langham, New York, Fifth Avenue: No. 2 in New York City
  - o The Langham, Melbourne: No. 4 in Australia and New Zealand
  - o The Langham, Huntington, Pasadena: No. 12 in Los Angeles
  - o The Langham, Chicago: No. 15 in Chicago
- Forbes Travel Guide 2018:
  - o The Langham, Hong Kong – Five-Star Hotel
  - o The Langham, Chicago – Five-Star Hotel
  - o Chuan Spa at The Langham, Chicago – Five-Star Spa
- The 2019 Michelin Guide, Hong Kong and Macau:
  - o T'ang Court at The Langham, Hong Kong: Three Michelin Stars Rating
  - o Ming Court at Cordis, Hong Kong: One Michelin Star Rating
  - o Yat Tung Heen at Eaton, Hong Kong: One Michelin Star Rating
- The 2019 Michelin Guide, Shanghai:
  - o T'ang Court at The Langham, Shanghai, Xintiandi: Two Michelin Stars Rating
- 2018 Best Hotels by US News & World Report:
  - o The Langham, Chicago: No.3 in the USA
  - o The Langham, Boston: No.9 in Boston
  - o The Langham, Huntington, Pasadena: No.12 in Los Angeles
- Langham Place:
  - o Ten awards in 2017 Kowloon West Best Security Services Awards by the Hong Kong Police
- Three Garden Road:
  - o Customer Relationship Excellence Awards 2017 – Best Customer Experience Management of the Year 2017 by Asia Pacific Customer Service Consortium

Listed Enterprises of the Year 2018

Kowloon West Best Security Services Awards

COMMUNITY

Community Involvement Strategy

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

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

Community Engagement

Based on the themes, we partner with non-profit organisations to design a few deserving projects which would benefit the community. We believe by focusing all of our philanthropic resources – financial, volunteer, and in-kind – on these projects, we could engender greater social impact. The following projects were launched by us this year:

- Art: riding on the success of Music Children@Sham Shui Po Project, we continued to partner with Music Children Foundation to establish "Great Eagle Music Children Ensemble". The project aimed to provide continuing education and support to the outstanding alumni by offering intensive musical trainings and out-of-classroom exposures to further nurture their musical talents. The alumni would develop music as a skill for life as well as create social impacts by spreading the message of "music changes life";

Great Eagle Music Children Ensemble

- Children Education: The recently revised Kindergarten Education Curriculum Guide has adopted a play-based strategy that emphasizes the role of "free play". However, early childhood educators lack the knowledge and skills to implement it. To close this gap, we partnered with Playright to launch "Great Eagle Playful School Project". The project aimed to develop a training model which would help the educators to have the know-how on implementing "free play" in schools. Headmaster seminars, teacher training, demonstration and parent training were held throughout the year; and

Great Eagle Playful School Project

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Environmental Protection: every day, millions of plastic bottles are being decomposed into the landfill in which a substantial amount being bottled water. In order to reduce consumption of bottled drink, we partnered with Water for Free and Healthy Seed to launch "Great Eagle Water for Free Project", which provided free water dispensers and education talks to schools and community centers, encouraging the general public to bring their own bottle. Our Property Management Division and Marketing Division offered in-kind support to the campaign by inviting their food & beverages tenants to join the campaign, organising green workshops for them as well as providing a venue at Langham Place Shopping Mall for the kick-off ceremony.

Great Eagle Water for Free Workshop

Corporate volunteering forms another vital element of our community involvement. We encourage the colleagues to explore the community and help people in need by joining volunteering services. One of the volunteering services in 2018 was beach clean-up as organised by Water for Free. The volunteers went to a beach to collect wastes which included plastic bottles, plastic straws, foam and so forth. Other than joining the beach clean-up, the colleagues also participated in "Life Buddies – Group Mentoring Scheme" as organised by the Commission on Poverty. The scheme aims to promote youth upward mobility by offering career-focused activities to disadvantaged young students.

Overseas, The Langham, Huntington, Pasadena prepared dinner for the families at Ronald McDonald House and held a surprised BBQ meal for them on another day. Chelsea Hotel, Toronto volunteers cycled on a Big Bike around downtown Toronto, raising research fund for the Heart and Stroke Foundation. The fund ensures that critical research in hospitals and universities across Canada could continue.

Beach Clean-up Volunteering

Life Buddies – Group Mentoring Scheme

Ronald McDonald House Volunteering

Big BIKE Event Volunteering

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

Musica del Cuore

Memberships and Recognition

Besides organising Musica del Cuore, we support renowned art events held in Hong Kong. For example, we are the Bronze Patron of The Hong Kong Arts Festival and sponsor of Opera Hong Kong and Premiere Performances.

Promoting best practices in environmental excellence and exchange knowledge amongst the top CSR leaders, we are:

- Silver Patron Member of Hong Kong Green Building Council
- Corporate Member of Business Environment Council

Our community involvement efforts have enabled us to be awarded:

- 10 Years Plus Caring Company Logo by The Hong Kong Council of Social Service
- Social Capital Builder Logo Awards by Labour and Welfare Bureau
- Certificate of Participation in Volunteer Movement by Social Welfare Department

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui
Chairman and Managing Director

Dr. LO Ka Shui, aged 72, 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 99, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the wife of Mr. Lo Ying Shek, the late former chairman of the Company, and is the co-founder of the Group. She was involved in the early stage 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 The 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 Provost and Deputy Vice-Chancellor and Chair of Economics at The University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region. He is a member of Research Council of Our Hong Kong Foundation. Professor Wong is an Independent Non-executive Director of 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 70, was appointed as an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. She is a partner of the firm of solicitors, Woo, Kwan, Lee & Lo and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs. Lee was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a Non-executive Director of the Securities and Futures Commission and a Non-executive Director of the Mandatory Provident Fund Schemes Authority. She is a Non-executive Director of CK Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited, all of which are listed companies.

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

Mr. LEE Siu Kwong, Ambrose, aged 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor POON Ka Yeung, Larry
Independent Non-executive Director

Professor POON Ka Yeung, Larry, aged 51, 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 77, 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 82, 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 67, 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 57, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

HOTEL

Mr. Stefan LESER, aged 52, joined Langham Hospitality Group as chief executive officer in 2018. He oversees all aspects of management and brands for the Langham Hospitality Group's global portfolio of hotels, resorts and residences. He provides strategic guidance to achieve the company's vision, implementing organizational processes for all hotels, and leading the global expansion drive. With over 30 years of experience in the travel and hospitality industries, Mr. Leser was previously the group chief executive officer and a member of the board of directors at Jumeirah International. He also held senior roles for more than a decade at Kuoni Travel Holding Ltd., the leading Swiss travel services provider. As a member of Kuoni's executive board and executive vice president of the outbound and specialists division, he directed the company's travel businesses, and was also responsible for all inbound destination management businesses. Prior to joining Kuoni, Mr. Leser spent six years working in the information technology industry with Swissair and EDS Corporation. He holds a MBA from Augusta State University of Georgia (U.S.).

Ms. LO Bo Lun, Katherine, aged 37, joined the Hotels Division of Great Eagle Group in 2011 and acted as Executive Director of Langham Hospitality Group Limited. She is a hospitality industry professional. In 2014, she was appointed President of Eaton Hotels. As President, she is launching and overseeing the global rebranding of a new generation of Eaton. She leads the global Eaton team to execute the new Eaton vision in concept, innovation, design, programming, branding, development, project openings, operations, marketing, public relations, and strategic partnerships. She graduated from Yale University with a Bachelor of Arts with distinction in Sociocultural Anthropology, and subsequently earned her Master of Fine Arts Degree from the University of Southern California. She is a daughter of Dr. Lo Ka Shui, the Chairman and Managing Director of the Company. She is also a granddaughter of Madam Lo To Lee Kwan, a niece of Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and an elder sister of Mr. Lo Chun Him, Alexander, all being Directors of the Company.

Mr. LUK Chau Kwong, Eric, aged 59, is the Chief Financial Officer of the Group's Hotels Division who rejoined the Group in 2002. He first joined the Group in 1994 and had held previous positions including Vice President – Finance and Group Financial Controller for Langham Hospitality Group and various capacities at hotel properties under the Group. He has more than 30 years' hotel management experience and works extensively on the management, operations and acquisition of the Group's hotel projects globally.

ASSET MANAGEMENT AND BUSINESS DEVELOPMENT

Mr. Brett BUTCHER, aged 59, is the Chief Executive Officer of GE Hospitality Asset Management Limited. He held previous senior executive positions in Langham Hospitality Group between 2002 and 2013. Mr. Butcher holds a Bachelor's Degree in Business (Hospitality Management) and has extensive experience in both hotel operations and sales and marketing. His hotel career now spans 39 years and has covered assignments in Asia, the Pacific and North America.

Mr. LAM Kin Kwok, Sherman, aged 59, joined Great Eagle Group as Director – Strategy and Business Development in September 2013 and is the President of Pacific Eagle Holdings Corporation, overseeing Great Eagle's overseas property investment and development as well as real estate funds. Mr. Lam held senior roles in both privately held and publicly listed organisations in such sectors as real estate, electric power, telecommunication, infrastructure, transportation, oil & gas, etc.

CHINA

Mr. LU Ning, Michael, aged 45, Managing Director of the Group's China and Trading Divisions, joined the Group in May 2008. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Mr. AU Ngai Ho, aged 61, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the PRC. Mr. Au joined the Group in 1977 and has about 40 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

PROJECT DEVELOPMENT

Mr. Allen MATIS, aged 60, is the Head of Development and Project Management Department. With over 38 years of experience in real estate development and private equity investment in Asia and USA, and specific expertise in Greater China, he oversees the project portfolio of the Group. Mr. Matis had held key positions in multi-national organisations. Prior to joining the Company in 2015, he was an Executive Vice President – Property of SilverNeedle Hospitality Group responsible for capital placement, acquisition and development of the group's real estate portfolio. He had also worked for LaSalle Investment Management's Opportunistic Funds, LaSalle Asia Opportunity Fund II and LaSalle Asia Opportunity Fund III as Regional Director of Development for a portfolio with an aggregate investment in excess of US$4 billion spread over 30 projects. Prior to that, he had worked for Bovis Lend Lease for 17 years and served in senior operational and executive roles including the Country Manager of Greater China. He graduated from The University of Illinois with a Bachelor of Science Degree in Civil Engineering.

Mr. Toby BATH, aged 61, is the Executive Vice President of Peak Project Management Limited, a wholly owned development arm in USA of Great Eagle. He is a Member of the Royal Institute of British Architects (RIBA) and of the Association for Project Management (MAPM), an Associate of the American Institute of Architects and a LEED Accredited Professional. He graduated from Oxford School of Architecture and Urban Design, United Kingdom with a Bachelor of Architecture (Honors) Degree and is a holder of Post Graduate Diploma in both Architecture and Urban Design respectively conferred by Oxford Brooks University, United Kingdom. Prior to joining the Group in 2016, he had held directorate appointments in various multi-national architecture and interior design firms and acted as owner's representative playing vital roles in diverse stages of master planning, architecture and urban design for over 31 years. His all-round portfolio combines an array of projects including commercial and retail, hotels and resorts, residences, corporate offices and campuses, aviation and transportation projects, convention centers and auditoriums.

Mr. Simon BAXTER, aged 46, is the Managing Director of the Centre of Expertise (COE) within The Great Eagle Development and Project Management Limited. The COE supports all development and project management teams of the Group around the world with expertise in planning, architecture, engineering, procurement and scheduling. Prior to joining the Group, Mr. Baxter held senior leadership positions in two large international project management and consulting organisations delivering construction projects in more than 30 countries around the world. He has extensive experience in all real estate development sub-sectors including hospitality, residential, retail, commercial office and public buildings. He graduated from the University of Northumbria in the United Kingdom with a Bachelor Science Degree in Quantity Surveying and Construction Economics.

Mr. KWAN Chun Bon, James, aged 58, is the General Manager – Development of The Great Eagle Development and Project Management Limited. He has over 30 years extensive working experience in real estate fields which includes development projects and investment properties. Mr. Kwan has been serving the Group since September 1994. He holds a Professional Diploma in Estate Management (Hong Kong Polytechnic) and is a member of the Hong Kong Institute of Real Estate Administrators. He is now overseeing the Group's Development Department and handling prospective development projects and real estate investments and acquisition.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

PROPERTY MANAGEMENT

Mr. LEUNG Tat Kai, Henry, aged 65, Director and the General Manager of The Great Eagle Properties Management Company, Limited, joined the Group in 2002. He is responsible for the management of the Group's property portfolio. Mr. Leung holds a Bachelor's Degree in Laws. He is a member of the Royal Institution of Chartered Surveyors and an associate member of The Institute of Chartered Secretaries and Administrators. He has over 35 years' experience in the real estate industry and property management.

COMPLIANCE AND ADMINISTRATION

Ms. WONG Mei Ling, Marina, aged 52, is the Group Company Secretary and the Head of Company Secretarial and Administration Department. Ms. Wong is also responsible for the company secretarial matters of the publicly listed trusts, Champion Real Estate Trust and Langham Hospitality Investments. Ms. Wong is a Fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration jointly awarded by the University of Wales and the University of Manchester and a Bachelor of Arts Degree in Accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong) respectively. Ms. Wong had over 30 years of experience in company secretarial and compliance. Prior to joining the Company in 2008, Ms. Wong was the Company Secretary of a major red chip listed company in Hong Kong, where she obtained extensive working experience of China business.

FINANCE

Mr. MOK Siu Bun, Terry, aged 65, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 37 years' experience in accounting and finance in the real estate industry.

INTERNAL AUDIT

Mr. HO Hon Ching, Barry, aged 56, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom, a Master's Degree in Business Administration from The University of Hong Kong and a Postgraduate Diploma in IT Forensics. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Information Systems Auditor. In addition, Mr. Ho has also earned the Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors (IIA), and the qualification of Certified in Risk and Information Systems Control (CRISC) from the Information Systems Audit and Control Association (ISACA). He has extensive experience in accounting, statutory auditing, IT auditing, internal auditing, risk management and corporate governance.

LEGAL

Mr. HUNG Ka Wai, aged 54, the Head of Legal of the Group, joined the Group in December 2011. Mr. Hung holds a Bachelor of Laws degree, a Postgraduate Certificate in Laws and a Master of Laws degree. Besides, he is also a graduate of the Law School of the University of New South Wales with a Master Degree in the Australian law. He is also a holder of the diploma in arbitration awarded by the Royal Institution of Chartered Surveyors and the corporate finance qualification awarded by the Institute of Chartered Accountants in England and Wales and the certificate in hotel real estate investments and asset management awarded by the School of Hotel Administration of Cornell University. He was admitted as a solicitor in Hong Kong in 1996 with more than 22 years of experience in corporate finance and compliance work in listed companies. He is also a member of the Chartered Institute of Arbitrators in the United Kingdom, the Institute of Chartered Accountants in England and Wales, Chartered Accountants Australia and New Zealand and The Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

Great Eagle Holdings Limited is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost Shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of our Shareholders. The Board of Directors of the Company will from time to time monitor and review the Company's corporate governance practices in light of the regulatory requirements and the needs of the Company to underpin our engrained value of integrity and accountability. The major activities since 1 January 2018 are set out below:

- **Changes in Board Committee Composition**
  On 28 February 2018, Professor Poon Ka Yeung, Larry, an Independent Non-executive Director of the Company, was appointed as an additional member of each of the Audit Committee and the Remuneration Committee of the Board. Formal announcement in relation thereto was made.

- **Grant of Share Options**
  It is the normal practice of the Company to grant share options to the eligible employees (including Executive Directors) each year shortly after the publication of annual results announcement of the Company in the first quarter. During the year ended 31 December 2018, an aggregate of 5,509,000 share options were granted to the eligible employees (including Executive Directors and their associates). Formal announcements were made on 14 March 2018 and 8 May 2018 respectively.

- **General Mandates to Buy-back and to Issue Shares of the Company**
  General mandates to buy-back no more than 10% of the shares and issue no more than 20% of the shares of the Company were granted by the Shareholders at the Annual General Meeting ("2018 AGM") of the Company held on 24 April 2018 with 99.99% and 83.05% shares voted in favour of the respective resolutions.

- **Amendments to Corporate Governance Code**
  The Corporate Governance Code has been amended and come into effect on 1 January 2019 to strengthen the transparency and accountability of the Nomination Committee and election of directors, promote board diversity and require greater transparency of dividend policy transparency. In response, the Company has updated the terms of reference of the Nomination Committee, reviewed and formally adopted a board diversity policy, nomination policy and dividend policy of the Company. Relevant disclosures have been made in this report according to the amended Code of Corporate Governance.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Board of Directors is responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report. It plays a central 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. It serves as an ongoing guidance for the Directors to perform and fulfill their respective roles and obligations to the Company.

Corporate Governance Practice

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

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

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

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

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

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

- **Shareholder Communication Policy**
  It reflects the current practice of the Company in communications with Shareholders with an aim to promote effective engagement with Shareholders, both individual and institutional investors, and other stakeholders.

- **Social Media Policy**
  It sets out the basic standards of behaviour expected of all employees and the procedures they must follow regarding the use of social media, both personally as well as in their capacity as representatives of the Group.

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

Compliance with Corporate Governance Code

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

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

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

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

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

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

Under the existing Bye-laws, the Executive Chairman and Managing Director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, Directors who hold the offices of either the Executive Chairman or the Managing Director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the Executive Chairman and Managing Director of the Company to retirement by rotation. Dr. Lo Ka Shui is the Executive Chairman and Managing Director of the Company. His interests in shares and underlying shares of the Company and associated corporations are set out in the Report of the Directors contained herein. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. Notwithstanding that Dr. Lo is not subject to retirement by rotation, he has disclosed his biographical details in accordance with Rule 13.74 of the Listing Rules in the circular to the Shareholders in relation to, among other things, the re-election of retiring Directors, for Shareholders' information. A biography of Dr. Lo and details of his emoluments are also provided on page 50 of this Annual Report and in note 11 to the consolidated financial statements respectively.

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

Madam Lo To Lee Kwan, a Non-executive Director of the Company, is the co-founder of the Group. She was involved in the early stage of development of the Group. Since she is relatively inactive in the Group's business in recent years, she has not participated in the 2018 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.

BOARD OF DIRECTORS

Board Responsibilities

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

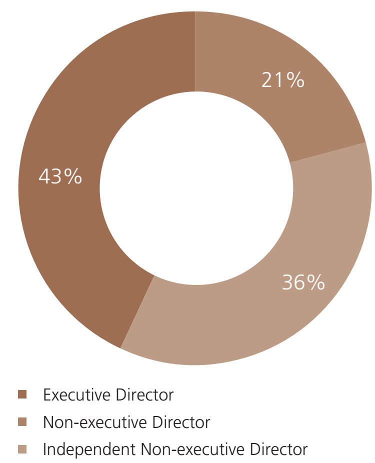
MEMBERS OF THE BOARD OF DIRECTORS

- The Board currently has fourteen members, six Executive Directors and eight Non-executive Directors, five of whom are Independent Non-executive Directors.
- The Board comprises a relatively balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors representing one-third of the Board) that can ensure there is adequate independent judgment for the running of the Company's business.
- The members of the Board comprise experts from various professions with extensive experience and have appropriate professional qualifications or accounting or related financial management expertise.
- Female directors held 21.4% of the Board seats of the Company.

Board Composition

The composition of the Board is set out as follows:

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



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

Independent Non-executive Directors
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. LEE Siu Kwong, Ambrose
Professor POON Ka Yeung, Larry

Madam Lo To Lee Kwan 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. Saved as disclosed above, there are no family or other material relationships among members of the Board.

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

In all corporate communications, the Company has disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 50 to 56 of this Annual Report and maintained on the Company's website at www.GreatEagle.com.hk.

Independence of Independent Non-executive Directors

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

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

Directors Orientation and Continuing Development

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

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

To keep abreast of the responsibilities of the Directors and infuse them with new knowledge, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director will be provided to each Director by the Company Secretary periodically. With regard to the Director Development Program in 2018, legal and regulatory updates on the Listing Rules and Securities and Futures Ordinance and various reading materials regarding market practices, industry development analysis, global trend and global economics environment were circulated to the Directors. All Directors, except Madam Lo To Lee Kwan, participated in the Program and/or other continuous professional development and had provided a record of at least 10 hours' training they received to the Company.

SUMMARY OF KEY MATTERS RESERVED FOR THE BOARD

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

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

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

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

Supply and Access to Information

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

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

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

Board Meetings

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

PROCEEDINGS OF THE BOARD

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

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

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

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

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

Directors' Attendance at Board Meetings

Five full physical Board meetings were held during the financial year ended 31 December 2018. The attendance of individual Directors at these Board meetings during the year ended 31 December 2018 is set out below:

Name of Directors	Number of Board Meetings Attended/Eligible to Attend for the year ended 31 December 2018
Executive Directors	
LO Ka Shui [1]	4/4
LO Hong Sui, Antony	4/4
LAW Wai Duen	4/4
LO Chun Him, Alexander	4/4
KAN Tak Kwong [2]	5/5
Chu Shik Pui	5/5
Attendance Rate:	100%
Non-executive Directors	
LO TO Lee Kwan [3]	0/4
LO Hong Sui, Vincent	4/4
LO Ying Sui	4/4
Attendance Rate:	66.67%
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	5/5
WONG Yue Chim, Richard	5/5
LEE Pui Ling, Angelina	5/5
LEE Siu Kwong, Ambrose	5/5
POON Ka Yeung, Larry	5/5
Attendance Rate:	100%
Overall Attendance Rate	**92.85%**

Notes:

(1) Chairman and Managing Director

(2) General Manager

(3) Co-founder of the Company

Directors' and Officers' Insurance

During the year ended 31 December 2018, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Directors' Securities Transactions

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements. The Directors' interests in the securities of the Company and its associated corporations (within the meaning of the SFO) as at 31 December 2018, are set out on pages 89 to 92 of this Annual Report.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2018.

