



Great Eagle Holdings
Investor Presentation 1Q15



Highlights of 2014 Results

1. 2014 marked another fruitful year for the Group, as we closed on several acquisitions and expanded our management fee income business.
2. In addition to the acquisition of a hotel in Washington, D.C., we had increased our hotel investments in Shanghai and we have re-entered Hong Kong's residential development market at a relatively low land cost.
3. We had also made progress with investment in the U.S. Fund. As the asset manager of the U.S. Fund, we had acquired a site in San Francisco for residential development that was funded by capital contributed by our joint venture partner. We are currently performing due diligence on another site for the U.S. Fund, the site is located in a well sought-after neighbourhood in New York.
4. As for the financial year ended 31 December 2014, revenue based on core business of the Group reached HK\$5,594 million, and was 3.2% higher than that last year (2013: HK\$5,419 million). The increase was due to the full year contribution in distribution income for our equity stake in LHI, as well as higher rental income from our investment property portfolio.
5. Operating income from core business rose by 2.5% year-on-year to HK\$2,307 million in 2014 (2013: HK\$2,249 million). While the increase in operating income was small, a sharp increase in interest income and realized gains on securities investment were attributable to lifting core profit.
6. The increase in interest income and realized gain on securities investment were partially offset by increased interest expense and administrative expense. There was also a one-off write off relating to the fitting and fixture at The Langham Sydney and a provision on the exchange loss arising from the depreciation of Renminbi that the group held.
7. All-in-all, core profit before tax rose by 10.7% year-on-year to HK\$2,049 million in 2014 (2013: HK\$1,850 million). Taxes were lowered in 2014, as losses incurred at The Langham Chicago lowered taxes for our US operations under group's tax filing. Profit attributable to equity holders rose at a faster rate of 14.2% year-on-year to HK\$1,919 million in 2014 (2013: HK\$1,680 million).



2014 Final Results

		2014	2013	Change	
		HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue					
Rental Income	- HK	192,057	190,400	1,657	0.9%
	- Overseas	199,795	121,342	78,453	64.7%
	- Building mgt fee	25,108	22,712	2,396	10.5%
Hotel Income	- HK	-	656,275	(656,275)	n.a.
	- Overseas	3,193,300	2,698,700	494,600	18.3%
	- Others	168,099	125,700	42,399	33.7%
Income from Champion REIT*		1,027,377	1,033,191	(5,814)	-0.6%
Income from Langham Hosp. Investments*		305,981	188,974	305,981	61.9%
Other Operations		482,650	381,482	101,168	26.5%
		<u>5,594,367</u>	<u>5,418,776</u>	<u>175,591</u>	3.2%

* Based on attributable dividend income from Champion REIT and LHI in respect of the same financial period.



2014 Final Results

	2014	2013	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Net Rental Income - HK	162,244	158,049	4,195	2.7%
- Overseas	100,593	51,564	49,029	95.1%
Hotel Income - HK	-	254,800	(254,800)	n.a.
- Overseas	380,705	313,259	67,446	21.5%
- Others	133,965	104,866	29,099	27.7%
Income from Champion REIT*				
- Asset management	216,045	231,289	(15,244)	-6.6%
- Dividend income	717,192	716,904	288	0.0%
- Agency commission	94,140	84,998	9,142	10.8%
Income from Langham Hosp. Investments*				
- Dividend income	305,981	188,974	305,981	61.9%
Other Operations	195,740	144,557	51,183	35.4%
Income before expenses	2,306,605	2,249,260	57,345	2.5%
Other income	194,961	23,302	171,659	736.7%
Depreciation and amortisation	(143,357)	(122,260)	(21,097)	17.3%
Administrative expenses	(314,506)	(281,057)	(33,449)	11.9%
Other expenses	(93,229)	-	(93,229)	n.a.

* Based on attributable dividend income from Champion REIT and LHI in respect of the same financial period.



2014 Final Results

	2014	2013	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(166,307)	(125,716)	(40,591)	32.3%
Interest income	291,288	132,201	159,087	120.3%
	124,981	6,485	118,496	1827.2%
Share of results of associates	9,513	11,087	(1,574)	-14.2%
Share of results of a joint venture	(36,374)	(36,681)	307	-0.8%
Profit before taxation	2,048,594	1,850,136	198,458	10.7%
Income taxes	(126,946)	(168,729)	41,783	-24.8%
Net Profit	1,921,648	1,681,407	240,241	14.3%
Less: Non-controlling interest	(2,485)	(1,532)	(953)	62.2%
Profit Attributable to Shareholders	1,919,163	1,679,875	239,288	14.2%
Basic earnings per share	\$ 2.93	\$ 2.63		



2014 Final Results – Income from Champion breakdown

Income from Champion REIT

	2014	2013	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Asset management income (HK\$21.6m in acquisition fee included in 2013)	216,045	231,289	(15,244)	-6.6%
Dividend received	717,192	716,904	288	0.0%
Agency commission income & Property management income	94,140	84,998	9,142	10.8%
	<u>1,027,377</u>	<u>1,033,191</u>	<u>(5,814)</u>	<u>-0.6%</u>



Analysis on change on core income

	2014 \$'000
Change in profit from core business after tax	<u>+ HK\$ mn 239,288</u>
Arise from:	
Increase in other income, including gain in securities investment of HK\$134 million	171,659
Increase in interest income	159,087
Dividend income from LHI	117,007
Increase in net rental income	53,224
Increase in other operating income	51,183
Decrease in Hotel EBITDA	(158,255)
Increase in other expense (write off and provision on exchange loss on Renminbi held)	(93,229)
Increase in finance expense	(40,591)
Increase in administration expense	(33,449)
Others	12,652
Change in profit from core business after tax	<u>239,288</u>



Discount to NAV

Financials

NAV based on statutory accounting principles (Dec 2014)

