



Great Eagle Holdings
Investor Presentation Q1 2017



A Leading Property and Hotel Company with Prime Assets in Global Gateway Cities

Long operating and listing history

- Founded in 1963 and listed since 1972
- 40+ years track record property development

Strong asset base with irreplaceable trophy properties

- Landmark properties in core locations in Hong Kong
- Irreplaceable properties in other global gateway cities

Stellar returns and operational performance

- Delivered strong growth in core profit in a challenging business environment in 2016
- Strong financial position as at the end of 2016

Competitive strengths

- Proactive asset management including timely asset disposals and acquisitions
- Scalable business model after expanded into asset-light hotel and asset management businesses



Highlights of 2016 Final Results

1. On expansion, the Group has successfully acquired a site in downtown Seattle, U.S. for US\$18 million in December 2016. The site has an area of approximately 19,400 sq. ft and has been approved for the development of a 17-storey hotel. However, we shall explore other available options to further enhance the development of this site.
2. On divestments, other than the disposal of the Fund's three office buildings, the Group has also disposed of its remaining office building in the U.S., 2700 Ygnacio, for US\$15 million in late 2016. Therefore, the realised gain on disposal of U.S. properties amounted to HK\$398.2 million in 2016 comprised of the deferred gain on the Fund's three office buildings and a loss generated from the sale of 2700 Ygnacio. These one-off gains were the drivers that boosted the Group's core profit in 2016.
3. As for the Group's results in 2016, the core operating income increased by 29.8% to HK\$2,943.9 million in 2016 as the U.S. Fund declared its first distribution and as improvements were seen across the Group's businesses.
4. In 2016, other income included a gain amounting to HK\$7.5 million resulted from the selling of all of the hedging contracts against the Japanese Yen. However, there was a write-off of a non-core investment in a startup company in the U.S. amounting to HK\$199.1 million, such write off was reflected as impairment on loan receivables in 2016's results.
5. For the Dalian project, while there was a development profit from the recognition of 220 apartments in 2016, such profit turned to a loss after providing for a disproportionate share of the estimated land appreciation tax, and therefore, this has resulted in an after-tax loss of HK\$7.5 million for our interest in the project for the year. There was also a loss booked for the Miami project in 2016, which was predominately attributable to the marketing and administrative expenses incurred during the pre-sales stage. Total losses amounted to HK\$20.2 million for our share of results of joint ventures in 2016.
6. Core profit before tax was boosted by the disposal gain from the sale of the Fund's U.S. offices. After taking into account an approximately 40% tax on such disposal gain, profit after tax for the Group rose by 13.8% to HK\$2,031.9 million in 2016, and profit attributable to equity holders rose by 13.6% to HK\$2,022.5 million in 2016.



2016 Final Results

	<u>2016</u>	<u>2015</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue				
Rental Income	243,538	236,430	7,108	3.0%
Hotel Income				
- Overseas	3,548,727	3,475,161	73,566	2.1%
- Others	166,271	152,457	13,814	9.1%
Income from Champion REIT*	1,216,027	1,007,550	208,477	20.7%
Income from Langham Hosp. Investments*	300,802	275,665	25,137	9.1%
Income from the U.S. Fund*	280,632	-	280,632	n.a.
Other Operations	504,976	475,351	29,625	6.2%
	<u>6,260,972</u>	<u>5,622,614</u>	<u>638,358</u>	11.4%

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



2016 Final Results

	2016	2015	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Net Rental Income	180,984	174,474	6,510	3.7%
Hotel Income				
- Overseas	611,721	506,300	105,421	20.8%
- Others	108,904	87,146	21,758	25.0%
Income from Champion REIT*				
- Asset management	243,182	214,035	29,147	13.6%
- Dividend income	871,569	714,678	156,891	22.0%
- Other mgt income	101,276	78,837	22,439	28.5%
Income from Langham Hosp. Investments*				
- Dividend income	300,802	275,665	25,137	9.1%
Income from the U.S. Fund*	280,632	-	280,632	n.a.
Other Operations	244,878	216,826	28,052	12.9%
Income before expenses	2,943,948	2,267,961	675,987	29.8%
Other income	62,302	263,600	(201,298)	-76.4%
Realised gain on disposal of US properties	398,170	-	398,170	n.a.
Impairment on loan receivables	(199,143)	-	(199,143)	n.a.
Depreciation and amortisation	(153,184)	(164,962)	11,778	-7.1%
Administrative expenses	(372,664)	(337,248)	(35,416)	10.5%
Other expenses	(5,051)	(71,251)	66,200	-92.9%

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



2016 Final Results

	<u>2016</u>	<u>2015</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(133,994)	(174,826)	40,832	-23.4%
Interest income	42,080	149,417	(107,337)	-71.8%
	(91,914)	(25,409)	(66,505)	261.7%
Share of results of associates	438	(3,442)	3,880	-112.7%
Share of results of joint ventures	(20,190)	(19,925)	(265)	1.3%
Profit before taxation	2,562,712	1,909,324	653,388	34.2%
Income taxes	(530,786)	(123,671)	(407,115)	329.2%
Net Profit	2,031,926	1,785,653	246,273	13.8%
Less: Non-controlling interest	(9,440)	(5,573)	(3,867)	69.4%
Profit Attributable to Shareholders	2,022,486	1,780,080	242,406	13.6%
Basic earnings per share	\$ 2.99	\$ 2.68		



2016 Final Results – Income from Champion breakdown

	<u>2016</u>	<u>2015</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Asset management income	243,182	214,035	29,147	13.6%
Dividend received	871,569	714,678	156,891	22.0%
Agency commission income & Property management income	101,276	78,837	22,439	28.5%
	<u>1,216,027</u>	<u>1,007,550</u>	<u>208,477</u>	<u>20.7%</u>
Distribution Per Unit declared in HK\$	0.22950	0.19850		15.6%
Units held by Great Eagle in 000's	3,797,688	3,620,133		4.9%