DELEGATION BY THE BOARD

Management Functions

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

Board Committees

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

Audit Committee

The Audit Committee of the Company was established in 1999. The written terms of reference of the Audit Committee are posted on the websites of the Company and HKEXnews.

The Audit Committee currently comprises five Independent Non-executive Directors, namely, Mr. Cheng Hoi Chuen, Vincent (who is the chairman of the Audit Committee), Professor Wong Yue Chim, Richard, Mrs. Lee Pui Ling, Angelina, Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry (appointed on 28 February 2018).

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

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

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

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

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

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

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

AUDIT COMMITTEE MEETINGS HELD IN 2018

During the year ended 31 December 2018, two meetings of Audit Committee were held and all members were present at the meetings. As Professor Poon Ka Yeung, Larry was appointed as a member of Audit Committee on 28 February 2018, he has no attendance record for the first meeting of Audit Committee during the year which was held prior to his appointment. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed various internal audit activities and approved the annual audit plan;
- reviewed the effectiveness of the risk management and internal control systems;
- reviewed the significant findings and recommendations from the internal auditor and monitored subsequent implementations;
- reviewed the external auditor reports for the year ended 31 December 2017 and for the six months ended 30 June 2018 respectively which summarise the principal matters of governance interest that had arisen from their audit;
- reviewed the Group's accounting, finance and reporting functions, legal and regulatory, and governance and compliance issues;
- reviewed the audited financial statements for the year ended 31 December 2017 and the unaudited financial statements for the six months ended 30 June 2018, with particular regard to major judgmental issues including:
  (1) the Group's intention and ability to hold the held-to-maturity investments in light of its capital maintenance and liquidity requirements;
  (2) the changes in fair value of the Group's investment properties, situated in Hong Kong, the United States and the People's Republic of China that resulted in deferred taxation liabilities;
  (3) the Group's control over the U.S. Fund that was accounted for as a subsidiary of the Company in accordance with the HKFRS;
  (4) the accounting treatments of the valuation of the investment properties situated in Hong Kong, the United States and the People's Republic of China; and the fair value of non-quoted derivative financial instruments;
- reviewed and approved the draft 2017 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2018 Interim Report and interim results announcement of the Company; and
- reviewed and considered the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor and approved their remuneration.

Remuneration Committee

The Company established the Remuneration Committee in 2004. The written terms of reference of the Remuneration Committee are posted on the websites of the Company and HKEXnews.

The Remuneration Committee currently comprises five Independent Non-executive Directors, namely, Mrs. Lee Pui Ling, Angelina (who is the chairwoman of the Remuneration Committee), Mr. Cheng Hoi Chuen, Vincent, Professor Wong Yue Chim, Richard, Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry (appointed on 28 February 2018).

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

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

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

REMUNERATION COMMITTEE MEETING HELD IN 2018

During the year ended 31 December 2018, one meeting of Remuneration Committee was held in January 2018 and all members were present at the meeting. As Professor Poon Ka Yeung, Larry was appointed as a member of Remuneration Committee in February 2018, he has no attendance record during the year. The following is a summary of the major work done of the Remuneration Committee at the meeting:

- reviewed and approved the proposals for 2018 general salary revision of and discretionary bonus distribution to the employees of the Group;
- reviewed and approved the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group;
- reviewed and recommended the Directors' fee and remuneration for Non-executive Directors and Independent Non-executive Directors for the year 2018; and
- reviewed and approved the annual grant of share options of the Group.

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

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

Nomination Committee

The Company established the Nomination Committee in 2005. To conform to the amendments to the Listing Rules, the terms of reference of the Nomination Committee of the Company has been updated in December 2018. The updated written terms of reference are posted on the websites of the Company and HKEXnews.

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

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

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

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

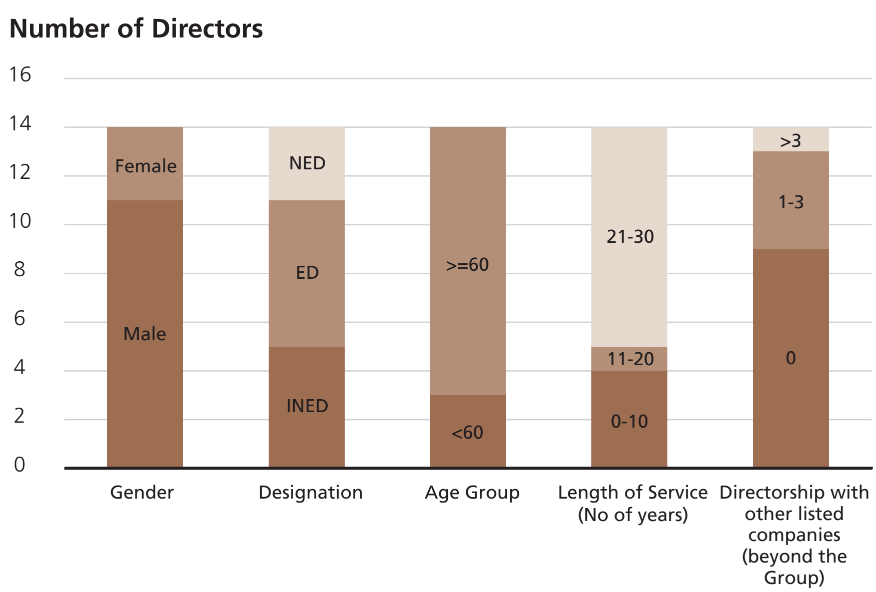
(c) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and

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

- **Board Diversity Policy**

  The Nomination Committee adopted a diversity policy (the "Diversity Policy") during the year. The Company believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments to the Board shall be on merit, in the context of the skills and experience the Board as a whole requires to be effective, and against objective criteria and with due regard for the benefits of diversity. There are many considerations that factor into the Nomination Committee's nomination process including legal requirements, best practices, and skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. But it will not set any restrictions like gender, age, cultural or educational background when short listing candidates. The Company believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background and other qualities of Directors. The Nomination Committee shall review the diversity of the Board at least annually taking into account the Group's business model and specific needs and shall monitor the implementation of the Diversity Policy and, if appropriate, make recommendations on proposed changes to the Board to complement the Company's corporate strategy.

  The following chart shows the diversity profile of the Board as at 31 December 2018:



Remarks:
ED – Executive Director
NED – Non-executive Director
INED – Independent Non-executive Director

- **Nomination Policy**

  The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates. The Nominaton Committee was responsible to maintain the nomination policy of the Company (the "Nomination Policy") and review the same regularly. The objective of the Nomination Policy is to assist the Company in fulfilling its duties and responsibilities as provided in its terms of reference. This Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company.

  The Nomination Committee shall consider any and all candidates recommended as nominees for Directors to the Committee by any Directors or Shareholders of the Company in accordance with the Bye-laws. The Nomination Committee may also undertake its own search process for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees. The Nomination Committee shall endeavour to find individuals of high integrity who possess the qualifications, qualities, skills, experience and independence (in case of Independent Non-executive Directors) to effectively represent the best interests of all Shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. The Nomination Committee may use any process it deems appropriate for the purpose of evaluating candidates including personal interviews, background checks, written submission by the candidates and third party references. As far as practicable, nominees for each election or appointment of Directors shall be evaluated using a substantially similar process. The Nomination Committee shall review the Nomination Policy from time to time.

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

NOMINATION COMMITTEE MEETING HELD IN 2018

During the year ended 31 December 2018, one meeting of Nomination Committee was held and all members were present at the meeting. The following is a summary of the major work done of Nomination Committee at the meeting:

- reviewed the structure, size and composition of the Board, and the contribution required from the Board members;
- reviewed the time commitment of Non-executive Directors to the affairs of the Company through, inter alia, their meeting attendance and other listed Company's directorships;
- reviewed the independence of Independent Non-executive Directors; and
- approved the nomination of retiring Directors to seek for re-election at the 2018 Annual General Meeting.

Finance Committee

The Company established the Finance Committee in 2003 which currently comprises four Executive Directors, namely Dr. Lo Ka Shui (who is the chairman of the Finance Committee), Mr. Kan Tak Kwong, Mr. Lo Chun Him, Alexander and Mr. Chu Shik Pui. Members of the Finance Committee meet regularly on a weekly basis. Matters considered by the Finance Committee and the decisions reached are reported to the Board at regular Board meetings.

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

(a) to review the financial position of the Company including the present or future borrowings and/or other financial obligations and/or liabilities, actual, contingent or otherwise of the Group;

(b) to approve the use of seal of the Company onto any instruments in relation to the provision of guarantee or indemnity by the Company to support any tender submissions to be made by any members of the Group for any government or public sector contracts of whatsoever nature on normal commercial terms; and

(c) to approve and authorise the opening and closing of and update the list of authorised signatories or signing arrangement in relation to any accounts maintained with any financial intermediates including banks and financial institutions in the name of the Company.

DIRECTOR'S FEE AND BOARD COMMITTEE REMUNERATION

A Director is entitled to receive a Director's fee of HK$180,000 for the year ended 31 December 2018. The Director's fee had been proposed by the Board on the recommendation of the Remuneration Committee based on the general duties and responsibilities as a Director of the Company and approved by Shareholders at the 2018 Annual General Meeting, and payable to each Director as ordinary remuneration.

The annual remunerations received by the chairman and the members of the Audit Committee, Remuneration Committee and Nomination Committee are set out below. These remunerations were determined by the Board with reference to the time and effort involved in his/her specific duties and services and the prevailing market conditions. No extra remuneration was paid to the chairman and members of the Finance Committee.

	2018	2017
	HK$	HK$
Audit Committee		
• Chairman	**220,000**	220,000
• Committee Member	**170,000**	170,000
Remuneration Committee		
• Chairman	**70,000**	70,000
• Committee Member	**60,000**	60,000
Nomination Committee		
• Chairman	**60,000**	50,000
• Committee Member	**50,000**	40,000

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group entered into certain connected transactions and continuing connected transactions. Disclosure requirements in accordance with the Listing Rules had been fully complied with.

Details of the non-exempted continuing connected transactions entered during the year and the annual review are set out on pages 93 to 96 in the Report of the Directors contained in this Annual Report.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Certain of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 40 to the consolidated financial statements.

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the total fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

	2018 **HK$'000**	2017 HK$'000
Services rendered		
Audit services	**14,394**	9,148
Non-audit services		
Taxation services	**1,116**	1,470
Interim review fee	**1,525**	1,372
Other review fees	**347**	312
	17,382	12,302

Note: The total amount of Auditor's Remuneration as disclosed in note 10 to the consolidated financial statements is HK$15,801,000 which comprises audit services provided by other auditors in the total amount of HK$1,407,000, but does not include the fees in respect of non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

Through the Audit Committee and the Group's Internal Audit Department, the Board has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

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

Based on the results of the internal audit reviews for the year ended 31 December 2018 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in risk management and internal control systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the Group has maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board, supported by the Accounts and Finance Department, is responsible for the preparation of the accounts of the Company and its subsidiaries for the year ended 31 December 2018.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on pages 104 and 108 of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

PROCEEDINGS OF GENERAL MEETINGS

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

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

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

General Meeting held in 2018

One General Meeting of the Company was held in 2018. Set out below are the details of the said Meeting:

2018 Annual General Meeting

The 2018 Annual General Meeting was held on 24 April 2018 at Suite 3003, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Dr. Lo Ying Sui, Mr. Lo Chun Him, Alexander, Mr. Kan Tak Kwong, Mr. Chu Shik Pui, Mr. Cheng Hoi Chuen, Vincent, Professor Wong Yue Chim, Richard, Mrs. Lee Pui Ling, Angelina, Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry had attended the Annual General Meeting in 2018. The matters resolved thereat are listed below.

Ordinary Resolutions		Percentage* of Votes in favour of the Resolution
1.	Received the audited consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 December 2017 together with the Reports of the Directors and Independent Auditor thereon.	99.99%
2.	Approved the payment of a Final Dividend of HK48 cents per share and a Special Final Dividend of HK50 cents per share.	99.99%
3.	Re-elected Mr. Lo Hong Sui, Vincent as a Non-executive Director.	98.81%
4.	Re-elected Professor Wong Yue Chim, Richard as an Independent Non-executive Director.	98.79%
5.	Re-elected Mrs. Lee Pui Ling, Angelina as an Independent Non-executive Director.	99.23%
6.	Re-elected Mr. Lee Siu Kwong, Ambrose as an Independent Non-executive Director.	99.80%
7.	Re-elected Mr. Chu Shik Pui as an Executive Director.	99.76%
8.	Fixed the ordinary remuneration of HK$180,000 payable to each Director for the year 2018.	99.98%
9.	Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor and authorised the Board of Directors to fix their remuneration.	99.92%
10.	Approved the grant of a general mandate to the Directors to buy-back shares not exceeding 10% of the issued share capital.	99.99%
11.	Approved the grant of a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital.	83.05%

* truncated to two decimal places.

DIVIDEND POLICY

The Company is in place of a divided policy. Any declaration and payment of dividends shall be determined at the sole discretion of the Board with the long term objective of maximizing shareholder value of the Company. The Company aims to provide its shareholders with a target annual dividend payout of not less than 25% of the core profit after tax attributable to equity holders in any financial year subject to the following factors:

1. the Company's actual and expected cash flow positions and financial performance;

2. projected capital expenditure, future expansion plans and growth opportunities;

3. the Group's debts to equity ratio, return on equity and the relevant financial covenants;

4. general economic conditions, business cycle of the Group's core business;

5. general expectation of shareholders and investors of the Company; and

6. any other factors that the Board deems appropriate.

The Board will declare dividends semi-annually. The payment of final dividend is subject to the approval of Shareholders and scrip dividend distribution option will be provided for the election of the Shareholders in relation to the payment of final dividend in any financial year. The Board may at its sole discretion declares the payment of special dividends to Shareholders as it deems appropriate.

This dividend policy and the declaration and/or payment of dividends under this policy are subject to the Board's continuing determination that this dividend policy and the declaration and/or payment of dividends would be in the best interests of the Group and the Shareholders, and are in compliance with all applicable laws and regulations.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and this dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or the obligation of the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

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

Convening a Special General Meeting by Shareholders

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

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

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

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

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

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

Putting Forward Proposals at General Meetings

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

(i) put forward proposals at general meetings; or

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

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

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

Putting Enquiries to the Board

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

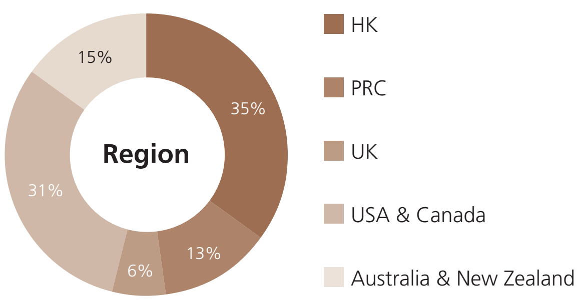
CONSTITUTIONAL DOCUMENTS

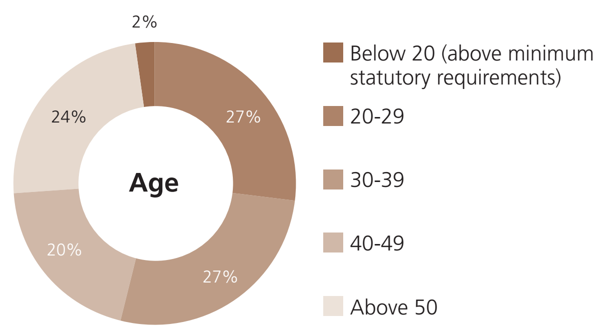
During the financial year 2018, there was no change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the websites of the Company and HKEXnews.

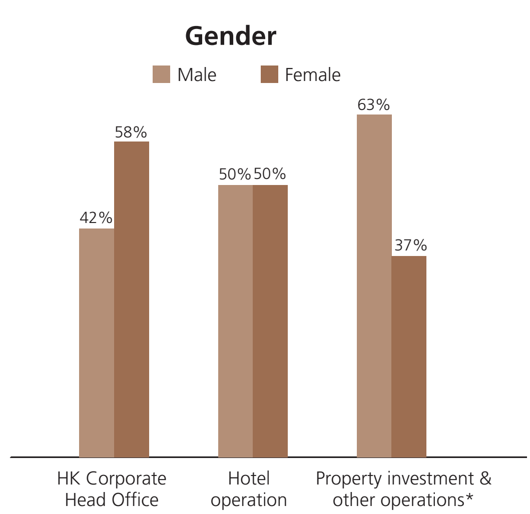
WORKFORCE SUSTAINABILITY

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.

As at 31 December 2018, the number of employees of the Group, including our head office management team, and frontline hotel and property management and operation colleagues, increased approximately 1.1% to 6,666 (2017: 6,591). The following charts show the composition and functional grouping of employees of the Group as at 31 December 2018:







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

CORPORATE GOVERNANCE REPORT

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. In order to always pursuing excellence, the hotel management team believes that the strong culture of driving excellence is the vital factor. To cascade a consistent message across different brands and hotels, the Hotels Division senior management team delivered multiple sessions of management colleague briefings in the hotels to explain the overall business model, operations model, leadership model and brand strategies. These briefing sessions also included workshops to foster a culture that inspires everyone to take the initiative to do better every day. This shows the ownership of our vision from the top management to every manager that contributes to the success of the Group.

"First60 Certification" is the key programme to ensure all colleagues 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 operational processes, colleagues 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 also 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. Cordis Hong Kong is awarded by The Home Affairs Bureau and The Family Council as 2017/18 Family-Friendly Employers Award.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

The Group's operations are mainly located in Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan and Macau. An analysis of the Group's segment results for the year ended 31 December 2018 is set out in note 6 to the consolidated financial statements of this Annual Report.

Particulars of the Company's principal subsidiaries, interests in joint ventures and interests in associates as at 31 December 2018 are set out in notes 44, 16 and 17 to the consolidated financial statements of this Annual Report.

BUSINESS REVIEW

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

(a) Review of the Company's business and financial position; and development and future prospects of the Company's business and important events affecting the Company that have occurred since the end of the year ended 31 December 2018 – Chairman's Statement comprising "Overview", "Business Review", "Financial Review" and "Outlook" on pages 7 to 25 of this Annual Report;

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

(c) Discussion on the Company's environmental policies and performance – "Environmental, Social and Governance Report" on pages 26 to 49 of this Annual Report.

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

RISKS AND UNCERTAINTIES

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

Risks pertaining to Property Development

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

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

Risks pertaining to Investment Properties

Investment properties segment is the Group's another core business with investment property assets accounted for over 69.6% of the Group's total assets. With the majority of the properties located in Hong Kong and the United States, the general economic climate, regulatory changes, government policies and the political conditions in both Hong Kong and the United States may have a significant impact on the Group's overall financial results and positions. In this respect, the Group regularly assesses changes in economic environment and keeps alert to market needs and competitors' reaction in order to maintain our competitiveness. Continuously upkeeping the quality of the assets and maintaining sufficient diversity in tenant-mix could also help growing revenue and resisting sluggish economy.

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

Risks pertaining to Hotel Operations

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

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

Financial Risks

The major financial instruments of the Group include equity instruments at fair value through other comprehensive income, available-for-sale investments, notes and loan receivables, amount due from a joint venture, debtors, financial assets at fair value through profit for loss, restricted cash, time deposits with original maturity over three months, bank balances and cash, creditors, derivative financial instrument, distribution payable, medium term notes and borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out in note 42 to the consolidated financial statements of this Annual Report.

Operational Risks

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

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

Risk of Cyber-Attacks

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

Human Resources Risks

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

Legal and Regulatory Compliance Risks

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement.

The Directors have recommended the payment of a final dividend of HK50 cents per share to the Shareholders whose names appear on the Registers of Members of the Company on Monday, 3 June 2019. Subject to the approval of the Shareholders at the forthcoming Annual General Meeting, the payment of the final dividend will be made on 8 July 2019. Taken together with the interim dividend of HK33 cents per share paid in October 2018, the total dividend for the year 2018 is HK83 cents per share.

MOVEMENTS IN RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 47 to the consolidated financial statements.

FIVE YEARS’ FINANCIAL SUMMARY

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

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the year are set out in note 14 to the consolidated financial statements. All of the Group’s investment properties were revalued by independent professional property valuers as at 31 December 2018 using the income capitalisation method and the market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

PROPERTY, PLANT AND EQUIPMENT

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

Details of the major properties of the Group as at 31 December 2018 are set out in Appendix I to this Annual Report.

