



**Great Eagle Holdings**  
Investor Presentation Q3 2016



## Highlights of 2016 Interim Results

1. During the first half of 2016, the Group has successfully completed the acquisition of a prime hotel site in Roppongi, Tokyo. Furthermore, as the asset manager of the U.S. Fund, we have disposed of the U.S. Fund's office towers in San Francisco. However, as completion of the disposals occurred after the end of June 2016, the financial items related to these transactions will only be included in the Group's results for the second half of the year.
2. There was an increase in the Group's core operating income in 1H 2016, which was attributable mainly to higher income from Champion REIT, whereas EBITDA of the Hotels Division also rose on improved revenue and significant EBITDA margin expansion of the North American hotels. There was also an increase in distribution income from LHI as our holdings in LHI had increased.
3. Administration and other expenses included a charge amounting to HK\$17.0 million in relation to the roll-over of certain hedging contracts for Japanese Yen which had appreciated significantly since the contracts were entered into in early 2016. We had entered into these contracts in preparation for payments for the Tokyo hotel project.
4. The Group's interest income fell as the Group had converted its Renminbi deposits into Hong Kong dollars last year. Furthermore, due to the poor performance of financial markets, realised gains booked on securities, which was included in other income, declined for the first half period, these have led to a decline in the Group's core profit.
5. Share of results of joint ventures for the first half of 2016 included an effective 25% equity interest in a residential development project in Miami, USA. As the project is at the early stage of the pre-sales process, there was a loss incurred during the first half of 2016, which were primarily marketing and administrative expenses.
6. All-in-all, core profit after tax dropped by 5.9% year-on-year to HK\$790.1 million in the first half of 2016 (1H 2015: HK\$839.7 million), and profit attributable to equity holders dropped by 6.0% year-on-year to HK\$787.4 million for the first half of 2016 (1H 2015: HK\$838.1 million).



## 2016 Interim Results

	<u>1H 2016</u>	<u>1H 2015</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
<b>Gross Revenue</b>				
Rental Income				
- HK	95,677	96,173	(496)	-0.5%
- Overseas	10,718	8,038	2,680	33.3%
- Building mgt fee	12,603	11,955	648	5.4%
Hotel Income				
- Overseas	1,636,017	1,632,822	3,195	0.2%
- Others	72,586	69,385	3,201	4.6%
Income from Champion REIT*	571,710	480,188	91,522	19.1%
Income from Langham Hosp. Investments*	136,836	127,336	9,500	7.5%
Other Operations	249,887	259,510	(9,623)	-3.7%
	<u>2,786,034</u>	<u>2,685,407</u>	<u>100,627</u>	3.7%

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



## 2016 Interim Results

	1H 2016	1H 2015	Change	
	HK\$'000	HK\$'000	HK\$'000	%
<b>Net Operating Income</b>				
Net Rental Income - HK	84,010	77,717	6,293	8.1%
- Overseas	3,211	7,830	(4,619)	-59.0%
Hotel Income				
- Overseas	205,860	169,255	36,605	21.6%
- Others	30,002	28,685	1,317	4.6%
Income from Champion REIT*				
- Asset management	119,331	105,361	13,970	13.3%
- Dividend income	398,412	339,940	58,472	17.2%
- Agency commission	53,967	34,887	19,080	54.7%
Income from Langham Hosp. Investments*				
- Dividend income	136,836	127,336	9,500	7.5%
Other Operations	110,612	104,732	5,880	5.6%
<b>Income before expenses</b>	<b>1,142,241</b>	<b>995,743</b>	<b>146,498</b>	<b>14.7%</b>
<b>Other income</b>	<b>29,336</b>	<b>83,562</b>	<b>(54,226)</b>	<b>-64.9%</b>
<b>Other expenses</b>	<b>(16,170)</b>	<b>(4,140)</b>	<b>(12,030)</b>	<b>290.6%</b>
<b>Depreciation and amortisation</b>	<b>(75,958)</b>	<b>(73,705)</b>	<b>(2,253)</b>	<b>3.1%</b>
<b>Administrative expenses</b>	<b>(177,690)</b>	<b>(159,386)</b>	<b>(18,304)</b>	<b>11.5%</b>