Analysis on change on core income

	2016
	\$'000
Change in profit from core business after tax	<u>242,406</u>
Arise from:	
Increase in dividend and management income from Champion REIT	208,477
Increase in hotels division EBITDA	127,179
Distribution from the U.S. Fund	280,632
Tax impact	(112,253)
Deferred gain on transfer of US properties to the U.S. Fund in 2014	398,170
Tax impact	(159,268)
Share of asset management fee received from the disposal of the U.S. properties	35,744
Increase in dividend income from LHI	25,137
Decrease in exchange loss	66,200
Change in net interest expense	(66,505)
Decrease in other income	(201,298)
Increase in administration expenses	(35,416)
Increase in taxes	(128,446)
Impairment on investment in a startup company	(199,143)
Others	3,196
Change in profit from core business after tax	<u><u>242,406</u></u>



Discount to NAV

NAV based on statutory accounting principles (Dec 2016)

	HK\$m	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	6,232	9.2	11%
Hotels All valued at cost less depreciation	14,261	21.1	26%
Investment in JVs - Dalian and Miami projects	1,089	1.6	2%
Pak Shek Kok Development project (on cost incurred)	2,667	3.9	5%
	HK\$m	HK\$/shr	
Statutory accounting treatments for Champion REIT and LHI			
Investment in Champion REIT: -65.5% share of Champion's Net Assets	33,556	49.5	60%
Investment in U.S. Real Estate Fund - 50.0% share of Fund's NAV	423	0.6	1%
Investment in Langham Hospitality Investments (LHI): Net liabilities from three HK hotels (calculated as book cost of the hotels less debt)	(1,540)	(2.3)	-3%
	<u>32,439</u>	<u>47.9</u>	58%
Other net (liabilities)/assets	(1,138)	(1.7)	-2%
Total	55,550	82.00	100%
Net (debt)/cash or preceived cash equivalent	297	0.44	n/a
Great Eagle's NAV	55,847	82.43	

NAV based on net assets of Champion REIT and LHI (Dec 2016)

	HK\$m	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	6,232	9.2	10%
Hotels All valued at cost less depreciation	14,261	21.1	22%
Investment in JVs - Dalian and Miami projects	1,089	1.6	2%
Pak Shek Kok Development project (on cost incurred)	2,667	3.9	4%
	HK\$m	HK\$/shr	
Share of net assets of Champion REIT and LHI			
Investment in Champion REIT: -65.5% share of Champion's Net Assets	33,556	49.5	52%
Investment in U.S. Real Estate Fund - 50.0% share of Fund's NAV	423	0.6	1%
-61.9% share of LHI's Net Assets Based on appraised valuation of LHI's hotels	<u>7,228</u>	<u>10.7</u>	11%
	<u>41,207</u>	<u>60.8</u>	64%
Other net (liabilities)/assets	(1,138)	(1.7)	-2%
Total	64,318	94.94	100%
Net (debt)/cash or preceived cash equivalent	297	0.44	n/a
Great Eagle's NAV	64,615	95.38	

Note: valuation on investment properties include owner-occupied portion



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	57,192	(10,622)	46,570	18.6%	22.8%	2,640	492	5.4
Overseas Assets	11,916	(2,639)	9,277	22.1%	28.4%	714	106	6.7
Group Total	69,108	(13,261) ^(c)	55,847	19.2%	23.7%	3,354	598	5.6

(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 expense	Interest Cover
Hong Kong/ PRC Assets	53,386	2,532	55,918	n/a	n/a	1,475	40	36.9
Overseas Assets	10,932	(2,235)	8,697	20.4%	25.7%	1,353	62	21.8
Group Total	64,318	297 ^(c)	64,615	n/a	n/a	2,828	102	27.7

Notes:

- (a) Core financial positions is arrived at sharing the net assets of Champion REIT, LHI and the US Fund. 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 Champion REIT, LHI and the U.S. Fund.
- (b) Not applicable since it is in a net cash position.
- (c) Including other liquid investments such as investments in link notes, bonds and equities.



Valuation – Investment properties

Financials

As at the end of December 2016

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Cap rate	Change from end of June 2016
Great Eagle Centre				
Office	193,271	20,469	3.6%	7.1%
Retail	55,944	9,402	4.8%	0.8%
3rd floor	20,959	10,067		7.1%
Carparks (nos/unit price)	296	898,649		5.6%
Signage (gross value in HK\$m)		160		-3.6%
Eaton House				
Wanchai Gap Road	34,915	9,709	4.0%	0.9%
Village Road	23,350	8,994	3.8%	0.5%
Blue Pool Road	33,700	10,564	3.5%	-2.2%
Convention Plaza apartments	5,817	15,867		0.0%



Development projects

Dalian Mixed-use Development Project

- As at the end of 2016, 220 apartments of the first batch pre-sold apartments were completed and handed to buyers. While there was a development profit from the recognition of 220 apartments, such profit turned to a loss after providing for a disproportionate share of the estimated land appreciation tax for the project as a whole.

Tokyo Hotel Redevelopment Project

- Closed the acquisition in June 2016. World renowned architect, Kengo Kuma & Associates has been commissioned to design this flagship Langham Place Hotel in Central Tokyo.