ISSUE OF NEW SHARES

During the year, 6,719,000 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2017 final dividend and 3,338,000 shares were issued pursuant to the 2009 Share Option Scheme. As at 31 December 2018, the authorised capital of the Company was HK$600,000,000.00 divided into 1,200,000,000 shares of HK$0.50 each, 698,647,038 shares of which were issued and credited as fully paid. Details of the movements of the share options during the year are disclosed hereinbelow. Changes in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

DIRECTORS

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

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

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

Independent Non-executive Directors
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. LEE Siu Kwong, Ambrose
Professor POON Ka Yeung, Larry

In accordance with Bye-law 109(A), Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Dr. Lo Ying Sui, Mr. Lo Chun Him, Alexander and Professor Poon Ka Yeung, Larry, shall retire by rotation and, being eligible, have offered themselves for re-election at the 2019 Annual General Meeting of the Company.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the Senior Management of the Company are set out on pages 50 to 56 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

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

PERMITTED INDEMNITY

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

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

As at 31 December 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 Directors	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	51,871,303[1]		
	Interests of Controlled Corporations	Corporate Interests	78,788,292[2]		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	232,829,848[3]		
	Founder of a Discretionary Trust	Trust Interests	60,788,762	424,278,205	60.73
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	34.21
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	33.49
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	33.62
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	33.33

REPORT OF THE DIRECTORS

Name of Directors	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Total	Percentage of issued share capital[11]
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	38.64
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 698,647,038 shares of the Company in issue as at 31 December 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 31 December 2018, the Group owned 65.99% interests in Champion REIT. While the definition of "associated corporation" under the SFO caters only to corporations, for the purpose of enhancing the transparency, the interests of the Directors or chief executives of the Company in Champion REIT as at 31 December 2018 are disclosed as follows:

Name of Directors	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 5,847,092,804 units of Champion REIT in issue as at 31 December 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 31 December 2018, the Group owned 62.93% interests in LHI and is therefore a subsidiary of the Company. The holdings of the Directors or chief executives of the Company in LHI as at 31 December 2018 are disclosed as follows:

Name of Directors	Total Number of SSUs/Underlying SSUs Held	Percentage of issued SSUs[(6)]
Lo Ka Shui	54,233,500[(1)]	2.57
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 2,109,715,939 SSUs of LHI in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 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.

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

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

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

– Chairman of Shui On Land Limited ("SOL"), the Shui On Group's flagship property development company in the Chinese Mainland. SOL through its subsidiaries and associates develops and operates high-quality residential, office, retail, entertainment and cultural properties in the Chinese Mainland.

– Chairman of China Xintiandi Limited ("CXTD"), an independently run wholly-owned subsidiary of SOL. CXTD focuses principally on investing, managing, marketing and enhancement of retail, office, entertainment, and hotel properties in the Chinese Mainland.

– Chairman of SOCAM Development Limited ("SOCAM"), through its subsidiaries, principally engages in property development and investment, asset management, construction and contracting, renovation and fitting out, and investment holding in Hong Kong, Macau, and the Chinese Mainland.

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

CONTINUING CONNECTED TRANSACTIONS

The following are continuing connected transactions of the Company which were subject to reporting, announcement and, if appropriate, independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details are set out in note 40 to the consolidated financial statements. Save as disclosed herein and in note 40 to the consolidated financial statements, there was no transaction, arrangement or contract of significance subsisting during or at the end of the year in which a Director of the Company or an entity connected with a Director of the Company is or was materially interested, either directly or indirectly.

Mr. Lo Kai Shui 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. Accordingly, Mr. Lo Kai Shui is regarded as a connected person of the Company under the Listing Rules. Thus, the following agreements and the transactions contemplated thereunder, which subsisted during the year 2018, constituted continuing connected transactions of the Company under the Listing Rules:

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

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

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

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

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

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

The continuing connected transactions contemplated under the Renewed Tenancy Agreement and the Carpark Licence Agreement were only subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Note: The actual transaction amount during the twelve-month period ended 31 March 2018 was HK$8,536,280, which is within the annual cap stated above.

Review of Continuing Connected Transactions

The Group has put in place a Reporting and Monitoring Policy on Connected Transactions (the "Policy") to set out the internal control systems and monitoring procedures of the Group in respect of executing, recording and reporting of all connected transactions and continuing connected transactions. Under the Policy, each specified department/business unit is required to submit a monthly report with detailed description of all connected transactions and continuing connected transactions (including transactions that are exempt from the disclosure requirements of the Listing Rules) that are expected to be finalised within the next reporting month and the actual transaction amount during the reporting period. For the year ended 31 December 2018, the Internal Audit Department had reviewed connected transactions and continuing connected transactions of the Group and confirmed that there are adequate and effective internal control policies and procedures to ensure that the transactions were so properly conducted.

The amount of continuing connected transactions for the agreements as mentioned above for the year ended 31 December 2018 are as follows:

	HK$
Actual Transaction Sum	8,548,280
Annual Cap	9,990,000*

* The Annual Cap for the transactions for the year ended 31 December 2018 is the aggregate of the announced annual caps for the year ended 31 March 2018 and the year ending 2019 calculated on a pro rata basis covering the period from 1 January to 31 March 2018 and 1 April 2018 to 31 December 2018, being HK$2,441,250 and HK$7,548,750 respectively.

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

The Independent Non-executive Directors have reviewed the details of the Non-exempt Continuing Connected Transactions, the Register of Non-exempt Continuing Connected Transactions containing all entries during the year and the list of connected transactions (including continuing connected transactions) of the Company during the year ended 31 December 2018 as set out in note 40 of the consolidated financial statements. Based on the Independent Assurance Report on Continuing Connected Transactions issued by the auditor and the comments from Internal Audit Department, the Independent Non-executive Directors of the Company concluded that nothing has come to their attention that causes them to believe that the continuing connected transactions had not been carried out, in all material respects, in accordance with the pricing policies and guidelines under the respective agreements approved by the Board of Directors.

In accordance with Rule 14A.55 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Company confirmed the above continuing connected transactions for the year ended 31 December 2018 have been entered into:

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

(2) on normal commercial terms; and

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

SHARE OPTION SCHEME

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

Further details of the 2009 Share Option Scheme are set out in note 34 to the consolidated financial statements.

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

During the year ended 31 December 2018, the details of the movements in the share options granted to the Company's employees (including Directors) under the 2009 Share Option Scheme are as follows:

	Number of Share Options						
Date of grant[1]	Outstanding as at 01/01/2018	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2018	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	–	(114,000)	(97,000)	729,000	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	–	(353,000)	(126,000)	980,000	12/03/2017–11/03/2020	26.88
14/03/2016	3,903,000	–	(1,912,000)	(233,000)	1,758,000	15/03/2018–14/03/2021	25.70
14/03/2017	5,211,000	–	–	(430,000)	4,781,000	15/03/2019–14/03/2022	37.15
14/03/2018	–	5,209,000[2]	–	(282,000)	4,927,000	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**	**(3,338,000)**	**(1,245,000)**	**13,475,000**		

Notes:

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

(2) During the year ended 31 December 2018, 1,928,000 share options were granted to the Directors and their Associates, while 3,581,000 share options were granted to eligible employees of the Group.

(3) During the year ended 31 December 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.

Movements of the Share Options granted to Directors

During the year ended 31 December 2018, the details of the movements in the share options granted to Directors of the Company (some are also substantial Shareholders) under the 2009 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules are as follows:

		Number of Share Options						
Directors	Date of grant[1]	Outstanding as at 01/01/2018	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2018	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	39.77
	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	39.77
	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		
Law Wai Duen	14/03/2016	100,000	–	(100,000)	–	–	25.70	39.77
	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	39.77
	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		

Directors	Date of grant[(1)]	Number of Share Options: Outstanding as at 01/01/2018	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2018	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
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	39.77
	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		
Associates of Directors of the Company[(7)]	06/06/2013	108,000	–	(108,000)	–	–	31.45	39.77
	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	39.77
	27/02/2014	310,000	–	(114,000)	(97,000)	99,000	26.05	39.77
	17/03/2014	300,000	–	(300,000)	–	–	27.55	39.77
	11/03/2015	709,000	–	(353,000)	(126,000)	230,000	26.88	39.77
	14/03/2016	2,286,000	–	(1,157,000)	(233,000)	896,000	25.70	39.77
	14/03/2017	3,231,000	–	–	(430,000)	2,801,000	37.15	–
	14/03/2018	–	3,281,000	–	(282,000)	2,999,000	42.40	–
	08/05/2018	–	300,000	–	–	300,000	38.83	–
		7,269,000	3,581,000	(2,280,000)	(1,245,000)	7,325,000		

REPORT OF THE DIRECTORS

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 year ended 31 December 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 substantially 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 31 December 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	297,033,752[(1)]	42.52
Powermax Agents Limited	172,704,109[(2)]	24.72
Surewit Finance Limited	41,454,452[(3)]	5.93
Eagle Guardian Limited	38,182,632[(4)]	5.47
Mind Reader Limited	36,447,386[(5)]	5.22
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 31 December 2018) received from HSBC International Trustee Limited ("HITL"). According to the latest disclosures made by the Directors of the Company, as at 31 December 2018:

(i) 232,829,848 shares representing 33.33% 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 698,647,038 shares of the Company in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, no person (other than the Directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 89 to 92) was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save and except the 2009 Share Option Scheme established by the Company as disclosed under section headed "Share Option Schemes" on pages 96 to 100 of this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save and except the 2009 Share Option Scheme adopted by the Company as disclosed under the section headed "Share Option Scheme" on pages 96 to 100 of this Annual Report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total sales and purchases respectively. Further details regarding trade debtors and prepayments are set out in note 25 to the consolidated financial statements.

DONATIONS

The Group's charitable and other donations during the year amounted to HK$352,432.40 (2017: HK$995,745). In addition, the Group sponsored a few deserving projects in the community during the year. Details of our sponsorships are set out in "Environmental, Social and Governance Report – Community Engagement" on pages 47 to 49 of this Annual Report.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting to be held on Wednesday, 22 May 2019.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company has complied with most of the code provisions and where appropriate, adopted some of the recommended best practices as set out in the CG Code throughout the year under review, with the exception of a few deviations.

Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 57 to 82 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide. The "Environmental, Social and Governance Report" is set out on pages 26 to 49 of this Annual Report.

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

Hong Kong, 6 March 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 109 to 243, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the Group's investment properties amounted to HK$89,408,450,000, as at 31 December 2018 represented 69.6% of the Group's total assets. Fair value changes on investments properties of HK$6,660,669,000 were recognised in the consolidated income statement for the year then ended. The Group's investment properties are carried at fair value based on valuation performed by independent professional property valuers. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations are dependent on certain key inputs that involve the management's and independent professional property valuers' judgments, including capitalisation rate, market rent per square foot, discount rate, terminal capitalisation rate, annual income and market observable transactions of similar properties. A table showing the relationship of significant unobservable inputs to fair value is also disclosed in this note.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the independent professional property valuers; • Obtaining an understanding from the independent professional property valuers about the valuation techniques, the performance of the property markets, significant assumptions adopted, critical judgmental areas, key inputs and data used in the valuations; • Evaluating the reasonableness of the key inputs used in the valuations by comparing the rentals, capitalisation rate and market observable transactions for valuation with other similar properties, and benchmarking discount rate against historical data, market trend and comparable data of companies within the same industry; and • Assessing the integrity of information provided by the management to the independent professional property valuers by comparing details of rentals on a sample basis to the respective underlying existing lease agreements.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6 March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	5	10,156,180	8,948,104
Cost of goods and services		(5,992,257)	(4,952,689)
Operating profit before depreciation		4,163,923	3,995,415
Depreciation		(712,514)	(620,324)
Operating profit		3,451,409	3,375,091
Fair value changes on investment properties	14	6,660,669	10,876,356
Fair value changes on derivative financial instruments		(77,541)	(65,276)
Fair value changes on financial assets at fair value through profit or loss		(37,618)	56,975
Other income	7	259,866	194,866
Impairment loss on an available-for-sale investment		–	(127,349)
Administrative and other expenses		(511,718)	(458,133)
Finance costs	8	(821,256)	(660,012)
Share of results of joint ventures		(10,389)	(26,598)
Share of results of associates		773	570
Profit before tax		8,914,195	13,166,490
Income taxes	9	(526,500)	(377,559)
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	10	8,387,695	12,788,931
Profit for the year attributable to:			
Owners of the Company		5,810,713	8,817,852
Non-controlling interests		(90,760)	145,844
		5,719,953	8,963,696
Non-controlling unitholders of Champion REIT		2,667,742	3,825,235
		8,387,695	12,788,931
Earnings per share:	13		
Basic		HK$8.33	HK$12.83
Diluted		HK$8.31	HK$12.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTE	2018 HK$'000	2017 HK$'000
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		**8,387,695**	12,788,931
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income		**(122,078)**	–
Share of other comprehensive expense of an associate		**(13,655)**	–
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		**–**	174,993
Reclassification adjustment upon disposal of available-for-sale investments		**–**	(2,043)
Exchange differences arising on translation of foreign operations		**(231,759)**	419,957
Share of other comprehensive (expense) income of a joint venture		**(44,880)**	58,284
Share of other comprehensive income of an associate		**–**	13,062
Cash flow hedges:			
Fair value adjustment on cross currency swaps and interest rate swaps designated as cash flow hedges	22	**(8,540)**	(39,856)
Reclassification of fair value adjustments to profit or loss	22	**(509)**	3,626
Other comprehensive (expense) income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		**(421,421)**	628,023
Total comprehensive income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		**7,966,274**	13,416,954
Total comprehensive income for the year attributable to:			
Owners of the Company		**5,390,474**	9,452,732
Non-controlling interests		**(88,883)**	151,472
		5,301,591	9,604,204
Non-controlling unitholders of Champion REIT		**2,664,683**	3,812,750
		7,966,274	13,416,954

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	14	**89,408,450**	83,999,025
Property, plant and equipment	15	**19,630,708**	19,716,816
Interests in joint ventures	16	**1,352,771**	1,411,273
Interests in associates	17	**68,755**	159,491
Equity instruments at fair value through other comprehensive income	18	**900,472**	–
Available-for-sale investments	19	**–**	907,261
Notes and loan receivables	20	**339,100**	309,247
Derivative financial instruments	21, 22	**66,322**	64,887
		111,766,578	106,568,000
Current assets			
Stock of properties	23	**4,685,334**	4,569,586
Inventories	24	**145,990**	109,627
Debtors, deposits and prepayments	25	**995,993**	1,019,764
Notes and loan receivables	20	**–**	23,382
Financial assets at fair value through profit or loss	26	**230,032**	139,261
Derivative financial instruments	21	**71**	–
Tax recoverable		**1,054**	109,851
Restricted cash	27	**170,798**	92,917
Time deposits with original maturity over three months	27	**702,833**	1,879,586
Bank balances and cash	27	**8,544,217**	6,491,562
		15,476,322	14,435,536
Asset classified as held for sale	28	**1,182,557**	–
		16,658,879	14,435,536
Current liabilities			
Creditors, deposits and accruals	29	**3,882,883**	3,730,729
Derivative financial instruments	21	**–**	236
Provision for taxation		**104,119**	188,219
Distribution payable		**271,748**	250,799
Borrowings due within one year	30	**4,981,198**	1,656,371
		9,239,948	5,826,354
Net current assets		**7,418,931**	8,609,182
Total assets less current liabilities		**119,185,509**	115,177,182

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Derivative financial instruments	21, 22	**99,969**	20,723
Borrowings due after one year	30	**20,643,663**	24,353,881
Medium term notes	31	**5,536,292**	4,612,054
Deferred taxation	32	**1,395,342**	1,362,093
		27,675,266	30,348,751
NET ASSETS		**91,510,243**	84,828,431
Equity attributable to:			
Owners of the Company			
Share capital	33	**349,324**	344,295
Share premium and reserves		**69,003,488**	64,124,417
		69,352,812	64,468,712
Non-controlling interests		**(547,961)**	(346,792)
		68,804,851	64,121,920
Net assets attributable to non-controlling unitholders of Champion REIT		**22,705,392**	20,706,511
		91,510,243	84,828,431

The consolidated financial statements on pages 109 to 243 were approved and authorised for issue by the Board of Directors on 6 March 2019 and are signed on its behalf by:

Lo Ka Shui
DIRECTOR

Kan Tak Kwong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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	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 year	–	–	–	–	–	–	–	–	–	–	8,817,852	8,817,852	145,844	8,963,696	3,825,235	12,788,931
Change in fair value of cash flow hedges	–	–	–	–	–	–	–	–	(23,745)	–	–	(23,745)	–	(23,745)	(12,485)	(36,230)
Fair value gain on available-for-sale investments	–	–	174,993	–	–	–	–	–	–	–	–	174,993	–	174,993	–	174,993
Reclassification adjustment upon disposal of available-for-sale investments	–	–	(2,043)	–	–	–	–	–	–	–	–	(2,043)	–	(2,043)	–	(2,043)
Exchange differences arising on translation of foreign operations	–	–	(474)	–	–	–	415,267	–	–	(464)	–	414,329	5,628	419,957	–	419,957
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	58,284	–	–	–	–	58,284	–	58,284	–	58,284
Share of other comprehensive income of an associate	–	–	13,062	–	–	–	–	–	–	–	–	13,062	–	13,062	–	13,062
Total comprehensive income (expense) for the year	–	–	185,538	–	–	–	473,551	–	(23,745)	(464)	8,817,852	9,452,732	151,472	9,604,204	3,812,750	13,416,954
Transaction with non-controlling unitholders of Champion REIT:																
Distribution to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(485,186)	(485,186)
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(485,186)	(485,186)
Transaction with owners:																
Dividend paid	–	–	–	–	–	–	–	–	–	–	(1,217,785)	(1,217,785)	–	(1,217,785)	–	(1,217,785)
Shares issued at premium	5,560	378,019	–	–	–	–	–	(18,894)	–	–	–	364,685	–	364,685	–	364,685
Share issue expenses	–	(105)	–	–	–	–	–	–	–	–	–	(105)	–	(105)	–	(105)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	22,639	–	–	–	22,639	–	22,639	–	22,639
Increase of interests in subsidiaries (note b)	–	–	–	–	–	–	–	–	–	6,545	–	6,545	37,863	44,408	(55,546)	(11,138)
Waiver of distribution from a subsidiary (note c)	–	–	–	–	–	–	–	–	–	–	(7,311)	(7,311)	7,311	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(189,815)	(189,815)	–	(189,815)
At 31 December 2017	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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	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 (loss) for the year	–	–	–	–	–	–	–	–	–	–	5,810,713	5,810,713	(90,760)	5,719,953	2,667,742	8,387,695
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(122,078)	–	–	–	–	–	–	–	–	(122,078)	–	(122,078)	–	(122,078)
Share of other comprehensive expense of an associate	–	–	(13,655)	–	–	–	–	–	–	–	–	(13,655)	–	(13,655)	–	(13,655)
Change in fair value of cash flow hedges	–	–	–	–	–	–	–	–	(5,990)	–	–	(5,990)	–	(5,990)	(3,059)	(9,049)
Exchange differences arising on translation of foreign operations	–	–	242	–	–	–	(233,729)	–	–	(149)	–	(233,636)	1,877	(231,759)	–	(231,759)
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	(44,880)	–	–	–	–	(44,880)	–	(44,880)	–	(44,880)
Total comprehensive (expense) income for the year	–	–	(135,491)	–	–	–	(278,609)	–	(5,990)	(149)	5,810,713	5,390,474	(88,883)	5,301,591	2,664,683	7,966,274
Transaction with non-controlling unitholders of Champion REIT:																
Distribution to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(522,051)	(522,051)
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(522,051)	(522,051)
Transaction with owners:																
Dividend paid	–	–	–	–	–	–	–	–	–	–	(907,860)	(907,860)	–	(907,860)	–	(907,860)
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	–	–	(5,601)	–	–	–	–	–	–	–	5,601	–	–	–	–	–
Shares issued at premium	5,029	347,753	–	–	–	–	–	(13,859)	–	–	–	338,923	–	338,923	–	338,923
Share issue expenses	–	(113)	–	–	–	–	–	–	–	–	–	(113)	–	(113)	–	(113)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	30,674	–	–	–	30,674	–	30,674	–	30,674
Increase of interests in subsidiaries (note b)	–	–	–	–	–	–	–	–	–	34,929	–	34,929	44,601	79,530	(143,751)	(64,221)
Waiver of distribution from a subsidiary (note c)	–	–	–	–	–	–	–	–	–	–	(2,927)	(2,927)	2,927	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(159,814)	(159,814)	–	(159,814)
At 31 December 2018	349,324	5,967,374	(91,607)	23,109	3,054	400,965	(725,379)	60,710	(10,054)	8,158,132	55,217,184	69,352,812	(547,961)	68,804,851	22,705,392	91,510,243

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 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 6) 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 repayable from its 100,000,000 share stapled units for 2016 and 50,000,000 share stapled units for 2017 in Langham. During the year, distribution of HK$2,927,000 (2017: HK$7,311,000) was waived by the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before tax	**8,914,195**	13,166,490
Adjustments for:		
Dividends received from equity securities held for trading	**(5,300)**	(8,005)
Dividends received from		
– equity instruments at fair value through other comprehensive income	**(20,947)**	–
– available-for-sale investments	**–**	(91,599)
Gain on disposal of available-for-sale investments	**–**	(2,043)
Loss (gain) on disposal of property, plant and equipment	**3,985**	(508)
Income arising from historical tax credit	**(86,064)**	(45,491)
Interest income	**(159,875)**	(89,911)
Fair value changes on investment properties	**(6,660,669)**	(10,876,356)
Fair value changes on derivative financial instruments	**77,541**	65,276
Fair value changes on financial assets at fair value through profit or loss	**37,618**	(56,975)
Write-down of properties held for sales	**183,660**	–
Impairment loss on an available-for-sale investment	**–**	127,349
Allowance for doubtful debts	**1,162**	695
Depreciation	**712,514**	620,324
Recognition of share-based payments	**30,674**	22,639
Interest expense	**821,256**	660,012
Share of results of joint ventures	**10,389**	26,598
Share of results of associates	**(773)**	(570)
Exchange differences	**(513)**	(1,883)
Operating cash flows before movements in working capital	**3,858,853**	3,516,042
Decrease (increase) in debtors, deposits and prepayments	**51,482**	(185,094)
Increase in inventories	**(36,363)**	(3,859)
Increase (decrease) in creditors, deposits and accruals	**203,374**	(10,567)
Increase in stock of properties	**(235,694)**	(661,918)
Increase (decrease) in derivative financial instruments	**2,589**	(48,791)
(Increase) decrease in equity securities held for trading	**(93,894)**	179,997
Cash generated from operations	**3,750,347**	2,785,810
Hong Kong Profits Tax paid	**(363,111)**	(381,920)
Other jurisdictions tax paid	**(87,809)**	(70,590)
Hong Kong Profits Tax refunded	**7**	48
Other jurisdictions tax refunded	**2,154**	–
Net cash from operating activities	**3,301,588**	2,333,348