	HK\$m	HK\$/psf	HK\$/shr	% of Total
Investment properties	6,742	7,054	10.3	14%
Appraised valuation by independent valuer				
Hotels	HK\$m 11,556	HK\$/room 2.4 / room	17.6	24%
All valued at cost less depreciation				
Dalian development project (on cost incurred)	579		0.9	1%
Pak Shek Kok Development project (on cost incurred)	2,416		3.7	5%
	HK\$m	HK\$/psf	HK\$/shr	
Statutory accounting treatments for Champion REIT and LHI				
Investment in Champion REIT:				
-61.7% share of Champion's Net Assets	28,529		43.5	58%
Investment in U.S. Real Estate Fund				
- 48.9% share of Fund's NAV	788		1.2	2%
Investment in Langham Hospitality Investments (LHI):				
Net liabilities from three HK hotels	(1,349)		(2.1)	-3%
(calculated as book cost of the hotels less debt drawn on listing date of HK\$6.8bn)	27,968		42.6	57%
Other net liabilities	(393)		(0.60)	-1%
Total	48,868		74.52	100%
Net (debt)/cash or preceived cash equivalent	2,902		4.43	n/a
Great Eagle's NAV	51,770		78.94	

Discount to NAV based on share price of HK\$ 26.7

-66%

Note: valuation on investment properties include owner-occupied portion

NAV based on net assets of Champion REIT and LHI (Dec 2014)

	HK\$m	HK\$/psf	HK\$/shr	% of Total
Investment properties	6,742	7,054	10.3	12%
Appraised valuation by independent valuer				
Hotels	HK\$m 11,556	HK\$/room 2.4 / room	17.6	20%
All valued at cost less depreciation				
Dalian development project (on cost incur	579		0.9	1%
Pak Shek Kok Development project (on cost incurred)	2,416		3.7	4%
	HK\$m	HK\$/psf	HK\$/shr	
Share of net assets of Champion REIT and LHI				
Investment in Champion REIT:				
-61.7% share of Champion's Net Assets	28,529		43.5	51%
Investment in U.S. Real Estate Fund				
- 48.9% share of Fund's NAV	788		1.2	1%
58.2% share of LHI's Net Assets	6,220		9.5	11%
	34,749		53.0	62%
Other net liabilities	(393)		(0.60)	-1%
Total	56,437		86.06	100%
Net (debt)/cash or preceived cash equivalent	2,902		4.43	n/a
Great Eagle's NAV	59,339		90.48	

Discount to NAV based on share price of HK\$ 26.7

-70%



Financial position

(A) Base on statutory financial positions

(HK\$ Million)	Book Carrying Value	Net Cash (Debt)	Net Equity	Loan to Value	Gearing	EBITDA	Net interest expense	Interest Cover
Hong Kong/ PRC Assets	57,815	(16,099)	41,716	27.8%	38.6%	2,705	218	12.4
Overseas Assets	11,857	(1,803)	10,054	15.2%	17.9%	589	127	4.6
Group Total	69,672	(17,902) ^(d)	51,770	25.7%	34.6%	3,294	345	9.5

(B) Base on core financial positions ^(a)

	Book Carrying Value	Net Cash (Debt)	Net Equity	Loan to Value ^(b)	Gearing ^(b)	Core EBITDA	Net interest (income) / expense	Interest Cover ^(c)
Hong Kong/ PRC Assets	45,930	4,976	50,906	n/a	n/a	1,554	(248)	n/a
Overseas Assets	10,507	(2,074)	8,433	19.7%	24.6%	634	123	5.2
Group Total	56,437	2,902 ^(d)	59,339	n/a	n/a	2,188	(125)	n/a

Notes:

(a) Core financial positions is arrived at sharing the net assets of Champion REIT and Langham. Core EBITDA and net interest expenses are arrived at the Group's profit from core business, and in particular based on dividend entitlement from the two listed subsidiaries.

(b) Not applicable since it is in a net cash position.

(c) Not applicable since it is in a net interest income position.

(d) Including other liquid investments such investments in bonds and equities.



Valuation – Investment properties

Financials

As at the end of Dec 2014

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Change from end of June 2014
Great Eagle Centre			
Office	193,271	15,517	1.4%
Retail	55,944	8,861	0.1%
3rd floor	20,959	7,720	1.4%
Carparks (nos/unit price)	296	675,676	8.1%
Signage (gross value in HK\$m)		222	-7.1%

Eaton House

Wanchai Gap Road	34,915	9,079	1.9%
Village Road	23,350	8,522	-
Blue Pool Road	33,700	10,504	-

Convention Plaza apartments

5,817	16,318	0.2%
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Overseas investment properties

US office properties (comprised of 123 Mission Street and 2700 Ygnacio properties)	528,000	3,217	3.4%
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Development project