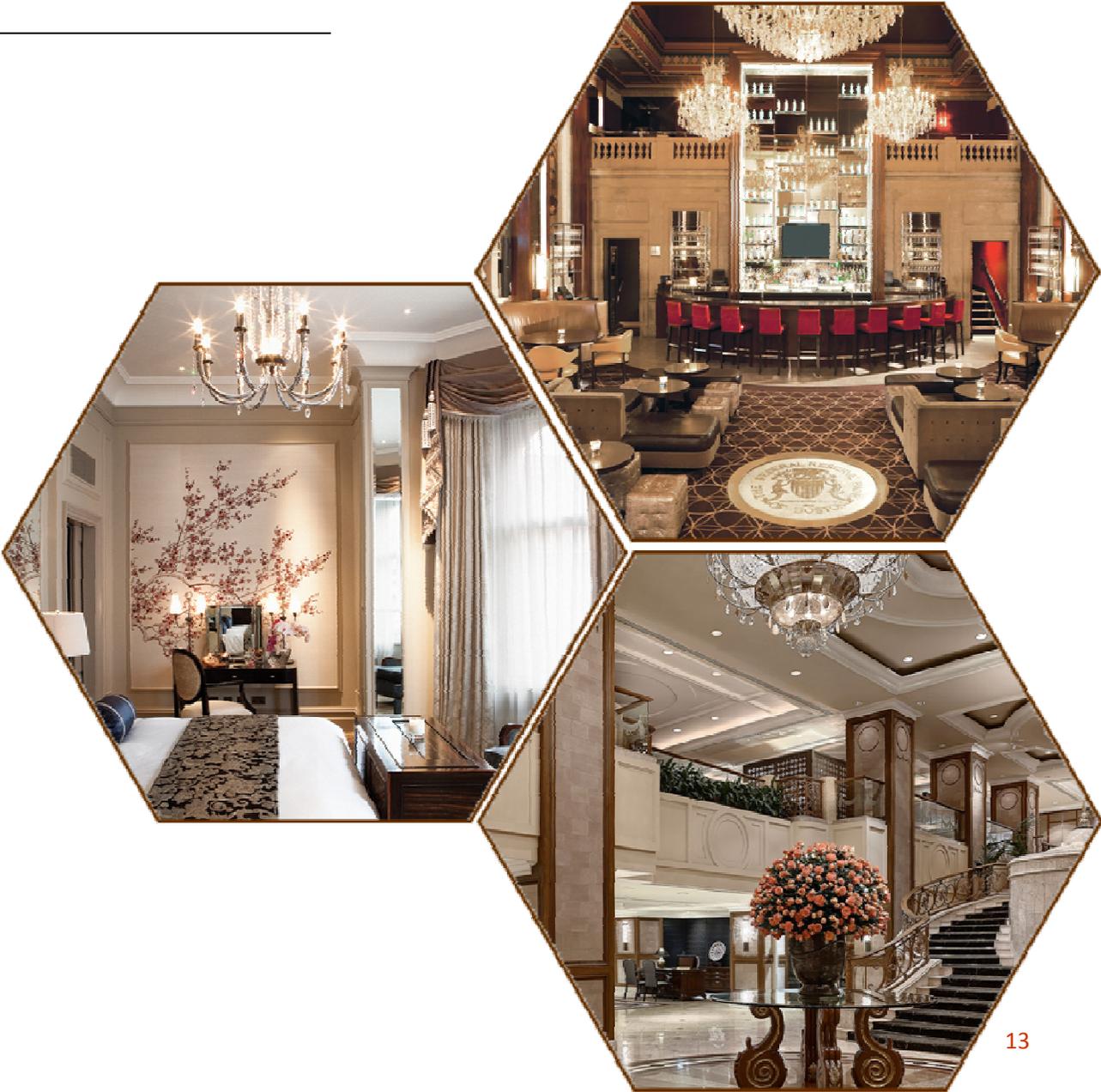
Pak Shek Kok Residential Development Project

- The General Building Plan of the Project has been approved by the Building Authority in January 2016. Superstructure works are expected to start in mid-2017.

U.S. hotel and mixed-use redevelopment projects

- Completed acquisitions of two sites in San Francisco and one site in Seattle. Constructions will commence after proposed developments have been approved by the town's planning department.

Langham Hotels International





Hotel portfolio – 2016 Revenue and EBITDA

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



Hotel portfolio – 2016 Operational Statistics

Owned by subsidiary LHI

Hong Kong

	Occupancy			Average Room Rate			RevPar		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
The Langham, Hong Kong	87.7%	84.7%	3.0ppt	\$2,092	\$2,198	-4.9%	\$1,834	\$1,862	-1.5%
Cordis, Hong Kong	89.8%	89.7%	-0.2ppt	\$1,653	\$1,734	-4.7%	\$1,485	\$1,555	-4.5%
Eaton Hotel, Hong Kong	95.6%	89.5%	6.1ppt	\$992	\$1,093	-9.3%	\$948	\$978	-3.1%

Wholly-owned hotels

Europe

The Langham, London	85.5%	80.8%	4.7ppt	£304	£294	3.5%	£260	£238	9.5%
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North America

The Langham, Boston	76.7%	84.0%	- 7.2ppt	\$295	\$273	8.0%	\$226	\$229	-1.3%
The Langham, Huntington Pasadena	72.2%	73.7%	- 1.5ppt	\$283	\$263	7.6%	\$204	\$194	5.4%
The Langham, Chicago	70.9%	69.9%	1.0ppt	\$372	\$352	5.7%	\$263	\$246	7.1%
Langham Place, Fifth Avenue, New York	71.1%	74.5%	- 3.4ppt	\$543	\$549	-1.0%	\$386	\$409	-5.6%
Chelsea Hotel, Toronto	77.0%	70.2%	6.8ppt	\$153	\$137	11.1%	\$117	\$96	21.8%