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Investing activities		
Additions of available-for-sale investments	–	(83,641)
Additions of equity instruments at fair value through other comprehensive income	(54,872)	–
Additions of financial assets at fair value through profit or loss	(260,845)	–
Additions of interests in a joint venture	(7,079)	(173,451)
Additions of interests in an associate	–	(31,251)
Additions of investment properties	(45,069)	(50,134)
Advance of loan receivables	(31,442)	(102,707)
Additions of property, plant and equipment	(853,183)	(1,012,707)
Dividends received from associates	7,538	5,342
Dividends received from		
– available-for-sale investments	–	90,251
– equity instruments at fair value through other comprehensive income	19,575	–
– equity securities held for trading	2,472	6,314
Interest received	140,033	78,391
Net proceeds on disposal of investment properties	–	104,656
(Placement) withdrawal of restricted cash	(80,314)	218,527
Proceeds on disposal of		
– available-for-sale investments	–	82,829
– equity instruments at fair value through other comprehensive income	12,719	–
– financial assets at fair value through profit or loss	229,179	38,789
Proceeds on redemption of notes receivable	23,503	–
Proceeds on disposal of property, plant and equipment	860	1,113
Placement of time deposits with original maturity over three months	(297,289)	(1,879,586)
Return of capital of available-for-sale investments	–	433,358
Withdrawal of pledged bank deposits	–	631,489
Withdrawal of time deposits with original maturity over three months	1,473,023	400,907
Net cash from (used in) investing activities	278,809	(1,241,511)
Financing activities		
Bank loans origination fees	(9,307)	(13,424)
Change of interests in subsidiaries	(64,224)	(11,138)
Distribution paid to non-controlling unitholders of Champion REIT	(501,099)	(474,595)
Distribution paid to non-controlling interests	(159,814)	(189,815)
Dividends paid to shareholders	(659,526)	(965,443)
Interest paid	(825,933)	(677,422)
Issue of shares	90,474	112,239
New bank loans raised	1,904,278	5,787,772
Proceeds from issuance of medium term notes	925,000	775,000
Repayments of bank loans	(2,125,856)	(4,520,836)
Transaction costs for issuance of medium term notes	(13,029)	(3,813)
Net cash used in financing activities	(1,439,036)	(181,475)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Net increase in cash and cash equivalents	**2,141,361**	910,362
Effect of foreign exchange rates changes	**(88,706)**	124,156
Cash and cash equivalents at the beginning of the year	**6,491,562**	5,457,044
Cash and cash equivalents at the end of the year		
Included in bank balances and cash	**8,544,217**	6,491,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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

The principal activity of the Company is investment holding.

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 15 "Revenue from Contracts with Customers"

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard 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. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- 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)

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 15 "Revenue from Contracts with Customers" (continued)

Summary of effects arising from initial application of HKFRS 15

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

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

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

Notes:

(a) As at 1 January 2018, other receivables of HK$17,520,000 were reclassified to retention money receivables which are contract assets.

(b) As at 1 January 2018, customer deposits and other deferred revenue of HK$226,483,000 previously classified in deposits received and accruals, interest payable and other payables were reclassified. Customer deposits and other deferred revenue are contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)
HKFRS 15 "Revenue from Contracts with Customers" (continued)
Summary of effects arising from initial application of HKFRS 15 (continued)
Impact on the consolidated statement of financial position

	Notes	As reported	Adjustments	Amounts without application of HKFRS 15
		HK$'000	HK$'000	HK$'000
Debtors, deposits and prepayments				
– Retention money receivables	(a)	11,368	(11,368)	–
– Other receivables	(a)	242,949	11,368	254,317
Creditors, deposits and accruals				
– Customer deposits and other deferred revenue	(b)	245,370	(245,370)	–
– Deposits received	(b)	820,214	218,190	1,038,404
– Accruals, interest payable and other payables	(b)	2,184,004	27,180	2,211,184

Notes:

(a) Other receivables of HK$11,368,000 were reclassified to retention money receivables which are contract assets under HKFRS 15.

(b) Customer deposits and other deferred revenue of HK$245,370,000 previously classified in deposits received and accruals, interest payable and other payables were reclassified. Customer deposits and other deferred revenue are contract liabilities under HKFRS 15.

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

HKFRS 9 "Financial Instruments" and the related amendments
In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities; ii) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts); and iii) general hedge accounting.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9 "Financial Instruments" and the related amendments (continued)

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 under ECL model) 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.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement". In addition, the Group applied the hedge accounting prospectively.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

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.

	Available-for-sale investments HK$'000	Equity instruments at fair value through other comprehensive income HK$'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 (note)	(907,261)	907,261	(168,080)	168,080
Opening balance at 1 January 2018	–	907,261	49,485	50,311,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9 "Financial Instruments" and the related amendments (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Note:

Available-for-sale investments

The Group elected to present in other comprehensive income ("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 fair value through other comprehensive income ("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.

Impacts on opening of consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening of consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 (Restated) HK$'000
AFS investments	907,261	–	(907,261)	–
Equity instruments at FVTOCI	–	–	907,261	907,261
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
Investment revaluation reserve	217,565	–	(168,080)	49,485
Retained profits	50,143,577	–	168,080	50,311,657

The consolidated statement of cash flows for the year ended 31 December 2018 is based on amounts with the application of HKFRS 9 and 15 as at 31 December 2018 and 1 January 2018.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except as described below, the Directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretations will have no material impact on the results and the financial position of the Group in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

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

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

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$44,350,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, as at 31 December 2018, the Group currently consider refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

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

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

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

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

Revenue from contracts with customers

(A) Upon application of HKFRS 15 in accordance with transitions in note 2

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 or service (or a bundle of goods or services) that is distinct or a series of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

(A) Upon application of HKFRS 15 in accordance with transitions in note 2 (continued)

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 and included in retention money receivables. 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 and included in customer deposits and other deferred revenue.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

(B) Prior to 1 January 2018

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties, including those held for sale, are measured at fair value using the fair value model. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

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

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

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

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

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate or joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/ joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Properties under development for sale and properties held for sale

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

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

Non-current asset held for sale

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis.

The Group as lessee

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal of interest in a joint arrangement or an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the Company's shareholders are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the service. All short-term employee benefits are recognised as an expenses unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised in respect for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Dividend income which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

(A) *Upon application of HKFRS 9 in accordance with transitions in note 2*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 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 financial asset that are required to be measured at amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently 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, but is transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(A) Upon application of HKFRS 9 in accordance with transitions in note 2 (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at 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 "fair value changes on financial assets at fair value through profit or loss" line item.

(B) Before application of HKFRS 9 on 1 January 2018

Financial assets of the Group are classified into the following categories, including financial assets at FVTPL, loans and receivables and AFS financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

(i) Loans and receivables

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

(ii) AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

(ii) AFS financial assets (continued)

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

(iii) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in "fair value changes on financial assets at fair value through profit or loss" line item. Fair value is determined in the manner described in note 42(e).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

(iv) Held-to-maturity investments (Notes receivables)

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

Impairment of financial assets

(A) Upon application of HKFRS 9 with transitions in accordance with note 2

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

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Impairment of financial assets (continued)
(A) Upon application of HKFRS 9 with transitions in accordance with note 2 (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares 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 considers 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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 fulfil 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(A) Upon application of HKFRS 9 with transitions in accordance with note 2 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

Impairment of financial assets (continued)

(A) Upon application of HKFRS 9 with transitions in accordance with note 2 (continued)

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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.

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 debtors where the corresponding adjustment is recognised through a loss allowance account.

(B) Before application of HKFRS 9 on 1 January 2018

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

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

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

- significant financial difficulty of the counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Impairment of financial assets (continued)

(B) Before application of HKFRS 9 on 1 January 2018 (continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derivative financial instruments and hedging

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Embedded derivatives

(A) Under HKFRS 9 since 1 January 2018

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(B) Before application of HKFRS 9 on 1 January 2018

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

Hedge accounting

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

Assessment of hedging relationship and effectiveness

(A) Under HKFRS 9 since 1 January 2018

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

(B) Before application of HKFRS 9 on 1 January 2018

A hedge is regarded as highly effective only if both of the following conditions are met:

- at the inception and in subsequent periods, the hedge is expected to be highly effective; and
- the actual results of the hedge are within a range of 80 to 125 per cent.

<u>Fair value hedges</u>

The fair value change on qualifying hedging instruments is recognised in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

<u>Cash flow hedges</u>

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

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

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated income statement as the recognised hedged item. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Hedge accounting (continued)

Discontinuation of hedge accounting

(A) *Under HKFRS 9 since 1 January 2018*

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For fair value hedge, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(B) *Before application of HKFRS 9 on 1 January 2018*

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

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

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

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

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

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

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

Critical judgments in applying accounting policies (continued)

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

On 15 August 2014, US Real Estate Fund was newly formed upon a limited partnership agreement entered by Pacific Eagle China Orient (US) Real Estate GP, LLC (as general partner and referred to as "US Fund GP") and the limited partners (the "Limited Partnership Agreement"). In the formation of the US Real Estate Fund, the Group provided capital contributions by way of transferring certain investment properties. The Group as at 31 December 2018 effectively holds 49.97% (2017: 49.97%) interests in the US Real Estate Fund. In making their judgment, the Directors considered the Group's 80% ownership of the US Fund GP and in accordance with the Limited Partnership Agreement, the US Fund GP is able to direct the relevant activities of the US Real Estate Fund. After assessment, the Directors concluded that the Group is the principal and has control over the US Real Estate Fund and is accounted for as a subsidiary of the Company in accordance with the requirements of HKFRS 10 "Consolidated Financial Statements".

Key sources of estimation uncertainty

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

Investment properties

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

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

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

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

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

Key sources of estimation uncertainty (continued)

Stock of properties

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

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

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

Derivative financial instruments

As described in notes 21 and 22, the fair values of derivative financial instruments that are not quoted in active markets are provided by counterparty financial institutions and determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps, interest rate swaps and other derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Note 42 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of derivative financial instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

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

Key sources of estimation uncertainty (continued)

Estimated impairment of joint ventures

Impairment assessment is performed when indicators exist that the carrying amounts of the interests in joint ventures disclosed in note 16 may not be recoverable. The recoverable amount is measured at the higher of the fair value less cost to sell, which is based on the best estimate of management of the Group on the fair value of the joint ventures that would be achieved in a sale transaction of those investments, and value in use. Where the recoverable amount is less than the corresponding carrying amount, a material impairment loss may arise.

Changes to the assumptions underlying the assessment of the recoverable value may result in recognition of impairment losses, such factors may include the future cash flows expected to arise from presold properties when the development is completed for joint ventures which are engaged in property development, and the future cash flows from operations of its joint venture which is engaged in food and beverage business.

Estimated impairment of hotel properties

As explained in note 3, included in property, plant and equipment are the Group's hotel buildings which are stated at cost less subsequent accumulated depreciation and accumulated impairment losses; and hotel buildings under development which are stated at cost less accumulated impairment losses.

At the end of the reporting period, the Group reviews the carrying amounts of its hotel buildings and hotel buildings under development to determine whether there is any indication that those properties have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant property is estimated in order to determine the extent of the impairment loss (if any).

The Directors make significant judgments in determining the recoverable amount of hotel buildings and hotel buildings under development on value in use basis. Based on the nature of the subject properties, the Directors determine the recoverable amount of these properties by reference to the forecasted future operating cash flows of the properties and, when applicable, the anticipated costs to completion of the hotel buildings under development by reference to the actual development costs incurred, construction contracts committed and relevant market information showing the latest cost trend.

If there is a decrease of forecasted future operating cash flows of the properties, an increase in costs to completion or a decrease in recoverable amount, this may result in impairment of these hotel buildings and hotel buildings under development. Such impairment assessment requires the use of judgment and estimates of the Directors.

5. REVENUE

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

	2018 HK$'000	2017 HK$'000
Hotel income	5,950,684	5,421,744
Rental income from investment properties	2,943,531	2,686,664
Building management service income	313,521	294,392
Sales of properties	578,156	107,224
Sales of goods	197,478	167,753
Dividend income	26,247	99,604
Others	146,563	170,723
	10,156,180	8,948,104

Set out below is the reconciliation of the revenue from contracts with customers for the year ended 31 December 2018 with the amounts disclosed in the segment information.

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
Hotel income	6,022,816	–	–	–	6,022,816	–	615,125	–	(687,257)	5,950,684
Building management service income	–	25,795	–	–	25,795	287,726	–	–	–	313,521
Sales of properties	–	–	–	–	–	–	–	578,156	–	578,156
Sales of goods	–	–	–	198,129	198,129	–	–	–	(651)	197,478
Others	–	–	–	546,121	546,121	–	–	–	(399,558)	146,563
Revenue from contracts with customers	6,022,816	25,795	–	744,250	6,792,861	287,726	615,125	578,156	(1,087,466)	7,186,402
Rental income from investment properties	–	205,046	–	–	205,046	2,677,246	375	86,207	(25,343)	2,943,531
Dividend income	–	–	–	26,247	26,247	–	–	–	–	26,247
Total revenue	6,022,816	230,841	–	770,497	7,024,154	2,964,972	615,500	664,363	(1,112,809)	10,156,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers:

2018

– by source of revenue:

	Revenue recognised at a point in time HK$'000	Revenue recognised overtime HK$'000	Total HK$'000
Hotel income			
– room revenue	–	3,647,824	3,647,824
– food & beverage revenue	1,928,829	–	1,928,829
– others	230,812	143,219	374,031
Building management service income	–	313,521	313,521
Sales of properties	578,156	–	578,156
Sales of goods	189,095	8,383	197,478
Others	–	146,563	146,563
	2,926,892	4,259,510	7,186,402
Rental income from investment properties			2,943,531
Dividend income			26,247
			10,156,180

– by geographical locations:

	Revenue recognised at a point in time HK$'000	Revenue recognised overtime HK$'000	Total HK$'000
Hong Kong	849,610	1,453,374	2,302,984
The USA	1,157,669	1,065,694	2,223,363
Canada	109,591	497,553	607,144
The United Kingdom	205,575	427,184	632,759
Australia	197,130	309,851	506,981
New Zealand	149,335	154,157	303,492
The PRC	256,504	350,242	606,746
Others	1,478	1,455	2,933
	2,926,892	4,259,510	7,186,402
Rental income from investment properties			2,943,531
Dividend income			26,247
			10,156,180

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers:

Hotel room revenue is recognised over the stay of guests. The Group receives deposit from customers when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the Group's creditors, deposits and accruals. The Group allows an average credit period of 30 - 60 days to its trade customers.

Food & beverage revenue is recognised at a point in time when control of the goods and services is transferred to customers.

Other hotel income mainly comprises ancillary service income which is recognised at a point in time when control of the services is transferred to customers or over the service period, depending on the terms of the contracts.

Building management service income is recognised over the service period. The Group receives monthly building management service payments from customers one month in advance under the contracts.

Sale of properties is recognised at a point in time when control of the completed properties is delivered to buyers. The Group receives deposit from buyers when they sign the sale and purchase agreement. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the Group's creditors, deposits and accruals.

Sale of goods is mainly recognised at a point in time when control of the goods is transferred to customers. The Group allows an average credit period of 30 - 60 days to its trade customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. REVENUE (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers:

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Within one year HK$'000	More than one year but not more than two years HK$'000	More than two years HK$'000	Total HK$'000
Hotel income	591,105	102,311	13,223	706,639
Sales of goods	181,527	55,496	11,419	248,442
Others	14,784	–	–	14,784
	787,416	157,807	24,642	969,865

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts of building management service such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for building management service that had an original expected duration of one year or less.

6. SEGMENT INFORMATION

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

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	–	sale 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 property 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, impairment loss on an AFS investment, other income, finance costs and income taxes. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. SEGMENT INFORMATION (continued)

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

Segment revenue and results

2018

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000 (note 1)	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000 (note 2)	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	5,950,684	230,159	–	370,288	6,551,131	2,940,311	375	664,363	–	10,156,180
Inter-segment revenue	72,132	682	–	400,209	473,023	24,661	615,125	–	(1,112,809)	–
Total	6,022,816	230,841	–	770,497	7,024,154	2,964,972	615,500	664,363	(1,112,809)	10,156,180

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

RESULTS										
Segment results	854,304	182,285	–	541,156	1,577,745	2,116,684	587,002	(105,480)	(12,028)	4,163,923
Depreciation					(520,895)	–	(190,981)	–	(638)	(712,514)
Operating profit after depreciation					1,056,850	2,116,684	396,021	(105,480)	(12,666)	3,451,409
Fair value changes on investment properties					305,424	6,411,601	–	(66,491)	10,135	6,660,669
Fair value changes on derivative financial instruments					(67,351)	–	(10,190)	–	–	(77,541)
Fair value changes on financial assets at FVTPL					(37,618)	–	–	–	–	(37,618)
Other income					111,560	–	–	1,226	(12,795)	99,991
Administrative and other expenses					(466,976)	(27,399)	(12,331)	(14,953)	9,941	(511,718)
Net finance costs					(42,880)	(400,005)	(188,639)	(29,857)	–	(661,381)
Share of results of joint ventures					(10,389)	–	–	–	–	(10,389)
Share of results of associates					773	–	–	–	–	773
Profit before tax					849,393	8,100,881	184,861	(215,555)	(5,385)	8,914,195
Income taxes					(186,222)	(288,824)	(51,589)	–	135	(526,500)
Profit for the year					663,171	7,812,057	133,272	(215,555)	(5,250)	8,387,695
Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					561	(2,667,742)	(49,948)	140,147	–	(2,576,982)
Profit attributable to owners of the Company					663,732	5,144,315	83,324	(75,408)	(5,250)	5,810,713

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2017

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000 (note 1)	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000 (note 2)	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	5,421,744	226,902	–	438,080	6,086,726	2,677,779	886	182,713	–	8,948,104
Inter-segment revenue	68,977	682	–	366,090	435,749	22,120	606,687	–	(1,064,556)	–
Total	5,490,721	227,584	–	804,170	6,522,475	2,699,899	607,573	182,713	(1,064,556)	8,948,104

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

RESULTS										
Segment results	726,661	172,941	–	575,097	1,474,699	1,906,356	580,707	46,445	(12,792)	3,995,415
Depreciation					(431,468)	–	(188,367)	–	(489)	(620,324)
Operating profit after depreciation					1,043,231	1,906,356	392,340	46,445	(13,281)	3,375,091
Fair value changes on investment properties					891,975	9,850,151	–	139,130	(4,900)	10,876,356
Fair value changes on derivative financial instruments					(61,705)	–	(3,571)	–	–	(65,276)
Fair value changes on financial assets at FVTPL					56,975	–	–	–	–	56,975
Impairment loss on an AFS investment					(127,349)	–	–	–	–	(127,349)
Other income					103,330	1,515	146	658	(694)	104,955
Administrative and other expenses					(424,486)	(22,182)	(11,071)	(6,821)	6,427	(458,133)
Net finance costs					(68,912)	(330,909)	(151,571)	(18,709)	–	(570,101)
Share of results of joint ventures					(26,598)	–	–	–	–	(26,598)
Share of results of associates					570	–	–	–	–	570
Profit before tax					1,387,031	11,404,931	226,273	160,703	(12,448)	13,166,490
Income taxes					(57,910)	(265,279)	(54,541)	–	171	(377,559)
Profit for the year					1,329,121	11,139,652	171,732	160,703	(12,277)	12,788,931
Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					1,034	(3,825,235)	(64,888)	(81,990)	–	(3,971,079)
Profit attributable to owners of the Company					1,330,155	7,314,417	106,844	78,713	(12,277)	8,817,852

Notes:

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

2. During the year, income from sale of properties and rental income of HK$578,156,000 (2017: HK$107,224,000) and HK$86,207,000 (2017: HK$75,489,000) respectively, were recognised by the US Real Estate Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

31 December 2018

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Hotel operation (note a)	**17,406,087**	**7,844,359**	**9,561,728**
Property investment (note a)	**6,722,316**	**129,597**	**6,592,719**
Property development (note a)	**5,532,260**	**1,972,149**	**3,560,111**
Other operations (note a)	**486,987**	**188,221**	**298,766**
Unallocated	**6,742,327**	**536,094**	**6,206,233**
Great Eagle operations (note b)	**36,889,977**	**10,670,420**	**26,219,557**
Champion REIT (note c)	**56,283,204**	**11,700,393**	**44,582,811**
Langham (note c)	**12,816,453**	**4,661,596**	**8,154,857**
US Real Estate Fund (note d)	**1,135,001**	**695,013**	**439,988**

31 December 2017

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
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

6. 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 at FVTOCI or AFS investments, as appropriate, asset classified as held for sale, 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 deposits and restricted cash of HK$7,407,660,000 (2017: HK$6,993,398,000) and borrowings of HK$8,184,065,000 (2017: HK$7,811,695,000), representing net debt of HK$776,405,000 as at 31 December 2018 (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 65.99% and 62.93% (2017: 65.69% and 62.29%), respectively, excluding distribution payable attributable from Champion REIT of HK$527,275,000 (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$20,177,000,000 as at 31 December 2018 (2017: HK$19,373,000,000), while the hotel properties with a carrying amount (at cost less accumulated depreciation) of HK$4,077,599,000 (2017: HK$4,069,242,000) were recognised in the Group's consolidated statement of financial position.