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



## 2016 Interim Results

	1H 2016	1H 2015	Change	
	HK\$'000	HK\$'000	HK\$'000	%
<b>Net finance costs</b>				
Finance cost	(67,455)	(93,149)	25,694	-27.6%
Interest income	31,185	137,709	(106,524)	-77.4%
	(36,270)	44,560	(80,830)	-181.4%
<b>Share of results of associates</b>	48	(3,731)	3,779	-101.3%
<b>Share of results of joint ventures</b>	(22,078)	(8,892)	(13,186)	148.3%
<b>Profit before taxation</b>	843,459	874,011	(30,552)	-3.5%
<b>Income taxes</b>	(53,286)	(34,353)	(18,933)	55.1%
<b>Net Profit</b>	790,173	839,658	(49,485)	-5.9%
<b>Less: Non-controlling interest</b>	2,726	1,558	1,168	75.0%
<b>Profit Attributable to Shareholders</b>	787,447	838,100	(50,653)	-6.0%
<b>Basic earnings per share</b>	\$ 1.17	\$ 1.26		-7.1%



## 2016 Interim Results – Income from Champion breakdown

	<u>1H 2016</u>	<u>1H 2015</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Dividend received	<b>398,412</b>	<b>339,940</b>	58,472	17.2%
Asset management income	<b>119,331</b>	<b>105,361</b>	13,970	13.3%
Agency commission income & Property management income	<b>53,967</b>	<b>34,887</b>	19,080	54.7%
	<b><u>571,710</u></b>	<b><u>480,188</u></b>	<b><u>91,522</u></b>	<b><u>19.1%</u></b>
<b>Distribution Per Unit declared in HK\$</b>	<b>0.10960</b>	<b>0.09540</b>		14.9%
<b>Units held by Great Eagle in 000</b>	<b>3,634,320</b>	<b>3,555,863</b>		2.2%



## Analysis on change on core income

	1H 2016 \$'000
Change in profit from core business after tax	<u>(50,653)</u>
Arise from:	
Increase in dividend and management income from Champion REIT	91,522
Increase in hotels division EBITDA	37,922
Increase in dividend income from LHI	9,500
Change in net interest expense	(80,830)
Decrease in other income	(54,226)
Increase in administration and other expenses	(30,334)
Increase in taxes	(18,933)
Increase in losses of Joint Ventures	(13,186)
Others	7,912
<b>Change in profit from core business after tax</b>	<u><b>(50,653)</b></u>



## Discount to NAV

## NAV based on statutory accounting principles (June 2016)

	HK\$m	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	5,937	8.8	11%
	HK\$m		
Hotels All valued at cost less depreciation	14,049	20.8	26%
Share of NAV of Dalian development project	752	1.1	1%
Pak Shek Kok Development project (on cost incurred)	2,566	3.8	5%
	HK\$m	HK\$/shr	
Statutory accounting treatments for Champion REIT and LHI			
Investment in Champion REIT: -62.8% share of Champion's Net Assets	31,708	46.9	58%
Investment in U.S. Real Estate Fund - 50.0% share of Fund's NAV	1,516	2.2	3%
Investment in Langham Hospitality Investments (LHI): Net liabilities from three HK hotels (calculated as book cost of the hotels less debt)	(1,508)	(2.2)	-3%
	31,716	46.9	58%
Other net (liabilities)/assets	(613)	(0.9)	-1%
<b>Total</b>	<b>54,407</b>	<b>80.43</b>	<b>100%</b>
Net (debt)/cash or preceived cash equivalent	(30)	(0.04)	n/a
<b>Great Eagle's NAV</b>	<b>54,377</b>	<b>80.39</b>	
Discount to NAV based on share price of HK\$ 35.55			-56%