Pacific

The Langham, Melbourne	86.2%	86.5%	- 0.3ppt	\$300	\$301	-0.6%	\$258	\$261	-1.0%
The Langham, Sydney	68.0%	63.2%	4.8ppt	\$435	\$415	4.8%	\$296	\$262	12.7%
The Langham, Auckland	89.8%	83.5%	6.3ppt	\$206	\$190	8.7%	\$185	\$159	16.8%

China

The Langham, Xintiandi, Shanghai	73.6%	70.8%	2.8ppt	¥ 1,716	¥ 1,758	-2.3%	¥ 1,264	¥ 1,245	1.6%
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Hotel portfolio – 2016 Room and F&B revenue growth (in local currency)

	Room revenue growth YTD- Dec 2016	F&B revenue growth YTD- Dec 2016
The Langham, London	-4%	4%
The Langham, Boston	-1%	2%
The Langham, Chicago	7%	6%
The Langham Place, Fifth Avenue	-5%	-21%
The Langham, Huntington Pasadena	6%	17%
Chelsea Hotel, Toronto	22%	7%
The Langham, Melbourne	-1%	-2%
The Langham, Auckland	17%	13%
The Langham, Sydney	14%	-15%
The Langham, Xintiandi	2%	7%



Hotel portfolio – Profit contribution

	in Local Currency			in HK\$	
	2016 in mn	2015 in mn	Change	2016 in mn	Contribution to hotel profits
<u>Owned Hotels</u>					
China					
Shanghai (Langham Xintiandi and a small part of the pre-opening expense for Cordis, Hongqiao in 2016)	RMB 88.5	RMB 81.9	8.1%	\$103.4	17%
Europe					
UK (The Langham, London)	£9.6	£10.1	-5.0%	\$101.1	17%
North America					
U.S. (The Langham in Boston, Chicago and Pasadena, Langham Place Fifth Avenue and a hotel in Washington D.C.)	US\$20.80	US\$14.30	45.5%	\$161.7	26%
Canada (Chelsea)	C\$19.8	C\$10.4	90.4%	\$116.3	19%
Australasia					
Australia (The Langham, Melbourne and Sydney)	A\$11.5	A\$10.8	6.3%	\$66.4	11%
New Zealand (The Langham, Auckland)	N\$11.6	N\$8.9	30.3%	\$62.8	10%
<u>Total in HK\$ mn</u>	\$611.7	\$506.3	20.8%	\$611.7	100%

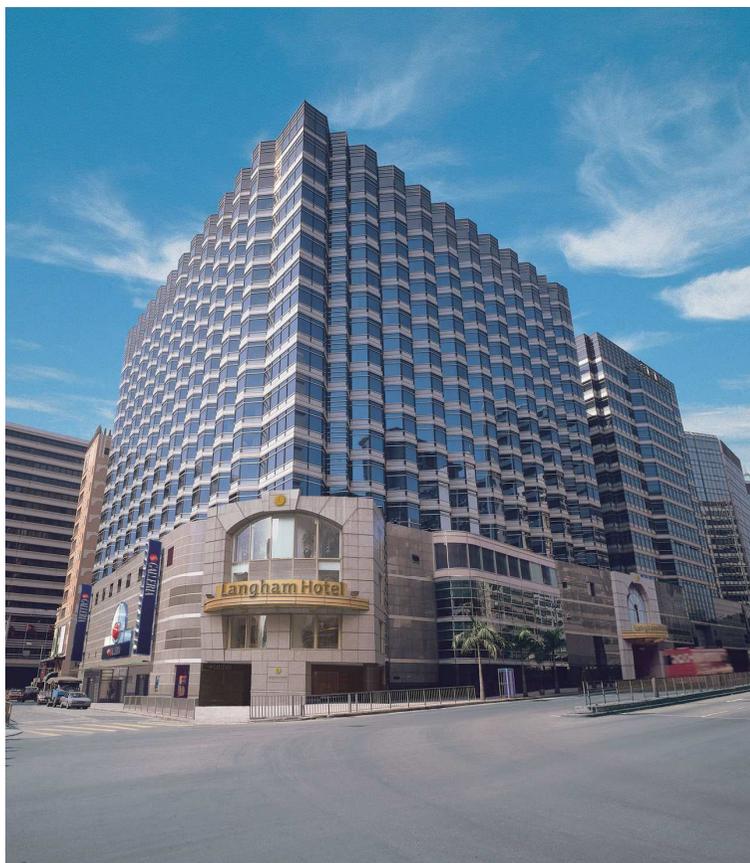


Hotel portfolio – Currency impact

	<u>Dec-16</u>	<u>Dec-15</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	10.5117	11.8528	-11.3%	(12.9)
CAD	5.8632	6.0724	-3.4%	(4.2)
AUD	5.7755	5.8307	-0.9%	(0.6)
USD	7.7622	7.7527	0.1%	0.2
NZD	5.4146	5.4211	-0.1%	(0.1)
RMB	1.1687	1.2338	-5.3%	(5.8)
Total				- HK\$ 23.3 mn



The Langham, Hong Kong



	2015	2016	Change
Rooms Available	457	498	+ 41
RevPAR	\$1,862	\$1,834	-1.5%
Room Rate	\$2,198	\$2,092	-4.8%
Occupancy Rate	84.7%	87.7%	3.0 ppt

- The hotel benefitted from keen demand for its renovated rooms and was able to capture more travellers from Mainland China.
- There was also growth in arrivals from other geographical regions, which all contributed to an improved occupancy for the hotel. This was, however, offset by a decline of average room rate in 2016.
- Revenue from F&B rose by 0.7% year-on-year.