Dalian Mixed-use Development Project

Location: Donggang Area,
Renmin Road East,
ZhongShan District,
Dalian, PRC

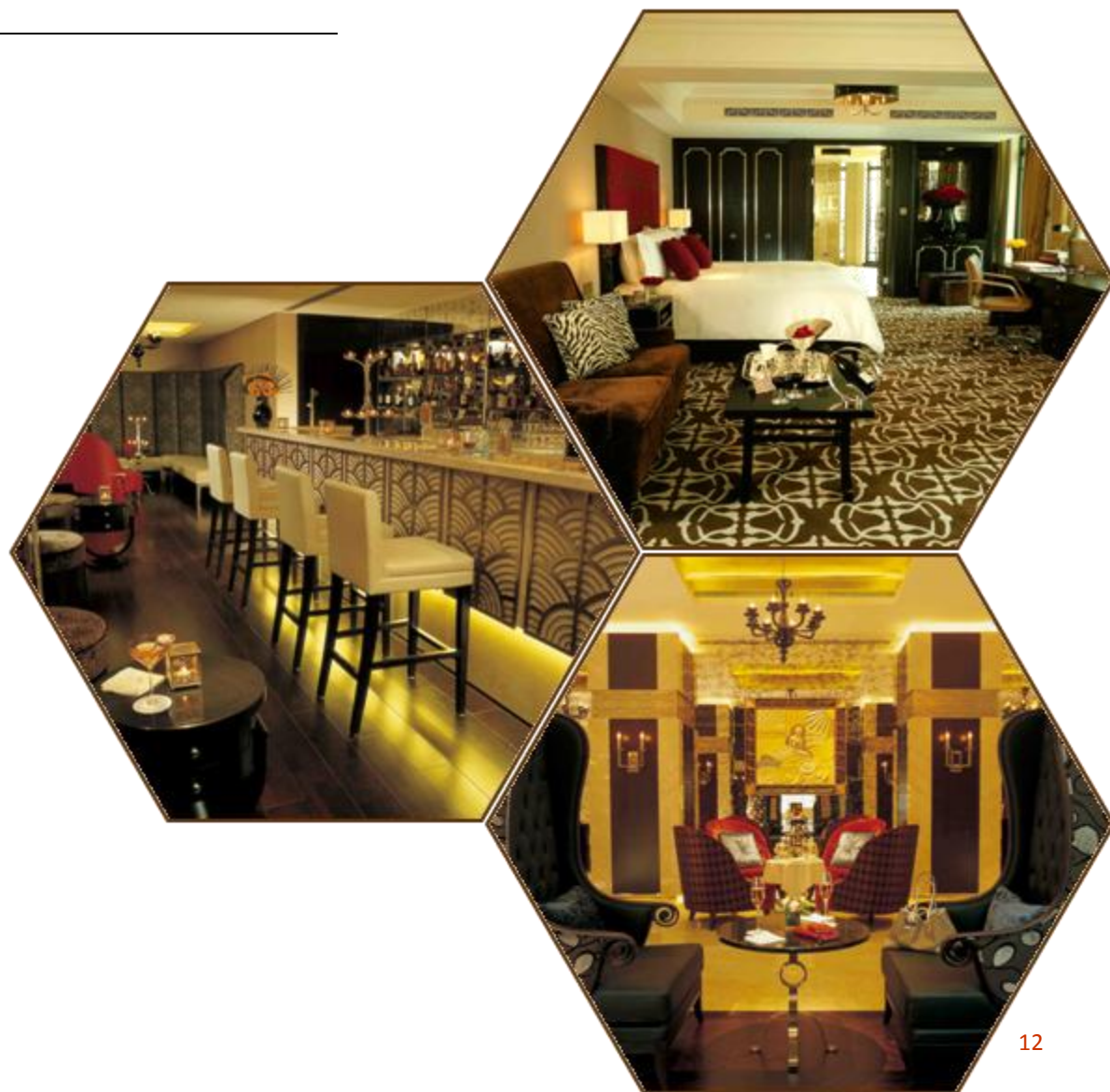
Site: 28,600 sq.m.

G.F.A.:	Hotel	50,000 s.m.
	Res	236,000 s.m.
	Total	286,000 s.m.

Status: Presale on parts of
apartments started in
September 2013. Up to
the end of Dec 2014,
more than 100units
have been pre-sold.



Langham Hotels International





Hotel portfolio – 2014 Operational Statistics

	Occupancy			Average Room Rate (local currency)			RevPar (local currency)		
	YTD-Dec 2014	YTD-Dec 2013	Change	YTD-Dec 2014	YTD-Dec 2013	Change	YTD-Dec 2014	YTD-Dec 2013	Change
<u>Owned by subsidiary LHI</u>									
The Langham, Hong Kong	88.9%	88.9%	0.1%	\$2,295	\$2,266	1.3%	\$2,040	\$2,013	1.4%
Langham Place, Mongkok, HK	91.2%	90.7%	0.5%	\$1,871	\$1,883	-0.6%	\$1,706	\$1,707	0.0%
Eaton Hong Kong	96.1%	95.1%	1.0%	\$1,213	\$1,208	0.5%	\$1,166	\$1,149	1.5%
<u>Wholly-owned Hotels</u>									
The Langham, London	81.1%	80.7%	0.4%	£266	£278	-4.3%	£216	£224	-3.8%
The Langham, Boston	82.0%	75.1%	6.8%	\$256	\$242	5.8%	\$210	\$182	15.5%
The Langham, Melbourne	86.1%	85.7%	0.4%	\$285	\$277	2.8%	\$246	\$238	3.3%
The Langham, Sydney	82.3%	82.9%	-0.6%	\$303	\$291	4.3%	\$250	\$241	3.6%
The Langham, Auckland	82.6%	76.3%	6.4%	\$173	\$177	-2.1%	\$143	\$135	6.1%
The Langham, Huntington Pasadena	77.0%	74.8%	2.3%	\$251	\$228	10.3%	\$194	\$170	13.6%
Chelsea Hotel, Toronto	71.4%	68.7%	2.7%	\$130	\$124	5.3%	\$93	\$85	9.5%
The Langham Chicago ¹	60.0%	46.8%	13.2%	\$326	\$291	12.3%	\$196	\$136	44.0%
Langham Place, Fifth Avenue ²	74.5%	81.4%	-6.9%	\$538	\$627	-14.2%	\$400	\$511	-21.6%
Washington hotel ³	50.4%	-	n.a.	\$182	-	n.a.	\$92	-	n.a.
The Langham, Xintiandi, Shanghai ⁴	69.3%	58.8%	10.5%	¥ 1,669	¥ 1,696	-1.6%	¥ 1,156	¥ 997	16.0%