(d) Assets and liabilities of the US Real Estate Fund are based on results of the fund at the 49.97% (2017: 49.97%) interest held by Great Eagle Holdings Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong, the USA, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan and others.

A geographical analysis of the Group's revenue from external customers based on the geographical location of customers, except for property investment and hotel operations which are based on the geographical location of the properties, and information about the carrying amount of non-current assets excluding financial instruments, interests in associates and joint ventures by the geographical location of the assets are detailed as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**5,183,702**	4,913,517	**93,770,602**	87,059,953
The USA	**2,312,423**	1,700,556	**6,767,640**	7,680,513
Canada	**607,144**	545,053	**587,716**	648,750
The United Kingdom	**632,759**	529,283	**1,694,822**	1,850,103
Australia	**506,981**	519,545	**817,530**	903,747
New Zealand	**303,492**	285,344	**487,560**	473,538
The PRC	**606,746**	449,969	**3,146,404**	3,420,648
Japan	**–**	–	**1,766,884**	1,678,589
Others	**2,933**	4,837	**–**	–
	10,156,180	8,948,104	**109,039,158**	103,715,841

Information about major customers

There was no customer individually contributing over 10% of the total sale amounts for both years.

7. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income on:		
Bank deposits	126,871	71,925
Financial assets at FVTPL	8,578	674
Notes receivable	8,406	9,055
Others	16,020	8,257
	159,875	89,911
Gain on disposal of equity securities	–	2,043
Net exchange gain	–	49,917
Gain on disposal of property, plant and equipment	–	508
Recovery of bad debts	645	455
Income arising from historical tax credit	86,064	45,491
Sundry income	13,282	6,541
	259,866	194,866

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings	648,473	513,204
Interest on medium term notes	176,868	142,986
Other borrowing costs	65,045	69,738
	890,386	725,928
Less: amount capitalised (note)	(69,130)	(65,916)
	821,256	660,012

Note:

Interest was capitalised at an average annual rate of 1.61% (2017: 1.18%) to property development projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

9. INCOME TAXES

	2018 HK$'000	2017 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**379,379**	353,420
Other jurisdictions	**100,227**	(23,105)
	479,606	330,315
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(1,830)**	(3,150)
Other jurisdictions	**2,170**	13,400
	340	10,250
	479,946	340,565
Deferred tax (note 32):		
Current year	**46,271**	175,529
Underprovision in prior years	**283**	8
Attributable to change in tax rate	**–**	(138,543)
	46,554	36,994
	526,500	377,559

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

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

9. INCOME TAXES (continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	**8,914,195**	13,166,490
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	**1,470,842**	2,172,471
Tax effect of expenses that are not deductible for tax purpose	**85,197**	62,619
Tax effect of income that is not taxable for tax purpose	**(1,134,255)**	(1,814,706)
Underprovision in prior years	**623**	10,258
Tax effect of share of results of associates	**(127)**	(94)
Tax effect of share of results of joint ventures	**1,714**	4,388
Tax effect of tax losses not recognised	**43,574**	29,354
Utilisation of tax losses previously not recognised	**(8,679)**	(11,797)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**27,525**	50,480
Effect of change in tax rate (note)	**–**	(138,543)
Others	**40,086**	13,129
Tax charge for the year	**526,500**	377,559

Note:

In 2017, the amount mainly represented the tax effect from the Tax Cuts and Jobs Act signed on 22 December 2017 which reduced the corporate tax rate in USA to 21%, effective from 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

10. PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**2,592,289**	2,387,595
Share-based payments (including Directors' emoluments)	**30,674**	22,639
	2,622,963	2,410,234
Depreciation	**712,514**	620,324
Auditor's remuneration	**15,801**	16,223
Trustee's remuneration	**14,084**	12,548
Cost of inventories recognised as an expense	**692,546**	639,453
Write-down of properties held for sale (included in cost of goods and services)	**183,660**	–
Net exchange loss (included in administrative and other expenses)	**2,275**	–
Fitting-out works of hotel buildings written off	**3,985**	–
Allowance for doubtful debts	**1,162**	695
Operating lease payments on rented premises	**19,661**	14,766
Share of tax of a joint venture (included in the share of results of joint ventures)	**6,349**	1,297
Share of tax of associates (included in the share of results of associates)	**73**	98
and after crediting:		
Gain on disposal of property, plant and equipment (included in other income)	**–**	508
Net exchange gain (included in other income)	**–**	49,917
Recovery of bad debts	**645**	455
Dividend income from		
– AFS investments	**–**	91,599
– equity instruments at FVTOCI	**20,947**	–
– financial assets at FVTPL	**5,300**	8,005
Rental income from investment properties less related outgoings of HK$219,106,000 (2017: HK$233,102,000)	**2,724,425**	2,453,562

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2017: fifteen) Directors were as follows:

	2018					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) Executive directors						
Dr. LO Ka Shui	180	13,900	5,795	4,727	580	25,182
Mr. LO Hong Sui, Antony	180	1,620	270	698	81	2,849
Madam LAW Wai Duen	180	660	110	698	33	1,681
Mr. KAN Tak Kwong	180	6,600	2,200	2,780	330	12,090
Mr. CHU Shik Pui	180	4,560	1,520	2,214	228	8,702
Mr. LO Alexander Chun Him	180	2,330	414	1,429	108	4,461
Sub-total	1,080	29,670	10,309	12,546	1,360	54,965

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	2018					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
B) Non-executive directors						
Madam LO TO Lee Kwan	180	–	–	–	–	180
Mr. LO Hong Sui, Vincent	180	–	–	–	–	180
Dr. LO Ying Sui	180	–	–	–	–	180
Sub-total	540	–	–	–	–	540

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2018					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
C) Independent non-executive directors						
Mr. CHENG Hoi Chuen, Vincent	510	–	–	–	–	510
Professor WONG Yue Chim, Richard	470	–	–	–	–	470
Mrs. LEE Pui Ling, Angelina	470	–	–	–	–	470
Mr. LEE Siu Kwong, Ambrose	460	–	–	–	–	460
Mr. POON Ka Yeung, Larry	460	–	–	–	–	460
Sub-total	2,370	–	–	–	–	2,370

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	57,875

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

2017	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) Executive directors						
Dr. LO Ka Shui	160	13,436	5,583	3,323	558	23,060
Mr. LO Kai Shui (note)	57	1,116	–	500	29	1,702
Mr. LO Hong Sui, Antony	160	1,559	221	500	78	2,518
Madam LAW Wai Duen	160	630	89	500	31	1,410
Mr. KAN Tak Kwong	160	6,287	2,096	1,773	314	10,630
Mr. CHU Shik Pui	160	3,960	957	1,297	198	6,572
Mr. LO Alexander Chun Him	160	1,692	299	805	78	3,034
Sub-total	1,017	28,680	9,245	8,698	1,286	48,926

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

2017	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
B) Non-executive directors						
Madam LO TO Lee Kwan	160	–	–	–	–	160
Mr. LO Hong Sui, Vincent	160	–	–	–	–	160
Dr. LO Ying Sui	160	–	–	–	–	160
Sub-total	480	–	–	–	–	480

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2017					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
C) Independent non-executive directors						
Mr. CHENG Hoi Chuen, Vincent	480	–	–	–	–	480
Professor WONG Yue Chim, Richard	440	–	–	–	–	440
Mrs. LEE Pui Ling, Angelina	440	–	–	–	–	440
Mr. LEE Siu Kwong, Ambrose	430	–	–	–	–	430
Mr. POON Ka Yeung, Larry	200	–	–	–	–	200
Sub-total	1,990	–	–	–	–	1,990

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	51,396

Note:

Retired on 10 May 2017.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Dr. LO Ka Shui performs the function of the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Discretionary bonuses are determined by the remuneration committee of the Company from time to time by reference to the prevailing market conditions, the performance of the Company as well as the individual performance.

None of the Directors waived any emoluments in the years ended 31 December 2018 and 31 December 2017.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2017: three) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2017: two) individuals were as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	**10,796**	10,561
Discretionary bonuses	**4,585**	877
Share options	**908**	465
Retirement benefits scheme contributions	**953**	854
	17,242	12,757

	2018 Number of employees	2017 Number of employees
Bands:		
HK$5,500,001 – HK$6,000,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	1
HK$10,000,001 – HK$10,500,000	**1**	–
	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

12. DIVIDENDS

	2018 HK$'000	2017 HK$'000
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
– Interim dividend of HK33 cents in respect of the financial year ended 31 December 2018 (2017: HK30 cents in respect of the financial year ended 31 December 2017) per ordinary share	230,539	206,543
– Special interim dividend of HK50 cents in respect of the financial year ended 31 December 2017 per ordinary share	–	344,239
	230,539	550,782
	907,860	1,217,785

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.

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

	2018 HK$'000	2017 HK$'000
Dividends:		
Cash	83,414	74,352
Share alternative (note 36)	248,334	252,342
	331,748	326,694

12. DIVIDENDS (continued)

	2018 HK$'000	2017 HK$'000
Dividends proposed:		
– Proposed final dividend of HK50 cents in respect of the financial year ended 31 December 2018 (2017: HK48 cents in respect of the financial year ended 31 December 2017) per ordinary share	**349,324**	330,523
– Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2017 per ordinary share	**–**	344,295
	349,324	674,818

The proposed final dividends in respect of the financial year ended 31 December 2018 is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**5,810,713**	8,817,852

	2018	2017
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**697,631,167**	687,092,750
Effect of dilutive potential shares:		
Share options	**1,457,145**	5,152,743
Weighted average number of shares for the purpose of diluted earnings per share	**699,088,312**	692,245,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

14. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Fair value		
At 1 January	83,999,025	73,046,520
Exchange adjustments	(10,663)	26,015
Additions	76,176	50,134
Transfer to assets classified as held for sale (note 28)	(1,182,557)	–
Transfer to property, plant and equipment (note 15)	(134,200)	–
Increase in fair value recognised in the consolidated income statement	6,660,669	10,876,356
At 31 December	89,408,450	83,999,025

(a) The Group's property interests situated in Hong Kong of HK$89,160,100,000 (2017: HK$82,560,400,000) and in the PRC of HK$248,350,000 (2017: HK$258,892,000) which are held under leasehold interests to earn rentals or for capital appreciation purposes are measured using the fair value model, and are classified and accounted for as investment properties.

(b) During the year, an investment property amounting to HK$1,182,557,000 was classified as held for sale as disclosed in note 28.

(c) In determining the fair value of the relevant investment properties, the Group engages in independent professional property valuers to perform the valuation. The management works closely with the independent professional property valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (continued)

(d) Included in the fair value of investment properties as at 31 December 2018 is HK$89,308,050,000 (2017: HK$83,900,025,000) which is categorised as Level 3 fair value hierarchy with movement as follows:

	2018 HK$'000	2017 HK$'000
Fair value		
At 1 January	**83,900,025**	72,954,220
Exchange adjustments	**(10,663)**	26,015
Additions	**76,176**	50,134
Transfer to assets classified as held for sale	**(1,182,557)**	–
Transfer to property, plant and equipment	**(134,200)**	–
Increase in fair value recognised in the consolidated income statement	**6,659,269**	10,869,656
At 31 December	**89,308,050**	83,900,025

Unrealised gain on property revaluation included in profit or loss amounted to HK$6,713,925,000 (2017: HK$10,873,445,000).

(e) The carrying amount of investment properties includes land and buildings situated in Hong Kong and outside Hong Kong is as follows:

	2018 HK$'000	2017 HK$'000
Leases in Hong Kong	**89,160,100**	82,560,400
Leases outside Hong Kong	**248,350**	258,892
Freehold land outside Hong Kong	**–**	1,179,733
	89,408,450	83,999,025

14. INVESTMENT PROPERTIES (continued)

(f) The fair value of the Group's investment properties at 31 December 2018 and 2017 has been arrived at on a basis of valuation performed by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Colliers International (Hong Kong) Limited (2017: Knight Frank Petty Limited), Savills Valuation and Professional Services Limited

Investment properties in the PRC – Knight Frank Petty Limited

Investment properties in the USA – Nil (2017: Cushman & Wakefield of Washington, Inc.)

As at 31 December 2018, the Group's investment properties in the USA were transferred to asset held for sale as disclosed in note 28.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2018						
Commercial property in Wan Chai, Hong Kong	4,923,700	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 2.90% for office and 4.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	49,890,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.60% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	33,245,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for office and 3.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2018 (continued)						
Furnished apartments in Hong Kong	1,001,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.20% to 3.70%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Shanghai, the PRC	248,350	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	100,400	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2017						
Commercial property in Wan Chai, Hong Kong	4,781,400	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.00% for office and 4.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	46,161,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.60% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	30,543,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for office and 3.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished apartments in Hong Kong	976,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.25% to 3.75%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2017 (continued)						
Commercial properties in Shanghai, the PRC	258,892	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	99,000	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	
Commercial properties in West Coast of the USA	1,179,733	Level 3	Yield capitalisation method – income capitalisation approach	Discount rate, taking into account the internal rate of return, 7.25%.	The higher the discount rate, the lower the fair value.	Note (ii)
			The key inputs are: (i) discount rate; (ii) terminal capitalisation rate; and annual income	Termination capitalisation rate, taking into account net realisable value at the end of the holding period, of 6.25%.	The higher the termination capitalisation rate, the lower the fair value.	Note (i)
				Annual income, taking into account projected net operating income and capital expenditures.	The higher the annual income, the higher the fair value.	Note (i)

Notes:

(i) A significant change in the unobservable inputs would result in a significant higher or lower fair value measurement.

(ii) There is no indication that any slight change in the unobservable input would result in a significant higher or lower fair value measurement.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Leasehold land HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost									
At 1 January 2017	3,609,599	2,349,418	13,358,378	1,721,276	399,484	3,083,336	3,521	95	24,525,107
Exchange adjustments	145,300	–	449,300	84,396	–	118,473	32	4	797,505
Acquisitions	85,665	–	–	–	–	–	–	–	85,665
Additions	–	–	40,695	158,029	–	1,043,490	580	–	1,242,794
Transfer in (out)	–	–	1,677,494	(1,169,880)	–	(507,614)	–	–	–
Transfer to stock of properties	–	–	–	(227,649)	–	–	–	–	(227,649)
Disposals/written off	–	–	(51,024)	–	(3)	(7,640)	(334)	–	(59,001)
At 31 December 2017	3,840,564	2,349,418	15,474,843	566,172	399,481	3,730,045	3,799	99	26,364,421
Exchange adjustments	(9,419)	–	(412,399)	1,204	–	(115,028)	(24)	(2)	(535,668)
Acquisitions	14,542	–	–	–	–	–	–	–	14,542
Additions	1,844	–	27,403	157,498	–	659,221	580	–	846,546
Transfer in (out)	–	–	437,937	–	–	(437,937)	–	–	–
Transfer from investment properties (note 14)	–	–	–	–	134,200	–	–	–	134,200
Disposals/written off	–	–	–	–	–	(25,581)	–	–	(25,581)
At 31 December 2018	**3,847,531**	**2,349,418**	**15,527,784**	**724,874**	**533,681**	**3,810,720**	**4,355**	**97**	**26,798,460**
Depreciation and impairment									
At 1 January 2017	114,573	957,149	3,398,542	–	84,699	1,355,653	2,828	93	5,913,537
Exchange adjustments	1,336	–	121,417	–	–	49,369	13	4	172,139
Charge for the year	–	44,765	327,706	–	18,288	229,097	467	1	620,324
Eliminated on disposals/ written off	–	–	(51,024)	–	(1)	(7,036)	(334)	–	(58,395)
At 31 December 2017	115,909	1,001,914	3,796,641	–	102,986	1,627,083	2,974	98	6,647,605
Exchange adjustments	(956)	–	(112,256)	–	–	(58,403)	(15)	(1)	(171,631)
Charge for the year	–	44,765	370,089	–	26,808	270,506	346	–	712,514
Eliminated on disposals/ written off	–	–	–	–	–	(20,736)	–	–	(20,736)
At 31 December 2018	**114,953**	**1,046,679**	**4,054,474**	**–**	**129,794**	**1,818,450**	**3,305**	**97**	**7,167,752**
Carrying amounts									
At 31 December 2018	**3,732,578**	**1,302,739**	**11,473,310**	**724,874**	**403,887**	**1,992,270**	**1,050**	**–**	**19,630,708**
At 31 December 2017	3,724,655	1,347,504	11,678,202	566,172	296,495	2,102,962	825	1	19,716,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the additions of furniture and fixtures of HK$659,221,000 (2017: HK$1,043,490,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK$490,268,000 (2017: HK$868,825,000), HK$656,000 (2017: HK$869,000) and HK$256,000 (2017: HK$1,852,000), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years, respectively.

At 31 December 2018, the leasehold land with carrying amounts of HK$1,302,739,000 (2017: HK$1,347,504,000) are situated in Hong Kong and are finance lease in nature. Freehold land is situated outside Hong Kong.

Owner occupied properties situated in Hong Kong are land and buildings that are finance lease in nature.

At 31 December 2018, the Directors considered no further recognition of impairment was required as the recoverable amount exceeded the carrying amount.

16. INTERESTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Cost of investments in joint ventures	1,403,753	1,405,445
Share of post-acquisition results and other comprehensive income	(184,770)	(132,445)
	1,218,983	1,273,000
Amount due from a joint venture (note 36)	133,788	138,273
	1,352,771	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 relevant activities 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 venture.

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

The Group's interests in joint ventures amounting to HK$1,218,983,000 as at 31 December 2018 (2017: HK$1,273,000,000) are accounted for using the equity method in these consolidated financial statements.

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

Particulars regarding the joint ventures are set out in note 45.

16. INTERESTS IN JOINT VENTURES (continued)

The summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

Wealth Joy Holdings Limited

	2018 HK$'000	2017 HK$'000
Current assets	**2,693,538**	2,946,820
Non-current assets	**3,040**	4,593
Current liabilities	**(592,098)**	(668,498)
Non-current liability	**(509,631)**	(588,461)
The above amounts of assets and liabilities include the following: Cash and cash equivalents	**276,657**	300,386
Current financial liabilities (excluding trade and other payables and provisions)	**(178,752)**	(384,596)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(509,631)**	(588,461)
Income recognised in profit or loss	**623,963**	128,252
Expenses recognised in profit or loss	**(621,109)**	(171,820)
Income tax expense	**(12,698)**	(2,593)
Other comprehensive (expense) income for the year	**(89,761)**	116,568
The above income and expenses recognised for the year includes the following: Depreciation and amortisation	**(1,610)**	(1,498)
Interest income	**934**	614
Interest expense	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

16. INTERESTS IN JOINT VENTURES (continued)

Wealth Joy Holdings Limited (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Net assets of Wealth Joy	1,594,849	1,694,454
Capital contribution from the Group (note)	(661,500)	(661,500)
	933,349	1,032,954
Proportion of the Group's ownership interest in Wealth Joy	50%	50%
	466,675	516,477
Capital contribution from the Group	661,500	661,500
Carrying amount of the Group's interest in Wealth Joy	1,128,175	1,177,977

Note:

The amount represents the preference shares subscribed by the Group.

Aggregate information of joint ventures that are not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of loss for the year	5,467	3,517
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive expense	5,467	3,517
Dividends received from joint venture during the year	–	–
Aggregate carrying amount of the Group's interests in the joint ventures	90,808	95,023

17. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of investment in associates	108	70,424
Share of post-acquisition profit and other comprehensive income, net of dividend received	68,647	89,067
	68,755	159,491

During the year, an associate held by Smart Easy Global Limited ("Smart Easy"), a wholly owned subsidiary of the Company issued further fully paid units to other investors so that Smart Easy's interests in the associate is diluted from 32.82% at the end of 31 December 2017 to 17.17% at 31 December 2018. Accordingly, the Group recognised such investment with a carrying amount of United States dollars ("US$") 9,000,000 (equivalent to approximately HK$70,484,000) as an equity instrument at FVTOCI. Smart Easy's interests in this associate was acquired from conversion of the subordinated unsecured convertible promissory notes and corresponding interest receivable as well as further capital injection during the year ended 31 December 2017.

In determining whether there exists any objective evidence of impairment of the Group's interests in associates, the Directors consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of its associates. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

Particulars regarding the associates are set out in note 46.

At 31 December 2018 and 2017, the Group's investment in associates are not individually material to the Group.