Cordis, Hong Kong

- RevPAR dropped by 18% year-on-year during February and March 2016 which dragged down the RevPAR for the full year in 2016.
- Nevertheless, demand picked up after the protests and growth in arrivals across most major markets was seen in the remainder of the year.
- Revenue from food and beverage F&B rose by 4.1% year-on-year.

	2015	2016	Change
Rooms Available	620	653	+ 33
RevPAR	\$1,555	\$1,485	-4.5%
Room Rate	\$1,734	\$1,653	-4.7%
Occupancy Rate	89.7%	89.8%	0.1 ppt





Eaton, Hong Kong

- The hotel faced severe room rate competition from nearby hotels.
- However, with the hotel's flexible room rates, the hotel witnessed growth in arrivals from all major geographical regions in 2016 with an increase of 6.1 percentage points in the occupancy of the hotel in 2016, which helped to offset the 9.2% decline in the average room rate.
- Revenue from food and beverage dropped by 8.6% year-on-year.

	2015	2016	Change
Rooms Available	465	465	-
RevPAR	\$978	\$948	-3.1%
Room Rate	\$1,093	\$992	-9.2%
Occupancy Rate	89.5%	95.6%	6.1 ppt





The Langham, London

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

	2015	2016	Change
Rooms Available	341	297	- 44
RevPAR	£238	£260	9.2%
Room Rate	£294	£304	3.4%
Occupancy Rate	80.8%	85.5%	4.7 ppt





The Langham, Melbourne

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

	2015	2016	Change
Rooms Available	388	388	-
RevPAR	\$261	\$258	-1.1%
Room Rate	\$301	\$300	-0.3%
Occupancy Rate	86.5%	86.2%	-0.3 ppt





The Langham, Sydney



	2015	2016	Change
Rooms Available	88	89	+ 1
RevPAR	\$262	\$296	13.0%
Room Rate	\$415	\$435	4.8%
Occupancy Rate	63.2%	68.0%	4.8 ppt

- Business of the hotel continued to ramp up subsequent to its reopening in late 2014 after a major renovation.
- In spite of an ongoing rectification throughout most of the year to meet the high standard of the Langham brand, the hotel still managed to deliver an improvement in both occupancy and average room rate in 2016.
- Revenue from F&B was soft in 2016 despite the re-launch of the restaurant has started to gain recognition in the market.



The Langham, Auckland

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

	2015	2016	Change
Rooms Available	409	409	-
RevPAR	\$159	\$185	16.4%
Room Rate	\$190	\$206	8.4%
Occupancy Rate	83.5%	89.8%	6.3 ppt





Langham Place Fifth Avenue, New York



	2015	2016	Change
Rooms Available	214	214	-
RevPAR	\$409	\$386	-5.6%
Room Rate	\$549	\$543	-1.1%
Occupancy Rate	74.5%	71.1%	-3.4 ppt

- The performance of the hotel was impacted by the room renovation that took place from January to May 2016, as well as the intense competition arising from Airbnb.
- Nonetheless, the hotel to capture demand from the higher-yielding travellers, and there was only a modest decline in average room rate in 2016.
- F&B for the hotel declined by 21% in 2016.



The Langham, Chicago

- The hotel was awarded with a number of prestigious accolades in the lodging industry, which has helped the hotel to further raise its average room rate in 2016.
- With a steady mix of demand from both corporate and retail travellers, average room rate rose by 6% in 2016, whereas a small increase in occupancy was achieved.
- Revenue from F&B rose by 6% in the year, which was primarily driven by the increased catering business in corporate meetings and conferences.

	2015	2016	Change
Rooms Available	316	316	-
RevPAR	\$246	\$263	6.9%
Room Rate	\$352	\$372	5.7%
Occupancy Rate	69.9%	70.9%	1.0 ppt





The Langham, Boston

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

	2015	2016	Change
Rooms Available	318	318	-
RevPAR	\$229	\$226	-1.3%
Room Rate	\$273	\$295	8.1%
Occupancy Rate	84.0%	76.7%	-7.3 ppt

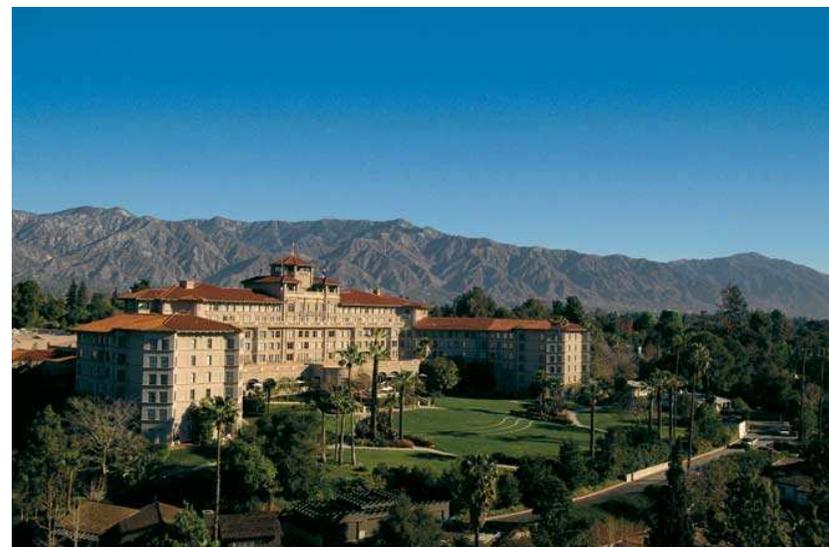




The Langham, Huntington Hotel & Spa, Pasadena

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

	2015	2016	Change
Rooms Available	380	380	-
RevPAR	\$194	\$204	5.2%
Room Rate	\$263	\$283	7.6%
Occupancy Rate	73.7%	72.2%	-1.5 ppt





Chelsea Hotel, Toronto

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

	2015	2016	Change
Rooms Available	1,590	1,590	-
RevPAR	\$96	\$117	21.9%
Room Rate	\$137	\$153	11.7%
Occupancy Rate	70.2%	77.0%	6.8 ppt





The Langham, Xintiandi

- Revenue growth of hotel would have been even higher in 2016, but the replacement of business tax by value added tax in May 2016 has adversely affected the amount of revenue recognised by the hotel since then.
- The hotel focused on demand from the retail leisure business, which helped driving the occupancy of the hotel.
- Driven by improved business in the Chinese restaurant, which was awarded with a prestigious Michelin 3-star rating in the third quarter of 2016, revenue from F&B also rose in 2016.