Note 1: In 2013, operation covered period from 10 July to 31 Dec Note 2: In 2013, operation covered period from 25 Sep to 31 Dec Note 3: In 2014, operation covered period from 15 July to 15 Dec
 Note 4: The hotel became wholly owned on 11 December 2014, but operating statistic covered operation from 1 January to 31 Dec 2014



Hotel portfolio – 2014 Operational statistics

	Room revenue growth YTD-Dec 2014	F&B revenue growth YTD-Dec 2014
The Langham, London	-7%	4%
The Langham, Boston	15%	3%
The Langham, Melbourne	6%	6%
The Langham, Auckland	6%	11%
The Langham, Huntington Pasadena	14%	10%
Eaton Chelsea Toronto	9%	4%



Hotel portfolio – Profit contribution

	in Local Currency			in HK\$	
	2014 in mn	2013 in mn	Change	2014 in mn	Contribution to hotel profits
<u>Owned Hotels</u>					
Hong Kong	-	\$254.8	n.a.	-	-
(The Langham, Hong Kong, Langham Place, Hong Kong and Eaton, Hong Kong from Jan 01 - May 29, 2013)					
China					
Shanghai (Langham Xintiandi from 11 Dec to 31 Dec, 2014)	RMB0.7	-	n.a.	\$0.8	0%
Europe					
UK (The Langham, London)	£9.8	£12.7	-22.6%	\$125.3	33%
North America					
U.S. (The Langham in Boston, Chicago and Pasadena, Langham Place Fifth Avenue and a hotel in Washington D.C.)	US\$9.62	(\$1.9)	n.a.	\$74.6	20%
Canada (Eaton Chelsea)	C\$8.1	C\$4.9	65.4%	\$56.8	15%
Australasia					
Australia (The Langham, Melbourne and Sydney)	A\$11.2	A\$13.3	-16.1%	\$78.2	21%
New Zealand (The Langham, Auckland)	N\$7.0	N\$5.9	17.4%	\$44.9	12%
<u>Total in HK\$ mn</u>	\$380.7	\$568.1	-33.0%	\$380.7	100%
<u>Excluding Hong Kong hotels</u>	\$380.7	\$313.3			



Hotel portfolio – Currency impact

	<u>2014</u>	<u>2013</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	12.7777	12.1350	5.3%	6.3
CAD	7.0251	7.5321	-6.7%	(4.1)
AUD	6.9981	7.5008	-6.7%	(5.6)
USD	7.7546	7.7572	0.0%	(0.0)
NZD	6.4397	6.3589	1.3%	0.6
RMB	1.2589	1.2632	-0.3%	(0.0)
Total				- HK\$ 2.9 mn -0.6%



The Langham, Hong Kong



	2013	2014	Change
Rooms Available	495	465	- 30
RevPAR	\$2,013	\$2,040	1.4%
Room Rate	\$2,266	\$2,295	1.3%
Occupancy Rate	88.9%	88.9%	0.1 ppt

- The Langham, Hong Kong posted a 7.3% year-on-year growth in guest arrivals from Mainland China in 2014, which helped offset reduced demand from other markets.
- Arrivals from China held up in the fourth quarter of 2014 when the “Occupy Central” protests were in place.
- Revenue from F&B was flat in 2014.



Langham Place Hotel Hong Kong



	2013	2014	Change
Rooms Available	652	650	- 2
RevPAR	\$1,707	\$1,706	0.0%
Room Rate	\$1,883	\$1,871	-0.6%
Occupancy Rate	90.7%	91.2%	0.5 ppt

- The Hotel enjoyed decent growth in demand for its rooms from guests of Mainland China and other Asian countries throughout the first three quarters of 2014.
- It was only until the fourth quarter that the hotel faced tremendous pressure on demand for its rooms, as it is situated within close proximity to the Mongkok protest site.
- Note the hotel will be rebranded to the Cordis brand from the second quarter of 2015.
- Revenue from food and beverage grew 2.6% year-on-year in 2014.



Eaton, Hong Kong

- Amongst the three Hong Kong hotels, this hotel delivered the smallest year-on-year decline in RevPAR in the fourth quarter of 2014.
- However, the hotel also faced pressure on demand for its rooms during the “Occupy Central” protests in the fourth quarter.
- As such, the hotel lowered its room rates to accommodate more group travellers and maintain its high occupancy over the fourth quarter of 2014.
- Revenue from food and beverages rose 7.3% year-on-year in 2014.

	2013	2014	Change
Rooms Available	452	465	+ 13
RevPAR	\$1,149	\$1,166	1.5%
Room Rate	\$1,208	\$1,213	0.5%
Occupancy Rate	95.1%	96.1%	1.0 ppt





The Langham, London

- There were less businesses deriving from the higher yielding travellers, given the renovation of the suites undergoing in 2014.
- The shortfall was mostly offset by increased arrivals from retail leisure travellers.
- However, the change in guest mix towards retail leisure had diluted average room rates achieved by the hotel, which dropped by 4% year-on-year in 2014.
- Revenue from food and beverages rose 4% year-on-year in 2014.

	2013	2014	Change
Rooms Available	380	366	- 14
RevPAR	£224	£216	-3.8%
Room Rate	£278	£266	-4.3%
Occupancy Rate	80.7%	81.1%	0.4 ppt





The Langham, Melbourne

- Performance at The Langham, Melbourne was supported by improved demand from the retail and group segments.
- After the last phase of the room renovation completed in third quarter of 2013, the hotel was able to attract more higher yielding leisure travellers over the weekends, which led to an overall 3.3% year-on-year increase in average room rates achieved.
- Revenue from food and beverages rose 6% year-on-year in 2014.