Note: valuation on investment properties include owner-occupied portion

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

	HK\$m	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	5,937	8.8	9%
	HK\$m		
Hotels All valued at cost less depreciation	14,049	20.8	22%
Share of NAV of Dalian development project	752	1.1	1%
Pak Shek Kok Development project (on cost incurred)	2,566	3.8	4%
	HK\$m	HK\$/shr	
Share of net assets of Champion REIT and LHI			
Investment in Champion REIT: -62.8% share of Champion's Net Assets	31,708	46.9	50%
Investment in U.S. Real Estate Fund - 50.0% share of Fund's NAV	1,516	2.2	2%
-61.7% share of LHI's Net Assets	7,238	10.7	11%
	40,462	59.8	64%
Other net (liabilities)/assets	(613)	(0.9)	-1%
<b>Total</b>	<b>63,153</b>	<b>93.36</b>	<b>100%</b>
Net (debt)/cash or preceived cash equivalent	(30)	(0.04)	n/a
<b>Great Eagle's NAV</b>	<b>63,123</b>	<b>93.32</b>	
Discount to NAV based on share price of HK\$ 35.55			-62%



## 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
<b>Hong Kong/ PRC Assets</b>	55,077	(10,717)	44,360	19.5%	24.2%	1,342	269	5.0
<b>Overseas Assets</b>	13,717	(3,700)	10,017	27.0%	36.9%	300	60	5.0
<b>Group Total</b>	68,794	(14,417) <sup>(d)</sup>	54,377	21.0%	26.5%	1,642	329	5.0

### (B) Base on core financial positions <sup>(a)</sup>

	Book Carrying Value	Net Cash (Debt)	Net Equity	Loan to Value <sup>(b)</sup>	Gearing <sup>(b)</sup>	Core EBITDA	Net interest (income) / expense	Interest Cover <sup>(c)</sup>
<b>Hong Kong/ PRC Assets</b>	52,097	2,653	54,750	n/a	n/a	754	8	94
<b>Overseas Assets</b>	11,056	(2,683)	8,373	24.3%	32.0%	224	28	8.0
<b>Group Total</b>	63,153	(30) <sup>(d)</sup>	63,123	0.0%	0.0%	978	36	27.2

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 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 as investments in link notes, bonds and equities.



## Valuation – Investment properties

Financials

**Hong Kong investment properties**

	GFA (Sqft)	Valuation HK\$/psf	Cap rate	Change from end of Dec 2015
Great Eagle Centre				
Office	193,271	19,113	3.8%	4.1%
Retail	55,944	9,331	4.8%	-0.4%
3rd floor	20,959	9,399		3.7%
Carparks (nos/unit price)	296	851,351		6.3%
Signage (gross value in HK\$m)		166		-23.1%
Eaton House				
Wanchai Gap Road	34,915	9,623	4.0%	-0.9%
Village Road	23,350	8,951	3.8%	-0.5%
Blue Pool Road	33,700	10,801	3.5%	-0.8%
Convention Plaza apartments	5,817	15,867		-7.2%



## Development projects

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### Dalian Mixed-use Development Project

- Up to the end of June 2016, 220 apartments have been pre-sold and will be handed to buyers starting from 3Q 2016. Accumulated sales proceeds reached approx. RMB500 million with an average price of RMB17,600 per sq. m., note that this project will not likely generate much profit.