	2015	2016	Change
Rooms Available	357	357	-
RevPAR	¥1,245	¥1,264	1.5%
Room Rate	¥1,758	¥1,716	-2.4%
Occupancy Rate	70.8%	73.6%	2.8 ppt





Langham Hotels International

Managed hotel owned by third parties





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



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



Langham Place,
Beijing Capital Airport
With 372 rooms
Opened in August 2010



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



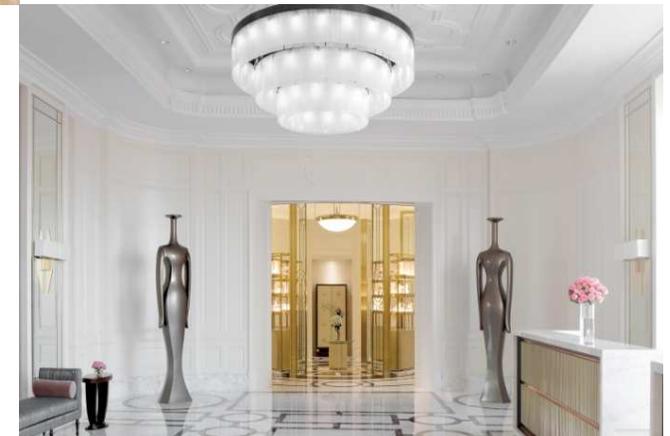
Langham Place, Xiamen
Xiamen, China
With 327 rooms
Opened in 2014