	2013	2014	Change
Rooms Available	377	388	+ 11
RevPAR	\$238	\$246	3.3%
Room Rate	\$277	\$285	2.8%
Occupancy Rate	85.7%	86.1%	0.4 ppt





The Langham, Sydney



	2013	2014	Change
Rooms Available	96	58	- 38
RevPAR	\$241	\$250	3.6%
Room Rate	\$291	\$303	4.3%
Occupancy Rate	82.9%	82.3%	-0.6 ppt

- The Langham, Sydney benefitted from buoyant market conditions, and delivered an increase in average room rates and occupancy before it was closed for a major renovation from mid-July through to December of 2014.
- The renovation will further optimize the performance of the hotel. As a result of the temporary closure, there was a decline in revenue of the hotel and generated a loss in 2014.
- After the renovation, the hotel will offer a more luxurious product to the market, which will help to increase its market share.



The Langham, Auckland

- As the demand for rooms from the corporate and group segment remained weak throughout 2014, the hotel strategically targeted demand in the retail leisure segment, which helped the hotel to grow its occupancy by 6.4 percentage points compared with the same period a year ago.
- The focus of shifting to more retail travellers had diluted average room rate achieved.
- Revenue from food and beverages rose 11% year-on-year in 2014.

	2013	2014	Change
Rooms Available	410	409	- 1
RevPAR	\$135	\$143	6.1%
Room Rate	\$177	\$173	-2.1%
Occupancy Rate	76.3%	82.6%	6.4 ppt





Langham Place Fifth Avenue, New York



	25 Sep to 31 Dec 2013	2014	Change
Rooms Available	214	214	-
RevPAR	\$511	\$400	-21.6%
Room Rate	\$627	\$538	-14.2%
Occupancy Rate	81.4%	74.5%	-6.9 ppt

- RevPAR comparison with 2013 was not meaningful as the acquisition of the hotel was completed in September 2013.
- Nonetheless, after a steady flow of leisure business group during the first half of 2014, the hotel faced a slowdown in business volume during weekdays in the second half of year, which placed pressure on room rates achieved.



The Langham, Chicago

- While the ramp up phase of The Langham, Chicago was met with extreme weather conditions in the first quarter of 2014, performance gradually gained momentum from the third quarter onwards.
- Since the third quarter, the hotel accommodated more retail and corporate business at higher room rates.
- As a result, the hotel made a profit in the second half of 2014 and the hotel almost breakeven for the full year in 2014.
- It should also be noted that the hotel continued to gain brand recognition and had won several high profile accolades during 2014.

	From 10 July to 31 December 2013	2014	Change
Rooms Available	239	315	+ 76
RevPAR	\$136	\$196	44.0%
Room Rate	\$291	\$326	12.3%
Occupancy Rate	46.8%	60.0%	13.2 ppt





The Langham, Boston

- Room revenue was supported by increased citywide conventions held from the third quarter of 2014.
- Since the third quarter, the hotel was able to increase room rates from corporate and group travellers.
- The increase in RevPAR was supported by increases in occupancy and room rates.
- Revenue from food and beverages rose 3% year-on-year in 2014.

	2013	2014	Change
Rooms Available	318	318	-
RevPAR	\$182	\$210	15.5%
Room Rate	\$242	\$256	5.8%
Occupancy Rate	75.1%	82.0%	6.8 ppt





The Langham, Huntington Hotel & Spa, Pasadena

- Given stronger market sentiments, The Langham Huntington, Pasadena hotel accommodated more higher-yield corporate groups and retail travellers in 2014.
- RevPAR rose 14% year-on-year and was driven mostly by room rates.
- Revenue from food and beverages rose 10% year-on-year in 2014.

	2013	2014	Change
Rooms Available	380	380	-
RevPAR	\$170	\$194	13.6%
Room Rate	\$228	\$251	10.3%
Occupancy Rate	74.8%	77.0%	2.3 ppt





Eaton Chelsea, Toronto (Rebranded from Delta Chelsea in July 2013)

- As the restoration works on the room's balconies had impacted business of the hotel in the first half of the year.
- Business improved in the second half following completion of the restoration works.
- The hotel benefited from more high-yield retail and corporate group businesses in the second half, which helped to lift room rates for the hotel.
- Revenue from food and beverages rose 4% year-on-year in 2014.

	2013	2014	Change
Rooms Available	1,590	1,590	-
RevPAR	\$85	\$93	9.5%
Room Rate	\$124	\$130	5.3%
Occupancy Rate	68.7%	71.4%	2.7 ppt



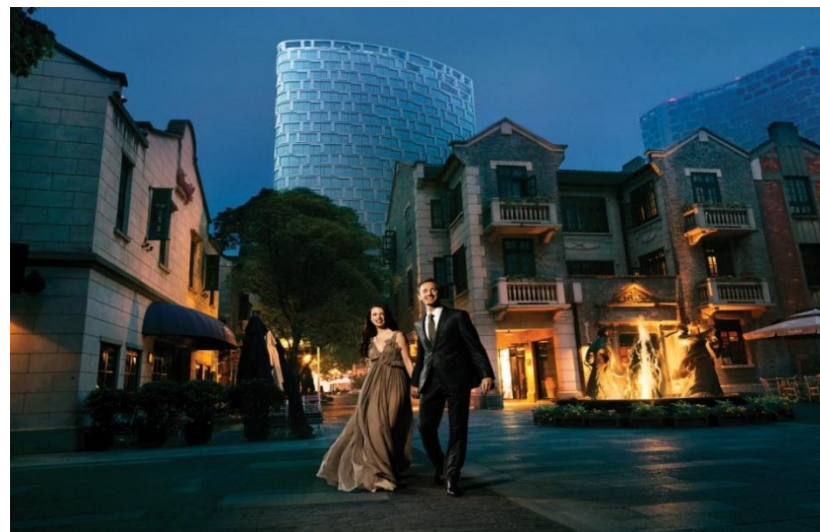


The Langham, Xintiandi

(wholly owned from 11 December 2014)

- Despite tough market conditions, The Langham Xintiandi managed to grow its occupancy by 10.5 percentage points compared with the same period a year ago.
- The increase in travellers was mostly from both the corporate and retail segments. However, as overall market remained competitive, average room rates achieved by the hotel dropped by 1.6% year-on-year in 2014.