Aggregate information of associates that are not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of profit for the year	773	570
The Group's share of other comprehensive (expense) income	(13,655)	13,062
The Group's share of total comprehensive (expense) income	(12,882)	13,632
Dividends received from associates during the year	7,538	5,342
Aggregate carrying amount of the Group's interests in these associates	68,755	159,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI as at 31 December 2018 comprise:

	2018 HK$'000
Listed equity securities in Hong Kong	206,187
Listed equity securities outside Hong Kong	40,595
Unlisted equity securities in Hong Kong	10,427
Unlisted equity securities outside Hong Kong	643,263
	900,472

As mentioned in note 2, on 1 January 2018, equity securities previously classified as AFS investments have been reclassified to equity instruments at FVTOCI in accordance with the requirement of HKFRS 9. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

At 31 December 2018, all the listed securities were stated at fair values which have been determined by reference to closing prices quoted in the active markets.

19. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments as at 31 December 2017 comprised:

	2017 HK$'000
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 values below cost.

Unlisted investments mainly represented unlisted equity investments. An aggregate amount of unlisted equity securities of HK$570,652,000 were measured at fair values. The remaining amount of unlisted equity securities 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.

At 31 December 2017, an unlisted equity security carried at cost was individually determined to be impaired. Full impairment loss of HK$127,349,000 was recognised in profit or loss for the year ended 31 December 2017.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

20. NOTES AND LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Notes receivables	**250,171**	243,913
Loan receivables	**88,929**	88,716
	339,100	332,629
Less: Amounts due within one year shown under current assets	**–**	(23,382)
Amounts due after one year	**339,100**	309,247

Notes receivables

At 31 December 2018, the Group held unsecured bonds with principal amounts of HK$250,171,000 (2017: HK$243,913,000) denominated in US$ with nominal values ranging from US$1,000,000 to US$7,640,000 (2017: US$1,000,000 to US$7,640,000), bears interest at fixed interest rates ranging from 2.625% to 9.125% (2017: 2.63% to 5.88%) per annum and has maturity dates ranging from May 2020 to May 2024 (2017: March 2018 to May 2024).

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$88,929,000) (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 converted the subordinated unsecured convertible promissory notes of US$30 million (equivalent to approximately HK$232,804,000) with a carrying mount 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Interest rate swaps	**26,923**	**36,255**	28,300	76
Cross currency swaps	**–**	**45,854**	–	2,973
Foreign currency derivative contracts	**71**	**–**	–	236
	26,994	**82,109**	28,300	3,285
Less: Would be matured within one year shown under current assets/liabilities	**(71)**	**–**	–	(236)
Would be matured after one year	**26,923**	**82,109**	28,300	3,049

The Group entered into interest rate swaps with aggregate notional amount of HK$4,000,000,000 (2017: HK$3,500,000,000) to manage the exposure to the interest rate risk on the Group's floating-rate borrowings by swapping a proportion of those borrowings from floating rate of Hong Kong Interbank Offered Rate ("HIBOR") to fixed rate ranging from 1.035% to 2.545% (2017: 1.035% to 1.80%). The Group also entered into interest rate swaps and cross currency swaps to manage the exposure to the interest rates and floating rate loans denominated in other currencies. In addition, the Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

22. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	2018 **HK$'000**	2017 HK$'000
Non-current assets		
Cash flow hedges – interest rate swaps	**35,268**	36,587
Fair value hedge – interest rate swaps	**4,131**	–
	39,399	36,587
Non-current liability		
Cash flow hedge – cross currency swaps	**17,860**	17,674

The Group entered into cross currency swap contracts to minimise the exposure to fluctuations 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 and qualified as cash flow hedges.

During the year, the loss on changes in fair value of the cross currency swaps and interest rate swaps under cash flow hedges amounting to HK$8,540,000 (2017: loss on changes of HK$39,856,000) has been recognised in other comprehensive income of which the fair value adjustments of the hedging instruments amounting to HK$509,000 (2017: HK$3,626,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon and interest payments.

During the year, the Group entered into an interest rate swap contract to convert the fixed rate under the medium term note. The interest rate swap qualifying as fair value hedge. The gain in change in fair values of the interest rate swap qualifying as fair value hedge amounting to HK$758,000 has been recognised directly in the consolidated income statement.

The fair values of the above derivatives are based on the valuation provided by the counterparty financial institutions and measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and/or quoted exchange rates.

23. STOCK OF PROPERTIES

	2018 HK$'000	2017 HK$'000
Properties under development for sale	**3,994,369**	3,244,172
Properties held for sale	**690,965**	1,325,414
	4,685,334	4,569,586

Stock of properties comprised the following:

(i) An apartment building in Malibu, Los Angeles, the USA with a consideration of US$62,000,000 (equivalent to approximately HK$480,522,000) acquired in 2015. The apartments are converted into condominiums for sale to customers.

(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.

As at the end of the reporting period, the Directors assessed whether there exists any objective evidence of impairment of the stock of properties held. Taking into consideration of the current market conditions in the USA at 31 December 2018, the carrying amount exceeded the estimated amount to be recovered through sale of the property and, accordingly, an impairment loss of US$23,433,000 (equivalent to approximately HK$183,660,000) (2017: nil) is recognised in profit or loss.

The properties under development for sale with carrying amount of HK$3,994,369,000 (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.

24. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**11,651**	10,994
Trading goods	**3,402**	2,807
Provisions and beverages	**44,292**	43,850
Work-in-progress	**86,645**	51,976
	145,990	109,627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Trade debtors, net of allowance for doubtful debts	**247,768**	247,448
Deferred rent receivables	**170,453**	184,129
Retention money receivables	**11,368**	–
Other receivables	**242,949**	220,075
Deposits and prepayments	**323,455**	368,112
	995,993	1,019,764

Included in the balance of debtors, deposits and prepayments are trade debtors (net of impairment losses) of HK$247,768,000 (2017: HK$247,448,000). 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.

Prior to the application of HKFRS 15, included in the trade debtors as at 31 December 2017 were retention amount of HK$17,520,000 of which HK$9,066,000 were due after one year. The trade receivables from contracts with customers and retention money receivables after application of HKFRS 15 are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Trade receivables from contracts with customers	**217,837**	220,996
Retention money receivables	**11,368**	17,520
Amounts due within one year	**(6,277)**	(8,454)
Amounts due after one year	**5,091**	9,066

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

25. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

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

	2018 HK$'000	2017 HK$'000
Within 3 months	**238,004**	212,835
More than 3 months but within 6 months	**3,626**	8,425
Over 6 months	**6,138**	26,188
	247,768	247,448

As at 31 December 2018, included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK$14,222,000 (2017: HK$37,493,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade debtors balance past due but not impaired

	2017 HK$'000
Within 3 months	2,880
More than 3 months but within 6 months	8,425
Over 6 months	26,188
	37,493

Movement in the allowance for doubtful debts

	2017 HK$'000
At 1 January	17,783
Amounts recovered	–
Increase in allowance recognised in profit or loss	695
At 31 December	18,478

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Financial assets mandatorily measured at FVTPL:		
Equity linked notes	**31,392**	–
Listed equity securities held for trading	**198,640**	139,261
	230,032	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 of US$500,000 (31 December 2017: nil) have maturity period of 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$5,000,000 to HK$8,000,000 (31 December 2017: nil) have maturity period of four months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

27. RESTRICTED CASH, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

Restricted cash

Restricted cash represented an amount equivalent to HK$170,798,000 (2017: HK$92,917,000) carried market interest rates ranging from 0% to 1.50% (2017: 0.05% to 1.38%) per annum was placed in designated bank account pursuant to applicable loan facilities requirements.

Time deposits with original maturity over three months

The amount represented time deposits carried market interest rates ranging from 1.56% to 4.15% (2017: 0.40% to 5.00%) per annum with original maturity over three months but not exceeding one year.

Bank balances and cash

The bank balances include time deposits with original maturity of three months or less. Bank balances carry interest at market rates which range from 0.70% to 6.43% (2017: 0.001% to 5.355%) per annum.

28. ASSET CLASSIFIED AS HELD FOR SALE

On 10 December 2018, the Group entered into sales and purchase agreement to dispose of the investment property located in Seattle, the USA at a consideration of US$151,000,000 (equivalent to approximately HK$1,182,557,000). The closing of such transaction was completed in January 2019.

As at 31 December 2018, the Group had classified such investment property as asset held for sale which was separately presented in the consolidated statement of financial position.

29. CREDITORS, DEPOSITS AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Trade creditors	261,003	337,435
Deposits received	820,214	914,974
Customer deposits and other deferred revenue	245,370	–
Construction fee payable and retention money payable	372,292	349,795
Accruals, interest payable and other payables (note)	2,184,004	2,128,525
	3,882,883	3,730,729

Note:

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

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

	2018 HK$'000	2017 HK$'000
Within 3 months	244,176	314,700
More than 3 months but within 6 months	5,149	5,500
Over 6 months	11,678	17,235
	261,003	337,435

Customer deposits and other deferred revenue as at 31 December 2018 and 1 January 2018 comprised:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Hotel operations	225,600	211,575
Sales of goods	4,759	8,229
Others	15,011	6,679
	245,370	226,483

Timing of satisfying the performance obligations of hotel operations and sales of goods and typical timing of payment are set out in note 5(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

29. CREDITORS, DEPOSITS AND ACCRUALS (continued)

The following table shows how much of the revenue recognised in the current year that are included in the customer deposits and other deferred revenue balance at the beginning of the year.

	2018 HK$'000
Hotel operations	186,026
Sales of goods	6,317
Others	1,046
	193,389

30. BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank loans and revolving loans (secured)	25,705,849	26,133,315
Loan front-end fee	(80,988)	(123,063)
	25,624,861	26,010,252

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

	2018 HK$'000	2017 HK$'000
Within one year	4,981,198	1,656,371
More than one year but not exceeding two years	9,007,820	4,478,714
More than two years but not exceeding five years	10,731,431	18,883,606
More than five years	904,412	991,561
	25,624,861	26,010,252
Less: Amounts due within one year shown under current liabilities	(4,981,198)	(1,656,371)
Amounts due after one year	20,643,663	24,353,881

All of the Group's borrowings are at floating rate. The effective interest rates (which approximate to contracted interest rates) range from 0.33% to 5.08% (2017: 0.26% to 5.90%) per annum.

The Group entered into interest rate swaps and currency swaps to manage the exposure to the floating-rate borrowings as disclosed in notes 21 and 22.

31. MEDIUM TERM NOTES

	2018 HK$'000	2017 HK$'000
Medium term notes	**5,569,091**	4,636,866
Origination fees	**(32,799)**	(24,812)
	5,536,292	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 rates to be set upon issuance of notes and will be guaranteed by HSBC Institutional Trust Services (Asia) Limited, the trustee of Champion REIT, in its capacity as trustee.

As at 31 December 2018, the outstanding medium term notes comprised of the following:

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$450,000,000	July 2025	4.00%	Semi-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 swaps.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

32. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

	Investment properties and property, plant and equipment HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	1,263,866	(8,362)	48,062	1,303,566
Exchange differences	21,587	(332)	278	21,533
Charge (credit) to profit or loss for the year	192,304	4,586	(21,353)	175,537
Effect of change in tax rate	(126,163)	–	(12,380)	(138,543)
At 31 December 2017	1,351,594	(4,108)	14,607	1,362,093
Exchange differences	**(15,823)**	**171**	**2,347**	**(13,305)**
Charge (credit) to profit or loss for the year	**109,035**	**(42,324)**	**(20,157)**	**46,554**
At 31 December 2018	**1,444,806**	**(46,261)**	**(3,203)**	**1,395,342**

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At the end of the reporting period, the Group has unutilised tax losses of HK$2,568,696,000 (2017: HK$2,234,547,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$228,355,000 (2017: HK$22,766,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$2,340,341,000 (2017: HK$2,211,781,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$336,782,000 (2017: HK$336,782,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$336,782,000 (2017: HK$336,782,000) of such deductible temporary difference.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$2,174,834,000 (2017: HK$2,202,733,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

	2018 Number of shares '000	2018 Nominal value HK$'000	2017 Number of shares '000	2017 Nominal value HK$'000
(a) Authorised:				
Shares of HK$0.50 each				
Balance brought forward and carried forward	**1,200,000**	**600,000**	1,200,000	600,000
(b) 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	**3,338**	**1,670**	4,099	2,050
Issued as scrip dividends	**6,719**	**3,359**	7,021	3,510
Balance carried forward	**698,647**	**349,324**	688,590	344,295

During the year ended 31 December 2018, 6,719,000 (2017: 7,021,203) shares of HK$0.50 each in the Company were issued at HK$36.96 (2017: HK$35.94) per share as scrip dividends.

34. SHARE OPTIONS

In accordance with a share option scheme of the Company (formerly Executive Share Option Scheme), which was adopted pursuant to an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001 (the "1999 Share Option Scheme"), the Board of Directors of the Company may grant options to eligible officers, employees, associates, agents and contractors, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At the 2009 Annual General Meeting of the Company held on 27 May 2009, ordinary resolutions were proposed to approve the adoption of a new share option scheme ("2009 Share Option Scheme") and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the shareholders of the Company and the 2009 Share Option Scheme became effective for a period of 10 years, commencing on 27 May 2009.

34. SHARE OPTIONS (continued)

Further details of the 2009 Share Option Scheme

a. The purpose of the 2009 Share Option Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary (the "Participants") and to allow them to participate in the growth of the Company.

b. Participants of the 2009 Share Option Scheme include any person the Board of Directors may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any subsidiary, any executive or non-executive directors of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the 2009 Share Option Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the 2009 Share Option Scheme.

d. No option may be granted to any Participant under the 2009 Share Option Scheme which, if exercised in full, would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's Shares in issue.

e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36 months' period.

f. Any Participant who accepts an offer of the grant of an option in accordance with the terms of the scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the participant.

g. The subscription price shall be determined by the Board of Directors and notified to a Participant and shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Listing Rules), and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant, and as subsequently adjusted pursuant to the terms of the 2009 Share Option Scheme, if relevant.

h. The 2009 Share Option Scheme has a life of 10 years commencing on 27 May 2009.

34. SHARE OPTIONS (continued)

The following tables disclose details of the Company's share options held by employees, including Directors, and movements in such holdings under the 2009 Share Option Scheme during the year:

In 2018 Year of grant of options	Number of shares Outstanding options at 1 January 2018	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2018
2013	736,000	–	(659,000)	(77,000)	–
2014	1,240,000	–	(414,000)	(97,000)	729,000
2015	1,459,000	–	(353,000)	(126,000)	980,000
2016	3,903,000	–	(1,912,000)	(233,000)	1,758,000
2017	5,211,000	–	–	(430,000)	4,781,000
2018	–	5,509,000	–	(282,000)	5,227,000
	12,549,000	5,509,000	(3,338,000)	(1,245,000)	13,475,000
Exercisable at end of the year					3,467,000
Weighted average exercise price	HK$31.00	HK$42.21	HK$27.14	HK$33.94	HK$36.27

In 2017 Year of grant of options	Number of shares Outstanding options at 1 January 2017	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2017
2012	533,000	–	(416,000)	(117,000)	–
2013	1,673,000	–	(933,000)	(4,000)	736,000
2014	1,927,000	–	(687,000)	–	1,240,000
2015	3,522,000	–	(2,063,000)	–	1,459,000
2016	4,122,000	–	–	(219,000)	3,903,000
2017	–	5,344,000	–	(133,000)	5,211,000
	11,777,000	5,344,000	(4,099,000)	(473,000)	12,549,000
Exercisable at end of the year					3,435,000
Weighted average exercise price	HK$26.85	HK$37.15	HK$27.41	HK$28.35	HK$31.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

34. SHARE OPTIONS (continued)

Details of the share options held by the Directors under the 2009 Share Option Scheme included in the above table are as follows:

	Number of shares			
In 2018 **Year of grant of options**	**Outstanding options at 1 January 2018**	**Options granted**	**Options exercised**	**Outstanding options at 31 December 2018**
2013-2018	**4,510,000**	**1,888,000**	**(950,000)**	**5,448,000**

	Number of shares				
In 2017 Year of grant of options	Outstanding options at 1 January 2017	Reclassification (note)	Options granted	Options exercised	Outstanding options at 31 December 2017
2012-2017	4,705,000	(500,000)	1,750,000	(1,445,000)	4,510,000

The weighted average price of the shares on the date the options exercised was HK$39.77 (2017: HK$38.02) under the 2009 Share Option Scheme for the year ended 31 December 2018.

Note:

The interest in share option of a director, who retired during 2017, was reclassified as interest of associate of the Directors of the Company on the date of his retirement.

Details of options granted under the 2009 Share Option Scheme in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share HK$
2012	8.3.2012	9.3.2014 – 8.3.2017	23.20
2013	6.6.2013	7.6.2015 – 6.6.2018	31.45
2014	27.2.2014	28.2.2016 – 27.2.2019	26.05
2014	17.3.2014	18.3.2016 – 17.3.2019	27.55
2015	11.3.2015	12.3.2017 – 11.3.2020	26.88
2015	10.4.2015	11.4.2017 – 10.4.2020	28.25
2016	14.3.2016	15.3.2018 – 14.3.2021	25.70
2017	14.3.2017	15.3.2019 – 14.3.2022	37.15
2018	14.3.2018	15.3.2020 – 14.3.2023	42.40
2018	8.5.2018	9.5.2020 – 8.5.2023	38.83

34. SHARE OPTIONS (continued)

Notes:

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

(ii) The vesting period for the option grant is 24 months from date of grant.

(iii) The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant	Closing price per share as at the date of grant HK$	Exercise price HK$	Expected volatility (note a)	Expected dividend yield (note b)	Expected life from grant date	Risk free interest rate (note c)	Fair value per option HK$
7.3.2011	26.10	26.18	31.90%	2.28%	5 years	1.88%	6.57
8.3.2012	23.20	23.20	33.32%	2.79%	5 years	0.50%	5.44
6.6.2013	31.45	31.45	30.27%	2.35%	5 years	0.72%	6.98
27.2.2014	26.05	26.05	27.76%	2.89%	5 years	1.71%	5.06
17.3.2014	27.55	27.55	27.69%	2.70%	5 years	1.74%	5.46
11.3.2015	26.45	26.88	19.33%	3.58%	5 years	1.66%	3.22
10.4.2015	28.25	28.25	18.19%	3.34%	5 years	1.46%	3.36
14.3.2016	24.08	25.70	18.84%	3.83%	5 years	1.50%	3.09
14.3.2017	37.15	37.15	25.21%	2.12%	5 years	2.20%	7.65
14.3.2018	41.87	42.40	18.63%	1.87%	5 years	2.49%	6.96
8.5.2018	37.75	38.83	18.79%	2.07%	5 years	2.76%	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 was approximated the yield of 5-year Exchange Fund Note on the date of grant.

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

The Group recognised the total expense of HK$30,674,000 for the year ended 31 December 2018 (2017: HK$22,639,000) in relation to share options granted by the Company.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

35. RETIREMENT BENEFIT SCHEMES

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administrative Region in 2000.

From 1 December 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the scheme, subject to minimum and maximum relevant income levels.

Forfeited contributions to retirement schemes for the year ended 31 December 2018 amounting to HK$1,171,000 (2017: HK$732,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2018 charged to the consolidated income statement amounted to HK$89,949,000 (2017: HK$80,271,000). As at 31 December 2018, contributions of HK$4,171,000 (2017: HK$4,883,000) due in respect of the year had not been paid over to the schemes.

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, 6,719,000 (2017: 7,021,203) shares of HK$0.50 each in the Company were issued at HK$36.96 (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.

37. PLEDGE OF ASSETS

At 31 December 2018, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$51,320,907,000 (2017: HK$47,599,625,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's freehold land, leasehold land and hotel buildings and furniture and fixtures with a total carrying value of HK$11,928,929,000 (2017: HK$12,345,776,000); and

(c) the Group's stock of properties with a total carrying value of HK$4,343,668,000 (2017: HK$4,307,673,000).

38. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2018, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$8,373,980,000 (2017: HK$8,794,740,000) of which HK$150,499,000 (2017: HK$230,304,000) was contracted for.

At 31 December 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) (2017: RMB25,800,000 (equivalent to approximately HK$33,050,000)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$2,943,531,000 (2017: HK$2,686,664,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied certain of the properties over the fixed portion of the monthly rentals. Included in property rental income is contingent rental income earned during the year ended 31 December 2018 amounted to HK$188,500,000 (2017: HK$117,014,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**2,413,441**	2,344,325
In the second to fifth year inclusive	**3,494,499**	3,300,662
After five years	**245,793**	316,300
	6,153,733	5,961,287

Where leases are negotiated at a fixed rate for the first few years, but subject to renegotiation for the remaining contracted lease terms, the minimum lease payments are calculated based on the latest negotiated rent, if any.

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**13,715**	16,590
In the second to fifth year inclusive	**30,635**	36,961
After five years	**–**	2,781
	44,350	56,332

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for term of two to six years (2017: one to five years) and rentals are fixed over the respective leases.