The Langham, Haikou
Hainan, China
With 249 rooms
Opened in June 2016



Langham Place, Haining
Zhejiang, China
With 263 rooms
Opened in July 2015



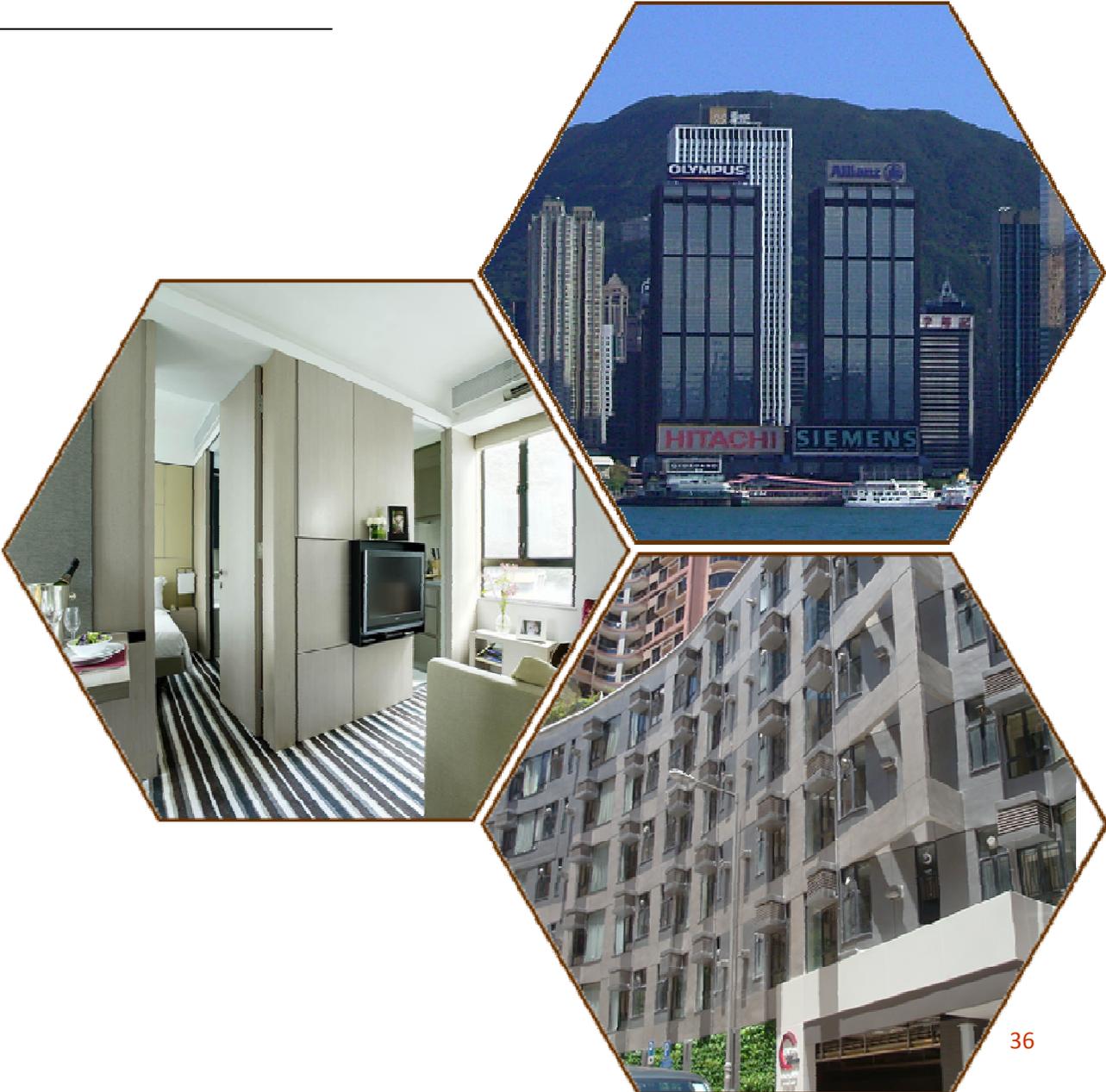


Hotel pipeline

2017	Rooms	Status
Cordis Hongqiao	400	Owned hotel
Eaton Washington	265	Owned hotel
2018	Rooms	Status
Langham Place, Changsha	296	Agreement
The Langham Chongqing	174	Agreement
Langham Place, Datong	327	Agreement
The Langham Hefei	338	Agreement
The Langham Jeddah	278	Agreement
Langham Place Dubai	437	Agreement
Langham Place Lusail Doha	238	Agreement
Cordis Ningbo Dongqian Lake	162	Agreement
The Langham Jakarta	210	Agreement
The Langham Santa Fe	105	Agreement
2019	Rooms	Status
Langham Place Dalian	360	50% interest
2020 and after	Rooms	Status
Langham Place Tokyo	250	Owned hotel
Eaton San Francisco	150	Owned hotel
Langham Place Bali	120	Agreement
Langham Place Wade Park, Dallas	260	Agreement
Langham Place San Francisco	240	Owned hotel
A hotel in Seattle	To be confirmed	Owned hotel

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

Investment properties





2016 Results - Rental income breakdown

	Gross rental income			Net rental income		
	2016	2015	Growth (%)	2016	2015	Growth (%)
(in HK\$ mn)						
Hong Kong Investment Properties						
Great Eagle Centre	139.6	143.4	(2.6)	137.2	133.0	3.2
Eaton House	51.2	47.2	8.5	31.7	28.6	10.9
Others (Building mgt income, rental income at 2700 Ygnacio and convention plaza)	52.7	45.8	15.0	12.1	12.8	(5.8)
Total	243.5	236.4	3.0	181.0	174.5	3.7



Great Eagle Centre

- The occupancy of the Great Eagle Centre dropped from 98.2% as at the end of 2015 to 95.3% as at the end of 2016, as a majority of the incremental increase in available area are reserved for the Group's in-house expansion, which will be occupied by the Group since the first half of 2017.
- Meanwhile, spot rents at the Great Eagle Centre rose from the mid-HK\$60s per sq. ft. on lettable area as at the end of 2015 to around HK\$70s per sq. ft. as at the end of 2016. As a result, there was a 2.2% growth in average passing rent for the leased office space at the Great Eagle Centre, which increased from HK\$64.8 per sq. ft. on lettable area as at 31 December 2015 to HK\$66.2 per sq. ft. as at 31 December 2016.
- Overall gross rental income for the Great Eagle Centre, which included retail rental income and other income, dropped by 2.6% to HK\$139.6 million in 2016, which was mainly attributable to the absence of rental income after the expiry of a lease for a large signage space since late 2015.
- On the other hand, net rental income increased by 3.2% to HK\$137.2 million in 2016 given a higher cost base for comparison in 2015, when additional maintenance capital expenditure was incurred.



Eaton Serviced Apartments

- There was an increase in the overall occupancy of the three serviced apartments, which increased from 75.8% in 2015 to 78.8% in 2016.
- The increase was driven primarily by the improved occupancy of the serviced apartment at the Village Road property, which had a low level of occupancy in 2015 due to scaffolding and facelift works that negatively impacted demand.
- The Wanchai Gap Road property also benefitted from the increased demand from the leisure segment which boosted its occupancy, while performance of the Blue Pool Road property was negatively impacted by nearby competitions and achieved lower occupancy in 2016.
- However, as competitions remain keen, average net passing rent for the three serviced apartments was only flat in 2016 and remained at HK\$48.2 per sq. ft. on gross floor area in 2016. Gross rental income rose by 8.5% to HK\$51.2 million in 2016, whereas net rental income increased by 10.9% to HK\$31.7 million in 2016.



The U.S. Fund

In 2016, as the asset manager of the U.S. Fund, we had disposed of the Fund's three office towers in San Francisco. This has resulted in a distribution income from the Fund of HK\$280.6 million attributable to our interest in the Fund for the year. In addition, the Group booked a disposal gain in relation to the deferred profit made when we transfer the office buildings to the Fund in 2014. Followings are updates of the Fund's development projects:

The Austin (1545 Pine Street, San Francisco)

Construction work on the site has started in the first quarter of 2016 and the topping off of the building was celebrated in November 2016. The project is targeted for completion in the second half of 2017. Soft marketing on the sale of this condominium project has begun in the second quarter of 2016, and the project will be officially launched in early 2017.

Cavalleri, Malibu

Renovation works has commenced since the second quarter of 2016 after vacant possession of all units had been taken. Soft marketing on the sale of the apartment units has begun in the second quarter of 2016, whereas the formal launch of the project will be in the first half of 2017.

In 2016, the Group booked HK\$89.6 million (2015: HK\$44.0 million) in asset and property fee income from the U.S. Fund (under "Other Operations"). The significant increase was due to the booking of a disposal fee income, which was based on the sale price of the disposed properties. 40



Outlook for the Group's results in 2017

As for the Hotels Division, pre-opening expenses for the Cordis hotel in Hongqiao, Shanghai and Eaton hotel in Washington D.C. will be booked in 2017. In addition, renovations of different scale of the Group's certain hotels will also have a negative impact on the EBITDA of the overseas hotels division in 2017. Nonetheless, in the longer term we expect there will be further improvements in the EBITDA of the ramped up and renovated hotels, which should help to offset much of the negative impact arising from the hotel renovations and the pre-opening expenses to be recognised.