	2013	2014	Change
Rooms Available	356	356	-
RevPAR	\$997	\$1,156	16.0%
Room Rate	\$1,696	\$1,669	-1.6%
Occupancy Rate	58.8%	69.3%	10.5 ppt





Hotel in Washington D.C.

- In July 2014, the Group completed the acquisition of a 265-key hotel in Washington, D.C., USA for US\$72 million.
- The hotel is located in the heart of downtown Washington and is close to the White House.
- The hotel was close from mid-December 2014 to undergo renovation works and it will be rebranded under our Eaton lifestyle brand that focuses on younger and more socially oriented travellers.

	From 15 July to 15 December 2014	Change
Rooms Available	265	n.a.
RevPAR	\$92	n.a.
Room Rate	\$182	n.a.
Occupancy Rate	50.8%	n.a.





Langham Hotels International

Managed hotel owned by third parties

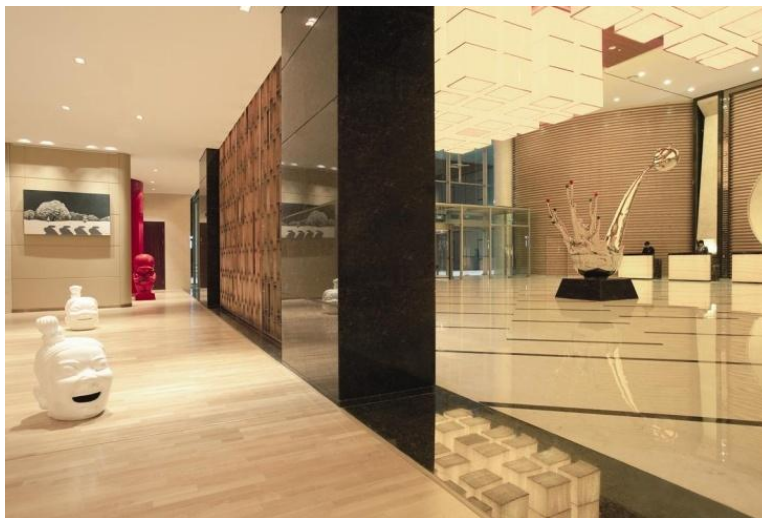
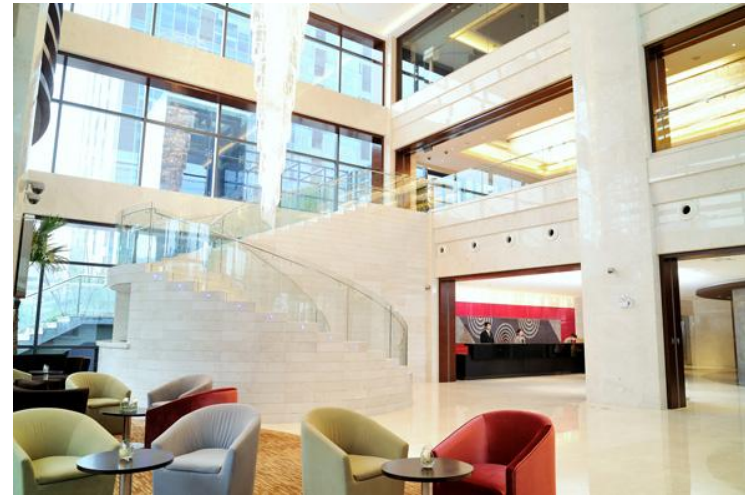




Eaton Luxe, Nanqiao, Shanghai

With 204 rooms

Opened in April 2010



Langham Place, Beijing Capital Airport

With 372 rooms

Opened in August 2010



Eaton Smart
New Delhi International Airport
With 93 rooms
Opened in June 2011

The Langham, Shenzhen
Guangzhou, China
With 352 rooms
Opened in October 2012



Eaton Luxe, Xinqiao, Shanghai
With 214 rooms
Opened in November 2012



Langham Place, Guangzhou
Guangzhou, China
With 500 rooms
Opened in 2013



Langham Place,
Ningbo Culture Plaza
With 143 rooms
Opened in 2014

Langham Place, Xiamen
Xiamen, China
With 327 rooms
Opened in 2014





Hotel pipeline

2015	Rooms	Status
Eaton Luxe, Qingdao	538	Agreement
Langham Place, Haining	263	Agreement
2016	Rooms	Status
Langham Place, Changsha	300	Agreement
The Langham Dubai, Palm Jumerirah	323	Agreement
Langham Place, Datong	327	Agreement
The Langham Haikou, Hainan	244	Agreement
Eaton KIC	146	Agreement
Langham Place, Qingdao	194	Agreement
2017	Rooms	Status
The Langham, Dalian - 50% owned	361	Agreement
Cordis Resort Nusa Dua, Bali	310	Agreement
The Langham, Jakarta	210	Agreement

Hotel pipeline does not include management contracts under Technical Service Agreement (TSA)

Investment properties





2014 Final Results - Rental income breakdown

	Gross rental income			Net rental income		
	2014	2013	Growth (%)	2014	2013	Growth (%)
(in HK\$ mn)						
Hong Kong Investment Properties						
Great Eagle Centre	140.5	143.0	(1.7)	128.8	128.2	0.5
Eaton House	49.2	45.1	9.1	31.7	28.1	12.9
Convention Plaza Apartments	2.4	2.3	2.6	1.8	1.7	2.1
Building Management income	25.1	22.7	10.5	-	-	n.a.
sub-total	217.2	213.1	1.9	162.2	158.0	2.7
U.S. Investment Properties	199.8	121.3	64.7	100.6	51.6	95.1
Total	417.0	334.5	24.7	262.8	209.6	25.4