40. CONNECTED AND RELATED PARTY DISCLOSURES

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

	2018 HK$'000	2017 HK$'000
Transaction with related parties for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee income	1,284	1,223
Mr. Lo Kai Shui		
Management fee income	116	548
Transactions with related companies for the year ended 31 December		
SFK Construction Holdings Limited and its subsidiaries[1]		
Rental income	7,161	7,161
Building management fee income	1,133	1,133
Carpark income	254	238
Cleaning service charge	98	12,694
SOCAM Development Limited and its subsidiaries[2]		
Trading income	1,421	–
Shui On Land Limited and its subsidiaries[2]		
Rental expenses	1,788	1,331
Management fee expenses	3,777	3,212
Trading income	17	–
Hotel income	151	1,759
Shui Sing Holdings Limited and its subsidiaries[3]		
Management fee income	264	264
Repair and maintenance income	398	2,072
Agency fee income	34	–
Haining Haixing Hotel Company Limited[5]		
Hotel income	1,376	1,104
Healthy Seed Limited[4]		
Management fee income	2,035	131
Rental income	401	334
Building management fee income	160	160
Repair and maintenance income	24	–
Lo Ying Shek Chi Wai Foundation[4]		
Management fee income	–	705
Oasis Rainbow Limited[5]		
Procurement income	435	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

40. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	2018 HK$'000	2017 HK$'000
Transactions with a joint venture for the year ended 31 December		
Wealth Joy and its subsidiaries		
Project advisory service income	–	8,658
Supply procurement and consultancy services income	20,612	6,522

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

	2018 HK$'000	2017 HK$'000
Balances with a joint venture and related companies as at 31 December		
Amount due from a joint venture (included in debtors, deposits and prepayments)		
Wealth Joy and its subsidiaries	24,252	23,936
Amounts due from related companies (included in debtors, deposits and prepayments)		
SOCAM Development Limited and its subsidiaries[2]	613	486
Shui On Land Limited and its subsidiaries[2]	1,773	2,389
Shui Sing Holdings Limited and its subsidiaries[3]	40	56
Haining Haixing Hotel Company Limited[5]	315	446
Lo Ying Shek Chi Wai Foundation[4]	–	216
Oasis Rainbow Limited[5]	87	–
	2,828	3,593
Amounts due from related parties (included in debtors, deposits and prepayments)		
Dr. Lo Ka Shui	112	127
Mr. Lo Kai Shui	664	548
	776	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]	269	212
Healthy Seed Limited[4]	146	146
	1,618	1,561

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 16.

40. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

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 33.33% (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.

The remuneration of the Directors and other members of key management during the year were disclosed in note 11. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include borrowings and medium term notes disclosed in notes 30 and 31 respectively, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity instruments at FVTOCI, AFS investments, notes and loan receivables, amount due from a joint venture, debtors, financial assets at FVTPL, restricted cash, time deposits with original maturity over three months, bank balances and cash, creditors, derivative financial instrument, distribution payable, medium term notes and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate short term bank deposits, pledged bank deposits, time deposits with original maturity over three months, restricted cash, notes and loan receivables and certain medium term notes.

The Group's exposure to cash flow interest rate risk is resulted primarily from adverse change in interest rates of HIBOR and London Interbank Offered Rate arising from variable rate borrowings and certain medium term notes.

The Group will continue to maintain a reasonable mix of floating-rate and fixed-rate borrowings and take actions such as using interest rate swap to hedge against any foreseeable interest rate exposure, if necessary.

The interest rate and terms of the financial assets and financial liabilities are set out in respective notes.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings, including derivatives which are designated as effective hedging instruments, medium term notes, and bank balances at the end of the reporting period. Management considers the impact of interest rates arising from bank balances denominated in Hong Kong dollar is insignificant and accordingly has not been included in the sensitivity analysis. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2017: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2018 would decrease/increase by HK$63,182,000 (2017: HK$86,024,000).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group has certain bank deposits, medium term notes, financial assets at FVTPL, equity instruments at FVTOCI, AFS investments and notes and loan receivables that are denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and where necessary, using foreign currency derivative contracts.

The Group's medium term note of US$386,400,000 (2017: US$386,400,000) is denominated in a foreign currency (i.e. US$) and such foreign currency risk is managed by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term note. The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 22 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
US$	**1,668,055**	2,312,499	**3,028,299**	3,019,580
RMB	**86,947**	70,067	**–**	–
Pound Sterling	**128**	136	**–**	–
Euro dollars	**58,195**	3,474	**2,518**	4,664
Australian dollars	**3,024**	3,344	**–**	–
New Zealand dollars	**159,240**	42	**–**	–
Canadian dollars	**19**	21	**–**	–
Macau pataca	**9,148**	7,960	**–**	–
Singapore dollars	**4**	4	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US$, no material currency risk exposure is expected on US$ denominated monetary assets and monetary liabilities and the cross currency swaps. Therefore they are excluded from the sensitivity analysis below. 10% (2017: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2017: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weaken 10% (2017: 10%) against the relevant currency. For a 10% (2017: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit before tax for the year, and the balances below would be negative.

	2018 **HK$'000**	2017 HK$'000
RMB	**8,695**	7,007
Pound Sterling	**13**	14
Euro dollars	**5,568**	(119)
Australian dollars	**302**	334
New Zealand dollars	**15,924**	4
Canadian dollars	**2**	2
Macau pataca	**915**	796

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group's listed and certain unlisted equity instruments at FVTOCI and AFS equity investments, listed equity securities held for trading and equity linked notes at FVTPL are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity price risk in relation to these financial assets. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed and unlisted equity instruments at FVTOCI and AFS equity investments measured at fair value had been 10% (2017: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$90,047,000 (2017: HK$86,616,000) for the Group as a result of the changes in fair value of listed and unlisted equity instruments at FVTOCI and AFS investments.

If the prices of the listed equity securities held for trading measured at fair value had been 10% (2017: 10%) higher/lower, fair value changes on financial assets at FVTPL would increase/decrease by HK$19,864,000 (2017: HK$13,926,000) for the Group as a result of the changes in fair value of listed equity securities held for trading.

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, maintain sufficient availability of banking facilities and ensure compliance with loan covenants as well as by continuously monitoring forecast and actual cash flows.

The Group has cash and cash equivalents of HK$8,544,217,000 as at 31 December 2018 (2017: HK$6,491,562,000). In addition to the cash resources, the Group has available borrowing facilities of which undrawn committed facility in the form of revolving bank loans amounted to HK$4,946,480,000 as at 31 December 2018 (2017: HK$5,777,716,000).

The Group established a US$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed. The Group issued an aggregate principal amounts of HK$2,543,000,000 and US$386,400,000 as at 31 December 2018 (2017: HK$1,618,000,000 and US$386,400,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, which has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on effective interest rate at the end of the reporting period.

	Interest rate	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	3 to 4 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
2018								
Non-interest bearing	–	1,597,078	–	–	–	–	1,597,078	1,597,078
Fixed interest rate instruments	2.75% to 4.00%	175,024	375,024	169,324	169,324	4,970,510	5,859,206	4,893,292
Variable interest rate instruments	0.33% to 5.08%	5,775,179	9,440,087	6,564,565	4,279,341	1,849,775	27,908,947	26,267,861
		7,547,281	9,815,111	6,733,889	4,448,665	6,820,285	35,365,231	32,758,231
2017								
Non-interest bearing	–	1,673,816	–	–	–	–	1,673,816	1,673,816
Fixed interest rate instruments	2.75% to 3.75%	140,795	140,795	140,795	140,795	4,268,528	4,831,708	3,969,054
Variable interest rate instruments	0.26% to 5.90%	2,405,740	5,114,428	9,240,706	6,418,516	5,352,647	28,532,037	26,653,252
		4,220,351	5,255,223	9,381,501	6,559,311	9,621,175	35,037,561	32,296,122

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments based on their contractual maturities. For derivative financial instruments settled on a net basis, undiscounted net cash inflows (outflows) are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total amount HK$'000	Total carrying amount HK$'000
2018						
Derivatives net settlement						
Interest rate swaps	**23,688**	**26,566**	**(5,337)**	**–**	**44,917**	**30,067**
Cross currency swaps	**42,675**	**41,447**	**(159,905)**	**–**	**(75,783)**	**(63,714)**
Currency forward contracts	**71**	**–**	**–**	**–**	**71**	**71**

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total amount HK$'000	Total carrying amount HK$'000
2017						
Derivatives net settlement						
Interest rate swaps	(13,877)	27,544	54,669	–	68,336	64,811
Cross currency swaps	26,308	35,628	(99,639)	(22,299)	(60,002)	(20,647)
Currency forward contracts	(236)	–	–	–	(236)	(236)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2018 and 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group measures the loss allowance on liquid funds equal to 12m ECL. The credit risk on liquid funds is limited because most of the cash and deposits are placed with reputable banks with external credit rating of at least A1 assigned by an international credit-rating agency.

The credit risk on derivative financial instrument is limited because most of the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.

The credit risk on notes receivable and equity linked notes is limited because most of the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL - credit-impaired	12m ECL
Watch list	Debtor repays by frequent instalments and usually makes full settlement after due date.	Lifetime ECL - credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

The trade debtors presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk and impairment assessment (continued)

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debtors at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Groups perform impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model).

Based on the ECL assessment, the credit exposures for trade and other receivables, loan receivables, amount due from a joint venture, which are subject to ECL assessment, are considered as low risk of internal credit rating because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2018, loss allowance provision HK$19,059,000 for trade debtors was recognised.

The following table shows the movement in lifetime ECL that has been recognised as trade debtors under simplified approach.

	Lifetime ECL (non credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018	–	18,478	18,478
Amounts recovered	–	(581)	(581)
Increase in allowance recognised in profit or loss	1,162	–	1,162
At 31 December 2018	1,162	17,897	19,059

Other than concentration of credit risk on loan receivable related to a third party, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade debtors	247,768	–
Other receivables	242,949	–
Retention money receivables	11,368	–
Notes receivable	250,171	–
Loan receivables	88,929	–
Amount due from a joint venture	133,788	–
Restricted cash	170,798	–
Time deposits with original maturity over three months	702,833	–
Bank balances and cash	8,544,217	–
	10,392,821	–
Loans and receivables		
Trade debtors	–	247,448
Other receivables	–	220,075
Notes receivable	–	23,382
Loan receivables	–	88,716
Amount due from a joint venture	–	138,273
Restricted cash	–	92,917
Time deposits with original maturity over three months	–	1,879,586
Bank balances and cash	–	6,491,562
	–	9,181,959
Held-to-maturity investments		
Notes receivable	–	220,531
Financial assets mandatorily measured at FVTPL		
Equity linked notes	31,392	–
Financial assets held for trading	198,640	139,261
	230,032	139,261
Equity instruments at FVTOCI		
Equity instruments at FVTOCI	900,472	–
AFS financial assets		
AFS investments	–	907,261
Derivative financial instruments	26,994	28,300
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	39,399	36,587

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments (continued)

	2018 HK$'000	2017 HK$'000
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	261,003	337,435
Other payables	692,035	735,787
Construction fee payable and retention money payable	372,292	349,795
Distribution payable	271,748	250,799
Borrowings	25,624,861	26,010,252
Medium term notes	5,536,292	4,612,054
	32,758,231	32,296,122
Derivative financial instruments	82,109	3,285
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	17,860	17,674

(e) Fair value

The fair values of financial assets and financial liabilities, including equity instruments at FVTOCI, AFS investments, derivative financial instruments and financial assets at FVTPL are determined as detailed in note 42(f). The fair value of other financial assets and financial liabilities which are at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages in third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2018				
Financial assets				
Financial assets mandatorily measured at FVTPL				
Equity linked notes	–	–	31,392	31,392
Derivative financial instruments	–	26,994	–	26,994
Derivative financial instruments under hedge accounting	–	39,399	–	39,399
Listed equity securities held for trading	198,640	–	–	198,640
Equity investments at FVTOCI				
Listed equity securities	246,782	–	–	246,782
Unlisted equity securities	502,820	–	150,870	653,690
Total	948,242	66,393	182,262	1,196,897
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	82,109	–	82,109
Derivative financial instruments under hedge accounting	–	17,860	–	17,860
Total	–	99,969	–	99,969

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2017				
Financial assets				
Financial assets at FVTPL				
Derivative financial instruments	–	28,300	–	28,300
Derivative financial instruments under hedge accounting	–	36,587	–	36,587
Listed equity securities held for trading	139,261	–	–	139,261
AFS investments				
Listed equity securities	295,506	–	–	295,506
Unlisted equity securities	570,652	–	–	570,652
Total	1,005,419	64,887	–	1,070,306
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	3,285	–	3,285
Derivative financial instruments under hedge accounting	–	17,674	–	17,674
Total	–	20,959	–	20,959

There were no transfers between Level 1 and 2 in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets (liabilities)	Fair value as at 31 December 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 consolidated statement of financial position.	246,782	–	Level 1	Quoted market bid prices in an active market.
Listed equity securities classified as AFS investments in the 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 consolidated statement of financial position.	198,640	139,261	Level 1	Quoted market bid prices in an active market.
Unlisted equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	502,820	–	Level 1	Broker's quote which reflects the Group's share of fair value of the underlying investments which are publicly traded equity investments.
Unlisted equity securities classified as AFS investments in the 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

Financial assets (liabilities)	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Foreign currency derivative contracts classified as derivative financial instruments in the consolidated statement of financial position.	**71**	(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 consolidated statement of financial position.	**66,322** **(36,255)**	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 consolidated statement of financial position.	**(63,714)**	(20,647)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange rates and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

Financial assets (liabilities)	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2018 HK$'000	2017 HK$'000			
Unlisted equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**150,870**	–	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 consolidated statement of financial position.	**31,392**	–	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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) Reconciliation of Level 3 fair value measurements of financial assets

	Equity linked notes HK$'000	Unlisted equity securities HK$'000
As at 1 January 2017	38,616	–
Redemption upon maturity	(38,789)	–
Change in fair value	173	–
As at 31 December 2017	–	–
Adjustments*	–	41,103
Purchases	260,845	125,355
Redemption upon maturity/disposal	(229,179)	(15,690)
Change in fair value	(274)	102
As at 31 December 2018	31,392	150,870

* 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 FVTPL" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

43. RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial instrument HK$'000	Interest payable HK$'000	Borrowings HK$'000	Medium term notes HK$'000	Dividend payables HK$'000	Distribution payable HK$'000	Total HK$'000
At 1 January 2017	(64,203)	64,652	24,375,111	3,814,384	–	240,286	28,430,230
Distribution declared	–	–	–	–	1,217,785	675,001	1,892,786
Interest expenses (note)	–	598,433	31,470	3,763	–	–	633,666
Fair value adjustment	46,400	–	–	–	–	–	46,400
Financing cash flows	(26,361)	(648,666)	1,253,512	771,187	(965,443)	(664,410)	(280,181)
Foreign exchange translations	–	301	338,152	22,720	–	–	361,173
Interest capitalisation	–	65,916	–	–	–	–	65,916
Other non-cash changes	–	–	12,007	–	(252,342)	(78)	(240,413)
At 31 December 2017	(44,164)	80,636	26,010,252	4,612,054	–	250,799	30,909,577
Distribution declared	–	–	–	–	907,860	681,865	1,589,725
Interest expenses (note)	–	763,207	46,240	5,093	–	–	814,540
Fair value adjustment	88,977	–	–	–	–	–	88,977
Financing cash flows	(11,166)	(814,767)	(230,885)	911,971	(659,526)	(660,913)	(1,465,286)
Foreign exchange translations	–	143	(203,199)	7,174	–	–	(195,882)
Interest capitalisation	–	69,130	–	–	–	–	69,130
Other non-cash changes	–	–	2,453	–	(248,334)	(3)	(245,884)
At 31 December 2018	33,647	98,349	25,624,861	5,536,292	–	271,748	31,564,897

Note:

The amounts reclassified from hedging reserve are excluded in the reconciliation.

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2018 and 2017 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company 2018	2017
Incorporated and operating in the British Virgin Islands				
Jolly Trend Limited	2 shares of US$1 each	Investment holding	**100%**	100%

Indirect subsidiaries	Share capital issued: Number of share(s)	Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company 2018	2017
Incorporated and operating in Hong Kong					
Able Wise (China) Limited	1	1	Investment holding	**100%**	100%
Best Come Limited	1	1	Co-working space operation	**100%**	100%
Bon Project Limited	2	2	Property investment	**100%**	100%
Champion Global Services Limited	1	1	Provision of procurement services	**94%**	93%
Chance Mark Limited	2	2	Property investment	**100%**	100%
Clever Gain Investment Limited	2	2	Restaurant operation	**100%**	100%
Eagle Asset Management (CP) Limited	16,000,000	16,000,000	Manager of real estate investment trust	**100%**	100%
Eagle Property Management (CP) Limited	1	1	Property management	**100%**	100%
Ease Billion Development Limited	2	2	Property investment	**100%**	100%
Ease Treasure Finance Limited*	1	1	Financing	**100%**	–
Ease Treasure Investment Limited	1	1	Property development	**100%**	100%
Eaton Hotels International Limited	1	1	Hotel & restaurant management	**100%**	100%
Eaton Residences Management Limited	1,000	10,000	Management of furnished apartments	**100%**	100%
Fortuna Wealth Company Limited	2	2	Property investment	**100%**	100%
GE Hospitality Asset Management Limited	1	1	Asset management	**100%**	100%
GE (LHIL) Lessee Limited	1	1	Hotel operation	**100%**	100%
Great Eagle (China) Investment Limited	1	1	Investment holding	**100%**	100%
Great Eagle Project Advisory Company Limited	1	1	Provision of project management services	**100%**	100%
Great Eagle Real Estate Agency Limited	1	1	Real estate agency	**100%**	100%
Great Eagle Trading Holdings Limited	1,000	82,992,841	Investment holding	**94%**	93%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of share(s)	Issued and paid up share capital HK$		2018	2017
Incorporated and operating in Hong Kong (continued)					
Keysen Engineering Company, Limited	2	2	Maintenance services	100%	100%
Keysen Properties Management Company Limited*	1	1	Property management	100%	–
Landton Limited	2	2	Investment holding	100%	100%
Langham Hospitality Group Limited	1	1	Investment holding	100%	100%
Langham Hotels International Limited	5,000	5,000	Hotel management	100%	100%
Langham Hotels Management (HK) Limited (formerly known as Langham Hospitality Holdings Limited)	1	1	Provision of hotel management service	100%	100%
Langham Hotels Services Limited	1	1	Hospitality management and marketing service	100%	100%
Langham Hotels (China) Limited	1	1	Hotel management	100%	100%
Langham Hotels (Cordis) Limited	1	1	Provision of staff services	100%	100%
Langham Hotels (EHK) Limited	1	1	Provision of staff services	100%	100%
Langham Hotels (LHK) Limited	1	1	Provision of staff services	100%	100%
LHIL Manager Limited	1	1	Trustee-Manager of Langham share stapled units	100%	100%
Longworth Management Limited	10,000	10,000	Property management	100%	100%
Mega Bloom (China) Limited	1	1	Investment holding	100%	100%
Moon Yik Company, Limited	10,000,000	10,000,000	Property investment	100%	100%
Sharp Bloom Limited	1	1	Treasury management	100%	100%
The Great Eagle Company, Limited	2,000,000	1,000,000	Investment holding	100%	100%
The Great Eagle Development and Project Management Limited	2	20	Project management	100%	100%
The Great Eagle Engineering Company Limited	2	2	Maintenance services	100%	100%
The Great Eagle Estate Agents Limited	2	20	Real estate agency	100%	100%
The Great Eagle Finance Company, Limited	100,000	10,000,000	Financing	100%	100%
The Great Eagle Properties Management Company, Limited	1,800,000	1,800,000	Property management	100%	100%
Toptech Co. Limited	2,000,000	2,000,000	Trading of building materials	94%	93%
Venus Glory Company Limited	2	2	Property investment	100%	100%
Worth Bright Company Limited	2	2	Property investment	100%	100%
Zamanta Investments Limited	100	1,000	Property investment	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued: Number of share(s)	Share capital issued: Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company: 2018	2017
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT					
Benington Limited	100	1,000	Property investment	65.99%	65.69%
CP (A1) Limited	1	1	Property investment	65.99%	65.69%
CP (B1) Limited	1	1	Property investment	65.99%	65.69%
CP (MC) Limited	1	1	Property investment	65.99%	65.69%
CP (PH) Limited	1	1	Property investment	65.99%	65.69%
CP (SH) Limited	1	1	Property investment	65.99%	65.69%
CP (WC) Limited	1	1	Property investment	65.99%	65.69%
CP Finance Limited	1	1	Financing	65.99%	65.69%
CP (Portion A) Limited	2	2	Property investment	65.99%	65.69%
CP (Portion B) Limited	2	2	Property investment	65.99%	65.69%
CP Success Limited	1	1	Financing	65.99%	65.69%
CP Wealth Limited	1	1	Treasury	65.99%	65.69%
Elegant Wealth Limited	1	1	Property investment	65.99%	65.69%
Maple Court Limited	2	2	Property investment	65.99%	65.69%
Panhy Limited	2	2	Property investment	65.99%	65.69%
Renaissance City Development Company Limited	2	20	Property investment	65.99%	65.69%
Shine Hill Development Limited	1,000,000	1,000,000	Property investment	65.99%	65.69%
Trump Treasure Limited	1	1	Treasury	65.99%	65.69%
Well Charm Development Limited	2	2	Property investment	65.99%	65.69%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Langham					
Cordis Hong Kong Limited	2	2	Property investment	62.93%	62.29%
Grow On Development Limited	5,000	5,000	Property investment	62.93%	62.29%
Harvest Star International Limited	2	2	Property investment	62.93%	62.29%
LHIL Finance Limited	1	1	Financing	62.93%	62.29%
LHIL Treasury (HK) Limited	1	1	Financing	62.93%	62.29%
LHIL Treasury Company Limited	1	1	Treasury management	62.93%	62.29%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company 2018	2017
Incorporated in the British Virgin Islands				
Bright Form Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Ecobest Ventures Limited	1 share of US$1	Treasury management	100%	100%
Fine Noble Limited	1 share of US$1	Treasury management	100%	100%
Great Eagle Nichemusic Limited	1 share of US$1	Treasury management	100%	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
LHIL Assets Holdings Limited	1 share of US$1	Investment holding of Langham share stapled units	100%	100%
Lucky Wheel Investments Limited	1 share of US$1	Treasury management	100%	100%
Main Treasure Holdings Limited	1 share of US$1	Provision of investment management services	100%	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%	100%
Queenbrook Investments Limited	1 share of US$1	Investment holding	100%	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Ultra New Investments Limited*	1 share of US$1	Investment holding	100%	–
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT				
EAM-Champion REIT Limited	1 share of US$1	Securities investment	65.99%	65.69%
Incorporated in the British Virgin Islands and operating in the United Kingdom				
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%	100%
Incorporated and operating in Canada				
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%	100%
Incorporated in the British Virgin Islands and operating in Australia				
Katesbridge Group Limited	1 share of US$1	Investment holding	100%	100%
Ruby Dynasty Limited	1 share of US$1	Investment holding	100%	100%
Incorporated and operating in Australia				
NSW Hotel Management Pty Ltd	2 shares of A$1 each	Hotel operation	100%	100%
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%	100%
The Great Eagle Hotels (NSW) Trust	100 units of A$1 each	Hotel ownership	100%	100%
The Great Eagle Hotels (Victoria) Trust	108,688,206 shares of A$1 each	Hotel ownership	100%	100%