For LHI, the phased refurbishment of the ballroom and dining area at the Eaton, Hong Kong from mid-2017 will result in lower F&B and possibly room revenue in 2017. In addition, higher interest expense and cash tax payment due to depletion of tax loss carry forward will result in lower distributable income for LHI in 2017.

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



Reconciliation to core earnings from reported

	Reported earnings 2016 HK\$'000	Core earnings 2016 HK\$'000	Core earnings 2015 HK\$'000	
Gross Revenue				
Rental Income				
- HK	243,538	243,538	236,430	
- Income from the U.S. Fund	242,770	-	-	- Core revenue ignore revenue of US properties after they have been transferred to the fund
Hotel Income				
- HK hotels revenue	1,553,258			
- Overseas hotels	3,548,727	3,548,727	3,475,161	
- Others, including Hotel mgt fee	166,271	166,271	152,457	- Core revenue ignores revenue after the spin off
Income from Champion REIT				
- Management fee income	344,458	344,458	292,872	
- Gross rental income	2,557,093			- Ignore, core profit base on distributions
- Distributions		871,569	714,678	- Add back distributions
Income from Langham Hosp. Investments				
- Gross rental income	706,378			- Ignore, core profit base on distributions
- Distributions		300,802	275,665	- Add back distributions
Income from the U.S. Fund base on distributions		280,632	-	- Add back distributions
Other Operations	504,976	504,976	475,351	
Elimination of intra-group transactions	(1,218,968)			- Ignore inter-group eliminations associated with CREIT, LHI and US fund
Revenue	<u>8,648,500</u>	<u>6,260,972</u>	<u>5,622,614</u>	



Reconciliation to core earnings from reported

	Reported earnings 2016 HK\$'000	Core earnings 2016 HK\$'000	Core earnings 2015 HK\$'000	
Net Operating Income				
Net Rental Income - HK	180,984	180,984	174,474	
- Overseas	44,415	-	-	- Core profit ignore net rental income of US properties after they have been transferred to the fund
Hotel Income - Overseas	611,721	611,721	506,300	
- Others	108,904	108,904	87,146	
- Net rental income from LHI	593,713			- Ignore Net rental income of LHI, core profit base on distributions - Core profit is after intergroup transactions
Income from Champion REIT				
- Management fee income	344,458	344,458	292,872	
- Net rental income	1,783,330			- Ignore net rental income, core profit base on distributions
- Distributions		871,569	714,678	- Add back distributions
Income from Langham Hosp. Investments				
- Distributions		300,802	275,665	- Add back distributions
Income from the U.S. Fund base on distributions		280,632	-	- Add back distributions
Other Operations	244,878	244,878	216,826	
- Inter-group adjustments under statutory accounts	(9,318)			- Core profit for other operations is after intergroup transactions
Operating profit	3,903,085	2,943,948	2,267,961	



Reconciliation to core earnings from reported

	Reported earnings 2016 <u>HK\$'000</u>	Core earnings 2016 <u>HK\$'000</u>	Core earnings 2015 <u>HK\$'000</u>	
Operating profit before Dep. and Amortisation	3,903,085	2,943,948	2,267,961	
Depreciation and amortisation	(590,428)	(153,184)	(164,962)	- Exclude depreciation of CREIT, LHI & US Fund, add back depreciation relating to hotel land and buildings
Realised gain on disposal of US properties		398,170	-	
Fair value changes on investment properties	2,530,733			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments	52,230			- Ignored in core earnings calculation
Fair value changes of financial assets designated at FVTPL	1,113			- Ignored in core earnings calculation
Impairment on loan receivables	(199,143)	(199,143)	-	
Other income (excluding interest income)	51,582	62,302	263,600	-Exclude other income of CREIT, LHI & US fund
Administrative expenses	(411,845)	(372,664)	(337,248)	- Exclude admin. expense relating to CREIT, LHI & US fund
Other expenses	(37,323)	(5,051)	(71,251)	- Exclude other expense of CREIT, LHI & US fund



Reconciliation to core earnings from reported

	Reported earnings 2016 <u>HK\$'000</u>	Core earnings 2016 <u>HK\$'000</u>	Core earnings 2015 <u>HK\$'000</u>	
Net finance costs				
Finance cost	(643,875)	(133,994)	(174,826)	- Exclude interest expense of CREIT, LHI and US fund
Interest income (Classified as "Other income" on income statement)	55,967 (587,908)	42,080 (91,914)	149,417 (25,409)	- Exclude interest income of CREIT, LHI and US fund
Share of results of associates	438	438	(3,442)	
Share of results of joint ventures	(20,190)	(20,190)	(19,925)	
Profit before tax	<u>4,692,344</u>	<u>2,562,712</u>	<u>1,909,324</u>	
Income taxes	(572,598)	(530,786)	(123,671)	- Exclude taxes of CREIT, LHI and US fund, and taxes related to fair value change on IP
Net Profit	<u>4,119,746</u>	<u>2,031,926</u>	<u>1,785,653</u>	
Less: Non-controlling interest	<u>1,349,954</u>	<u>9,440</u>	<u>5,573</u>	- Exclude non-controlling interest of CREIT, LHI and US fund
Profit Attributable to Shareholders	2,769,792	2,022,486	1,780,080	
Basic earnings per share	\$ 4.10	\$ 2.99	\$ 2.68	