Great Eagle Centre

- Excluding owner-occupied space, office space leased to third parties, from which rental income is booked, actually dropped as of December 2014 as compared with that a year ago.
- Despite less office space was leased to third parties, office rental income in the first half of 2014 was supported by solid growth in average passing rent. However, growth in average passing rent slowed in the second half of 2014, and even with new leases that started contributing from the latter part of 2014, office rental income still dropped year-on-year in the second half of 2014.
- The slower growth in average passing rent in the second half of 2014 was due to a lack of lease renewals, as asking rents for the office portion remained stable at between HK\$60 per sq. ft. to HK\$72 per sq. ft. on lettable floor area.
- As a result of lower office rental income, overall gross rental income for Great Eagle Centre dropped 1.7% year-on-year to HK\$140.5 million in 2014, while net rental income increased 0.5% to HK\$128.8 million.
- The small increase in net rental income achieved despite a drop in gross rental income was due to a higher cost base for comparison last year, where increased maintenance capital expenditure was incurred for the building in 2013.



Eaton Serviced Apartments

Growth in gross rental income for the Eaton Serviced Apartments in 2014 was driven by income growth at the Wanchai Gap Road property, as part of the rooms that had been converted to operate as guesthouse rooms yielded better. Meanwhile, performances of the two serviced apartments in Happy Valley were steady in 2014.

Blue Pool Road, rentable area 37,236 Sq Ft

- Occupancy rose 5.4ppt to 71%,
- Rental per occupied sq ft dropped 5.0% yoy to HK\$41

Village Road, rentable area 23,350 Sq Ft

- Occupancy rose 3.5ppt to 74.8%,
- Rental per occupied sq ft rose 1.1% yoy to HK\$41.1

Wanchai Gap Road, rentable area 29,247 Sq Ft (2013: 30,729 Sq Ft)

- Occupancy rose 4.7ppt to 86.8%,
- Rental per occupied sq ft rose 17.1% yoy to HK\$61.4



US Investment properties

As recovery in the office leasing market in California progresses, spot rents at 353 Sacramento, 123 Mission Street and 500 Ygnacio have all rose to levels above their average passing rents. Although spot rents at 2700 Ygnacio were still below its average passing rent.

353 Sacramento, San Francisco

- Average passing rent reached US\$41.6 psf in Dec 2014, from US\$39.1 psf in Dec 2013.
- Occupancy rate stood at 100% as at the end of 2014(as at the end of 2013: 95%).

500 Ygnacio, California

- Average passing rent reached US\$34.0 psf in Dec 2014, from US\$32.5 psf in Dec 2013.
- Occupancy rate stood at 81% as at the end of 2014(as at the end of 2013: 94 %).

2700 Ygnacio, California

- Average passing rent reached US\$26.1 psf in Dec 2014, from US\$25.2 psf in Dec 2013.
- Occupancy rate stood at 75% as at the end of 2014(as at the end of 2013: 89%).

123 Mission Street, San Francisco

- Average passing rent reached US\$44.5 psf in Dec 2014, from US\$39.3 psf in Dec 2013.
- Occupancy rate stood at 88% as at the end of 2014(as at the end of 2013: 88%).



US Real Estate Fund

Given the Group has an equity stake in the fund and acts as its asset manager, the financials of the fund have been consolidated into the Group's financial statements under statutory accounting principles. Furthermore, asset manager fee earned by the Group has also been eliminated after intra-Group eliminations. However, one of the reasons that the Group had decided to set up the fund was to expand on our management fee income. In order to reflect the growth in our management fee income, the Group will book its share of asset management fee income from the US fund under the Group's core profit.

As for the booking of return on our equity investment in the fund, which is included in the Group's core profit, this will be based on the distribution received on our share of investment in the fund, whereas our share of net asset in the fund will be include in the Group's core balance sheet. Given the fund is primarily focused on growth of its net asset and it also invests in development projects that does not generate recurring periodic income, we believe that the distribution, which is based on realised proceeds, fits most with our definition of core profit and appropriately reflects the return on our investment in the fund.

Given assets under management of the fund remained small in 2014, only HK\$4.5 million in asset management fee for our 80% stake in the asset management company of the fund was booked in 2014. This was included under "Other operations" in profit from operations. There was no distribution income from the US fund in 2014.



Investment in the Champion REIT (2778.HK) & Langham Hospitality Investments (1270.HK)

Note that our core profit is based on dividend from Champion REIT and LHI in respective of the same financial period.

Outlook for Champion REIT's properties:

Champion REIT's distribution is likely to be lower in 2015. While sustained income growth is expected at Langham Place, it will nonetheless be insufficient to compensate for the lower income at Citibank Plaza.

Outlook for LHI's properties:

For the three Hong Kong hotels owned by LHI, they are still experiencing the lingering effects of the protest activities last year. However, with the effect dissipating, RevPAR in 2015 will be supported by a low supply of new hotels in 2015.