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ contribution paid/ registered capital	Principal activities	Percentage of issued equity share capital held by the Company 2018	2017
Incorporated in the British Virgin Islands and operating in New Zealand				
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Hotel ownership	**100%**	100%
Incorporated and operating in New Zealand				
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	**100%**	100%
Incorporated and operating in the USA				
Pacific Chicago LLC	US$34,626,714	Hotel ownership	**100%**	100%
Pacific Dexter Horton LLC	US$51,500,000	Property investment	**49.97%**	49.97%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	**100%**	100%
Pacific Eagle China Orient (US) Real Estate GP, LLC	US$250,000	Investment fund management	**80%**	80%
Pacific Eagle (US) Real Estate Fund, L.P.	US$95,189,804	Investment holding	**49.97%**	49.97%
Pacific Eagle Holdings Corporation	100 shares of no par value	Real estate management	**100%**	100%
Pacific Fifth Avenue Corporation	100 shares of US$0.01 each	Hotel ownership	**100%**	100%
Pacific Howard Corporation	100 shares of US$0.01 each	Property/hotel development	**100%**	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Hotel ownership	**100%**	100%
Pacific Malibu Dume LLC	US$20,145,000	Property held for sale	**49.97%**	49.97%
Pacific 1125 Market Corporation	100 shares of US$0.01 each	Hotel development	**100%**	100%
Pacific Pine LLC	US$33,363,081	Property development	**49.97%**	49.97%
Pacific Virginia LLC	US$18,465,373	Property development	**100%**	100%
Pacific Washington DC Corporation	100 shares of US$0.01 each	Hotel ownership	**100%**	100%
Peak Project Management Limited	100 shares of US$0.01 each	Project management	**100%**	100%
Shorthills NJ. Inc.	100 shares of US$1 each	Property investment	**100%**	100%
Incorporated and operating in the PRC				
卓環管理咨詢(上海)有限公司	US$100,000	Provision of procurement services	**94%**	93%
朗廷酒店管理(上海)有限公司	US$3,750,000	Hotel management	**100%**	100%
朗虹(上海)酒店有限公司	RMB1,100,000,000	Hotel ownership and operation	**100%**	100%
實力物業管理(大連)有限公司	RMB3,000,000	Property management	**100%**	100%
上海禮興酒店有限公司 **	US$79,575,000	Hotel ownership and operation	**100%**	100%
高端(上海)貿易有限公司	US$350,000	Trading of building materials	**94%**	93%
Incorporated and operating in Japan				
Great Eagle Tokyo TMK	JPY27,356,100,000	Hotel ownership	**100%**	100%
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT				
Champion MTN Limited	1 share of US$1	Medium term notes issuer	**65.99%**	65.69%
Ernest Limited	100 shares of US$1 each	Investment holding	**65.99%**	65.69%

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

* All these subsidiaries commenced its business during the year ended 31 December 2018.

** The Group's interest in registered capital of 上海禮興酒店有限公司 was increased from 50% in 2016 to 100% in 2017 after completion of a demerger.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

Except for Champion MTN Limited which has issued the medium term notes as detailed in note 31, no other subsidiaries had issued any debt securities at 31 December 2018 and 2017 or at any time during both years.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests/unitholders as at 31 December 2018 and 2017:

Indirect subsidiaries	Place of incorporation and principal activities	Proportion of ownership interests and voting rights held by non-controlling interests/unitholders		Profit (loss) allocated to non-controlling interests/unitholders		Accumulated non-controlling interests/unitholders	
		2018	2017	**2018**	2017	**2018**	2017
				HK$'000	HK$'000	**HK$'000**	HK$'000
Champion REIT	HK/Property investment	**34.01%**	34.31%	**2,667,742**	3,825,235	**22,705,392**	20,706,511
Langham	Cayman Islands/ Property investment	**37.07%**	37.71%	**49,948**	64,888	**(1,183,360)**	(1,122,781)
US Real Estate Fund	the USA/ Property investment	**50.03%**	50.03%	**(140,147)**	81,991	**616,723**	754,930

The above information is based on the financial information of Champion REIT and its subsidiaries, Langham and its subsidiaries and US Real Estate Fund and its subsidiaries for the relevant years respectively.

Champion REIT and Langham are listed on the Stock Exchange. The Group as at 31 December 2018 has 65.99% and 62.93% (2017: 65.69% and 62.29%) ownership interest in Champion REIT and Langham, respectively, and the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Champion REIT and Langham. The Group additionally achieves control over Champion REIT and Langham through the REIT Manager and Trustee-Manager, respectively, who are wholly owned subsidiaries of the Group.

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Although the Group as at 31 December 2018 has 49.97% (2017: 49.97%) ownership in US Real Estate Fund, the Directors concluded that the Group is able to direct the relevant activities of US Real Estate Fund and achieves control over US Real Estate Fund through the general partner, who is a subsidiary of the Group.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests/unitholders is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Champion REIT and its subsidiaries

	2018 HK$'000	2017 HK$'000
Current assets	**1,897,401**	1,491,720
Non-current assets	**83,393,104**	76,961,118
Current liabilities	**(6,624,444)**	(2,760,634)
Non-current liabilities, excluding net assets attributable to unitholders	**(11,905,133)**	(15,340,962)
Net assets attributable to non-controlling unitholders of Champion REIT	**22,705,392**	20,706,511
Revenue	**2,964,972**	2,699,899
Expenses	**(1,303,874)**	(1,162,848)
Profit for the year, before distribution to unitholders	**7,812,057**	11,139,652
Distribution to unitholders	**(1,530,045)**	(1,412,730)
Profit for the year, after distribution to unitholders (note a)	**6,282,012**	9,726,922
Other comprehensive expense for the year (note b)	**(9,049)**	(36,230)
Total comprehensive income for the year (note c)	**6,272,963**	9,690,692
Attributable to non-controlling unitholders of Champion REIT:		
Profit for the year, before distribution to unitholders	**2,667,742**	3,825,235
Other comprehensive expense for the year	**(3,059)**	(12,485)
Total comprehensive income for the year	**2,664,683**	3,812,750
Distributions to non-controlling unitholders of Champion REIT	**522,051**	485,186
Net cash inflow from operating activities	**1,677,352**	1,606,905
Net cash (outflow) inflow from investing activities	**(193,183)**	7,920
Net cash outflow from financing activities	**(1,275,028)**	(1,381,967)
Net cash inflow	**209,141**	232,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

Notes:

		2018 HK$'000	2017 HK$'000
(a)	Profit for the year, after distributions to unitholders		
	attributable to owners of the Company	**4,136,321**	6,386,873
	attributable to non-controlling unitholders of Champion REIT	**2,145,691**	3,340,049
		6,282,012	9,726,922
(b)	Other comprehensive expense for the year		
	attributable to owners of the Company	**(5,990)**	(23,745)
	attributable to non-controlling unitholders of Champion REIT	**(3,059)**	(12,485)
		(9,049)	(36,230)
(c)	Total comprehensive income for the year		
	attributable to owners of the Company	**4,130,331**	6,363,128
	attributable to non-controlling unitholders of Champion REIT	**2,142,632**	3,327,564
		6,272,963	9,690,692

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

	2018 HK$'000	2017 HK$'000
Current assets	**162,264**	216,567
Non-current assets	**20,203,941**	19,401,328
Current liabilities	**(261,728)**	(120,962)
Non-current liabilities	**(7,145,861)**	(7,085,865)
Equity attributable to non-controlling interests before intragroup eliminations	**4,803,759**	4,680,214
Equity attributable to non-controlling interests after intragroup eliminations (note)	**(1,183,360)**	(1,122,781)
Revenue	**615,500**	607,573
Expenses	**(229,336)**	(191,355)
Profit and total comprehensive income for the year	**895,640**	1,146,059
Attributable to non-controlling interests of Langham: Profit and total comprehensive income for the year (note)	**49,948**	64,888
Distributions to non-controlling interests of Langham	**158,310**	189,815
Net cash inflow from operating activities	**480,539**	463,173
Net cash outflow from investing activities	**(242,411)**	(117,538)
Net cash outflow from financing activities	**(252,323)**	(483,032)
Net cash outflow	**(14,195)**	(137,397)

Note:

The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of fair value changes on properties and related deferred taxation and depreciation on Langham's properties and other service fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

US Real Estate Fund and its subsidiaries

	2018 HK$'000	2017 HK$'000
Equity attributable to owners of the Company after intragroup eliminations (note)	**439,988**	514,124
Equity attributable to non-controlling interests after intragroup eliminations (note)	**616,723**	754,930
(Loss) profit and total comprehensive (expense) income for the year	**(215,555)**	160,703
Attributable to non-controlling interests of US Real Estate Fund: (Loss) profit and total comprehensive (expense) income for the year (note)	**(140,147)**	81,991
Distributions to non-controlling interests of US Real Estate Fund	**–**	–

Note:

The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of revaluation gain on property and related deferred taxation in regards to the capital injection of the property to the US Real Estate Fund.

45. PARTICULARS OF THE PRINCIPAL JOINT VENTURES

Details of the Group's principal joint ventures at 31 December 2018 and 2017 are set out below:

Indirect joint ventures	Issued and paid up equity share capital/ contribution paid	Principal activities	Percentage of issued equity share capital held by the Group 2018	2017
Incorporated in the British Virgin Islands				
Wealth Joy Holdings Limited	2 shares of US$1 each	Investment holding of subsidiaries which are engaged in property development	**50%**	50%
Incorporated in the USA				
8701 Associates 2 LLC	US$28,000,000	Investment holding of subsidiaries which are engaged in property development	**25%**	25%
1201 K Street F&B Tenant LLC	US$500,000	Food and beverage operation	**N/A**	50%

45. PARTICULARS OF THE PRINCIPAL JOINT VENTURES (continued)

During the year ended 31 December 2018, the Group acquired the remaining 50% equity interest in 1201 K Street F&B Tenant LLC from its joint venture partner for a consideration of approximately US$2,700,000. Together with the 50% equity interest previously held by the Group, the Group holds 100% equity interest in the entity and it became a subsidiary of the Group from the acquisition date. The fair value of net identifiable assets acquired at the acquisition date was approximately US$2,700,000 and the goodwill arising on acquisition was nil. The acquisition-related costs were insignificant and were recognised as administrative and other expenses in the current year.

46. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2018 and 2017 are set out below:

Indirect associates	Issued and paid up equity share capital/ contribution paid	Principal activities	Percentage of issued equity share capital held by the Group 2018	2017
Incorporated in the British Virgin Islands				
City Apex Limited	3,500 shares of US$1 each	Investment holding	**23%**	23%
Incorporated in the Cayman Islands				
Redwood Peak Partners	12,500 shares of US$1 each	General partner of investment fund	**25%**	25%
Incorporated in the USA				
NeueHouse LLC	US$85,934,472	Co-working space operation	**N/A**	32.82%

During the year ended 31 December 2018, the Group's equity interest in NeueHouse LLC was diluted from 32.82% to 17.17% so that it is accounted for as an equity instrument at FVTOCI instead of an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Company

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investment in a subsidiary	3,459,606	2,977,514
Amount due from a subsidiary	18,002,907	18,373,379
	21,462,513	21,350,893
Current assets		
Prepayments	832	8
Amount due from a subsidiary	701,706	698,207
Bank balances and cash	9,273	7,229
	711,811	705,444
Current liability		
Accruals	8,819	8,145
Net current assets	702,992	697,299
NET ASSETS	22,165,505	22,048,192
Share capital and reserves		
Share capital	349,323	344,295
Reserves	21,816,182	21,703,897
TOTAL EQUITY	22,165,505	22,048,192

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note)	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	5,241,820	3,054	424,627	40,150	16,353,237	22,062,888
Shares issued at premium	378,019	–	–	(18,894)	–	359,125
Share issue expenses	(105)	–	–	–	–	(105)
Recognition of equity-settled share-based payments	–	–	–	22,639	–	22,639
Profit and total comprehensive income for the year	–	–	–	–	477,135	477,135
Dividend paid	–	–	–	–	(1,217,785)	(1,217,785)
At 31 December 2017	5,619,734	3,054	424,627	43,895	15,612,587	21,703,897
Shares issued at premium	347,753	–	–	(13,859)	–	333,894
Share issue expenses	(113)	–	–	–	–	(113)
Recognition of equity-settled share-based payments	–	–	–	30,674	–	30,674
Profit and total comprehensive income for the year	–	–	–	–	655,690	655,690
Dividend paid	–	–	–	–	(907,860)	(907,860)
At 31 December 2018	5,967,374	3,054	424,627	60,710	15,360,417	21,816,182

Note:

The contributed surplus is available for distribution to shareholders under the Bermuda Companies Act. Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. At 31 December 2018, total profits (including contributed surplus) available for distribution to shareholders was HK$14,380,265,000.

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR INVESTMENT

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER LONG LEASES			
Eaton Residence 100 Blue Pool Road, Happy Valley, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
ON LAND UNDER MEDIUM-TERM LEASES			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	6,000	100%
Eaton Residence 4H Village Road, Happy Valley, Hong Kong	Furnished apartments	23,000	100%
Eaton Residence 3-5 Wan Chai Gap Road, Wan Chai, Hong Kong	Furnished apartments	35,000	100%
Eaton HK 380 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	Hotel/Commercial	339,000	62.93%

PROPERTIES HELD FOR INVESTMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASES (continued)			
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	375,000	62.93%
Cordis, Hong Kong 555 Shanghai Street, Mongkok, Kowloon, Hong Kong	Hotel	580,000	62.93%
The Langham, Shanghai, Xintiandi 99 Madang Road, Xintiandi, Shanghai 200021, the PRC	Hotel/Commercial	575,000	100%
Three Garden Road 3 Garden Road, Central, Hong Kong	Commercial/Office	1,638,000	65.99%
Langham Place 8 Arygle Street, Mongkok, Kowloon, Hong Kong	Commercial/Office	1,293,000	65.99%
Cordis, Shanghai Hongqiao 333 Shen Hong Road, Minhang District, Shanghai 201106, the PRC	Hotel/Commercial	505,000	100%
ON FREEHOLD LAND			
The Langham, London 1B & 1C Portland Place, Regent Street, London, W1B 1JA, the United Kingdom	Hotel/Commercial	363,000	100%

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR INVESTMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND (continued)			
Chelsea Hotel, Toronto 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
The Langham, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
Cordis, Auckland 83 Symonds Street, Auckland 1140, New Zealand	Hotel/Commercial	309,000	100%
The Langham, Boston 250 Franklin Street, Boston, MA 02110, the USA	Hotel/Commercial	281,000	100%
The Langham Huntington, Pasadena, Los Angeles, 1401 South Oak Knoll Avenue, Pasadena, California 91106, the USA	Hotel/Commercial	489,000	100%
The Langham, Sydney 89-113 Kent Street, Sydney, NSW 2000, Australia	Hotel	129,000	100%

PROPERTIES HELD FOR INVESTMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND (continued)			
The Langham, Chicago 330 North Wabash, Chicago, IL 60611, the USA	Hotel	342,000	100%
The Langham, New York, Fifth Avenue 400 Fifth Avenue, New York 10018, the USA	Hotel	297,000	100%
Eaton Washington D.C. 1201 K. Street, N.W., Washington DC, DC 20005, the USA	Hotel	172,000	100%
Dexter Horton Building 710 Second Avenue, Seattle, WA 98104, the USA	Office	389,000	49.97%

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES UNDER DEVELOPMENT

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASE			
ONTOLO 7 Fo Yin Road, Pak Shek Kok, Tai Po, New Territories, Hong Kong (note a)	Residential	730,000	100%
ON FREEHOLD LAND			
555 Howard Street, San Francisco, CA 94105, the USA (note b)	Mixed-use	430,000	100%
1125 Market Street, San Francisco, CA 94103, the USA (note b)	Hotel	139,000	100%
1931 Second Avenue, Seattle, WA 98101, the USA (note c)	Mixed-use	19,400	100%
Various lots on Roppongi 4-Chome, Minato-ku, Tokyo Japan (note c)	Hotel	45,000	100%

PROPERTIES HELD FOR SALE

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASE			
Lot C04, Donggang area, Renmin Road East, Zhongshan District, Dalian, the PRC (note d)	Hotel/Apartments	3,079,000	50%
ON FREEHOLD LAND			
The Austin 1545 Pine Street, San Francisco, CA 94109, the USA (note e)	Condominium	135,000	49.97%
Cavalleri 6487-89 Cavalleri Road, Malibu, CA 90265, the USA (note f)	Condominium	186,000	49.97%

Notes:

(a) Foundation works have been completed. Superstructure works in progress.

(b) Planning works in progress.

(c) Under design and planning. The approximate floor area has not yet been determined and the approximate land area was disclosed.

(d) Phase one of the project is completed.

(e) Construction have been completed, sales in progress.

(f) Renovation works have been completed.

APPENDIX II
FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
RESULTS					
Revenue	8,127,367	8,270,902	8,648,500	8,948,104	**10,156,180**
Profit before tax	3,506,144	5,273,225	4,692,344	13,166,490	**8,914,195**
Income taxes	(496,305)	(539,172)	(572,598)	(377,559)	**(526,500)**
Profit for the year	3,009,839	4,734,053	4,119,746	12,788,931	**8,387,695**
Attributable to:					
Owners of the Company	2,115,101	3,312,335	2,769,792	8,817,852	**5,810,713**
Non-controlling unitholders of Champion REIT	740,818	1,247,286	1,148,328	3,825,235	**2,667,742**
Non-controlling interests	153,920	174,432	201,626	145,844	**(90,760)**
	3,009,839	4,734,053	4,119,746	12,788,931	**8,387,695**
Earnings per share					
Basic	HK$3.23	HK$4.98	HK$4.10	HK$12.83	**HK$8.33**
Diluted	HK$3.22	HK$4.98	HK$4.09	HK$12.74	**HK$8.31**
ASSETS AND LIABILITIES					
Total assets	101,945,360	105,188,197	106,328,934	121,003,536	**128,425,457**
Total liabilities	(32,567,797)	(32,145,079)	(33,400,752)	(36,175,105)	**(36,915,214)**
	69,377,563	73,043,118	72,928,182	84,828,431	**91,510,243**
Attributable to:					
Owners of the Company	51,769,678	54,332,645	55,847,312	64,468,712	**69,352,812**
Non-controlling unitholders of Champion REIT	17,746,512	18,068,925	17,434,493	20,706,511	**22,705,392**
Non-controlling interests	(138,627)	641,548	(353,623)	(346,792)	**(547,961)**
	69,377,563	73,043,118	72,928,182	84,828,431	**91,510,243**

GLOSSARY OF TERMS

In this annual report, unless the context otherwise requires, the following expression shall have the followings meanings:

Term	Definition
"2009 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009
"Bye-laws"	The bye-laws of the Company as may be amended from time to time
"CG Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Champion REIT"	Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorised under section 104 of SFO, in which the Group has an interest of approximately 65.99% as at 31 December 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

GLOSSARY OF TERMS

Term	Definition
"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 62.93% as at 31 December 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 31 December 2018

This annual report is available in both English and Chinese versions and has been published on the Company's website at www.GreatEagle.com.hk and the HKEXnews website at www.hkexnews.hk.

In respect of (i) shareholders who have chosen to receive or are deemed to have consented to receiving this annual report by electronic means wish to receive printed form of this annual report; or (ii) shareholders who have received or chosen to receive printed form wish to receive another language version of this annual report; or (iii) shareholders who wish to change their choice of means of receipt or language of the Company's future corporate communications (including but not limited to directors' report, annual accounts, independent auditor's report, interim report, notice of meeting, circular to shareholders), they may at any time send their request by reasonable notice in writing by post or by email to GreatEagle.ecom@greateagle.com.hk or by completing and returning the Change Request Form to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited by using the mailing label on the Change Request Form (postage prepaid if delivered within Hong Kong). The Change Request Form is being sent to shareholders together with the printed form of this annual report or written notification (as the case may be).

Scan to view digital edition
of this publication

33rd Floor, Great Eagle Centre
23 Harbour Road, Wanchai, Hong Kong

Tel : 2827 3668 Fax : 2827 5799

www.greateagle.com.hk

MIX
Paper from
responsible sources
FSC™ C132597
www.fsc.org