Reconciliation to core earnings from reported

	2014 HK\$ 000	2013 HK\$ 000	
Profit for the period before consolidating results of CREIT and LHI	739,711	980,343	
i) Fair value changes on investment properties Excluding that of CREIT and LHI	(223,903)	(288,720)	- Ignored in core earnings calculation
1. Depreciation – Hotel Buildings and Amortization of prepaid lease payment	188,207	190,983	See depreciation in core earnings calculations
2. Depreciation of hotel building and fair value change on investment property of an associate	19,252	20,601	See results of associates in core earnings calculation
3. Attributable distributions from Champion REIT	717,192	716,904	See revenue and operating profit in core earnings calculation
4. Attributable distributions from Langham Hosp. Investments (LHI)	305,981	188,974	See revenue and operating profit in core earnings calculation
5. Related deferred tax provision relation to fair value change of Investment properties	84,984	93,996	See taxes in core earnings calculation
6 Reversal of impairment on a hotel property	-	(149,170)	
7. Unrealised exchange (gain)/loss on holdings of foreign currency	76,072	(66,758)	See other expenses
8. Fair value changes on linked notes and other financial instruments	38,394	(7,279)	See interest income
9. Gain on control of the Xintiandi hotel after acquisition of the remaining stake	(66,239)	-	See other income
10. Transaction cost on acquisition Washington DC not capitalised	14,177	-	See other expenses
11. Transferring tax relating US properties injected to US Fund	25,335	-	See other expenses
CORE EARNINGS AFTER TAX	1,919,163	1,679,875	



Reconciliation to core earnings from reported

	Reported earnings 2014 HK\$'000	Core earnings 2014 HK\$'000	Core earnings 2013 HK\$'000	
Gross Revenue				
Rental Income				
- HK	192,057	192,057	190,400	
- Overseas	222,383	199,795	121,342	- Core revenue ignore revenue of US properties after they have been transferred to the fund
- Building mgt fee inc	25,108	25,108	22,712	
Hotel Income				
- Under statutory accounts which consolidated revenue of LHI				
- HK hotels revenue from Jan 01- Dec 31	1,659,001		656,275	- Core revenue ignores revenue after the spin off date
- Overseas	3,193,300	3,193,300	2,698,700	
- Others, including Hotel mgt fee of HK\$75.697 m from LHI	168,099	168,099	125,700	
Income from Champion REIT				
- Management fee income	310,185	310,185	316,287	
- Gross rental income	2,288,239			- Ignore, core profit base on distributions
- Distributions		717,192	716,904	- Add back distributions, item 3 of adjustments
Income from Langham Hosp. Investments*				
- Gross rental income	751,738			- Ignore, core profit base on distributions
- Distributions		305,981	188,974	- Add back distributions, item 4 of adjustments
Other Operations	482,650	482,650	381,482	
Elimination of intra-group transactions	(1,165,360)			- Ignore inter-group eliminations associated with CREIT and LHI
Revenue	<u>8,127,400</u>	<u>5,594,367</u>	<u>5,418,776</u>	



Reconciliation to core earnings from reported

	Reported earnings 2014 HK\$'000	Core earnings 2014 HK\$'000	Core earnings 2013 HK\$'000	
Net Operating Income				
Net Rental Income - HK	162,244	162,244	158,049	
- Overseas	109,783	100,593	51,564	- Core profit ignore net rental income of US properties after they have been transferred to the fund
Hotel Income				
- HK hotels		-	254,800	
- Overseas	380,705	380,705	313,259	
- Others	133,965	133,965	104,866	- Others included hotel management income from LHI and surplus/deficit from acting as a Lessee of LHI
- Net rental income from LHI	624,084			- Ignore Net rental income of LHI, core profit base on distributions
- Inter-group adjustments under statutory accounts	8,545			- Core profit is after intergroup transactions
Income from Champion REIT				
- Management fee income	310,185	310,185	316,287	
- Net rental income	1,584,328			- Ignore net rental income, core profit base on distributions
- Distributions		717,192	716,904	- Add back distributions, item 3 of adjustments
- Inter-group adjustments under statutory accounts	(23,918)			
Income from Langham Hosp. Investments*				
- Distributions		305,981	188,974	- Add back distributions, item 4 of adjustments
Other Operations	195,740	195,740	144,557	
- Inter-group adjustments under statutory accounts	2,697			- Core profit for other operations is after intergroup transactions
Operating profit	3,488,358	2,306,605	2,249,260	



Reconciliation to core earnings from reported

	Reported earnings 2014 HK\$'000	Core earnings 2014 HK\$'000	Core earnings 2013 HK\$'000	
Operating profit before Dep. and Amortisation	3,488,358	2,306,605	2,249,260	
Depreciation and amortisation	(487,763)	(143,357)	(122,260)	- Exclude depreciation of CREIT and LHI, add back item 1
i) Fair value changes on investment properties	1,204,935			- Ignored in core earnings calculation
ii) Fair value changes on derivative financial instruments	(297)			- Ignored in core earnings calculation
iii) Fair value changes of financial assets designated at FVTPL	2,332			- Ignored in core earnings calculation
Other income (excluding interest income)	261,200	194,961	23,302	- Adjusted for item 9
Administrative expenses	(350,577)	(314,506)	(281,057)	- Exclude admin. expense relating to CREIT and LHI
Other expenses	(220,907)	(93,229)	-	- Exclude other expense of CREIT and LHI, and adjusted for item 7, item 10 and item 11



Reconciliation to core earnings from reported

	Reported earnings 2014 HK\$'000	Core earnings 2014 HK\$'000	Core earnings 2013 HK\$'000	
Net finance costs				
Finance cost	(623,404)	(166,307)	(125,716)	- Exclude interest expense relating to CREIT and LHI
Interest income (Classified as "Other income" on income statement)	278,381 (345,023)	291,288 124,981	132,201 6,485	- Exclude interest income relating to CREIT and LHI, and adjusted for item 8
Share of results of associates	(9,739)	9,513	11,087	- Adjusted for item 2
Share of results of a joint venture	(36,374)	(36,374)	(36,681)	
Profit before tax	3,506,145	2,048,594	1,850,136	
Income taxes	(496,306)	(126,946)	(168,729)	- Exclude taxes of CREIT and LHI, and adjusted for item 5
Net Profit	3,009,839	1,921,648	1,681,407	
Less: Non-controlling interest	894,738	2,485	1,532	- MI of GE, and non-controlling interest relating to CREIT and LHI
Profit Attributable to Shareholders	2,115,101	1,919,163	1,679,875	
Basic earnings per share	\$ 3.23	\$ 2.93	\$ 2.63	