### 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

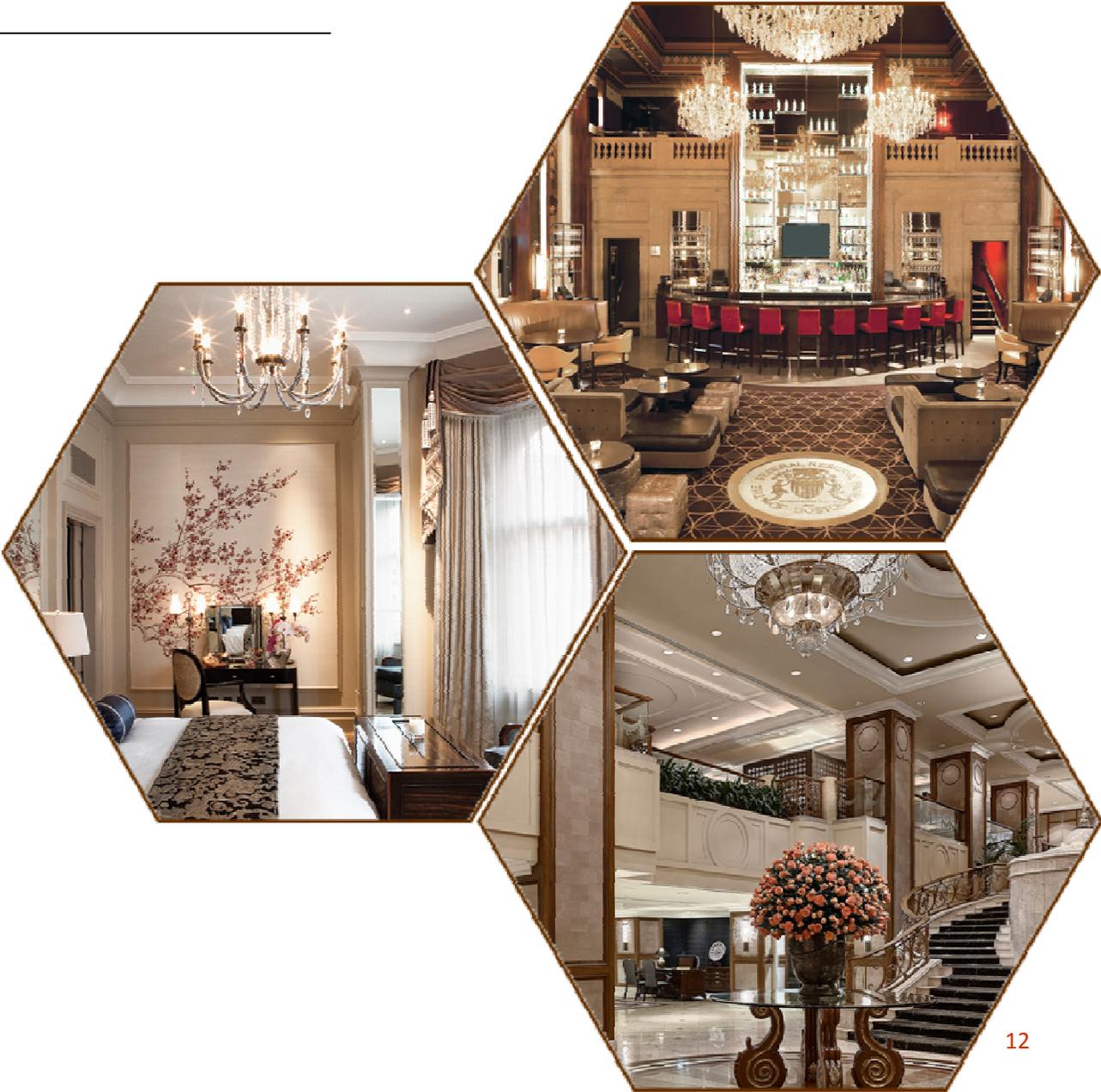
- Foundation works are currently in progress and superstructure works are expected to start in mid-2017.

### Two San Francisco Redevelopment Projects

- Although the acquisitions of the two San Francisco projects have already been completed, constructions will commence after development rights have been granted by the town's planning department.

# Langham Hotels International

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## Hotel portfolio – 1H 2016 Revenue and EBITDA

	Hotel Revenue			EBITDA		
	1H 2016	1H 2015	Growth	1H 2016	1H 2015	Growth
(in HK\$ mn)						
<b>Overseas Hotels</b>						
Europe	202.7	236.0	-14.1%	25.6	35.9	-28.7%
North America	910.2	861.8	5.6%	78.7	37.6	109.3%
Australia/New Zealand	359.7	364.7	-1.4%	55.9	47.8	16.9%
China	163.7	170.3	-3.9%	45.7	48.0	-4.8%
Others (including hotel management income)	72.3	69.4	4.2%	30.0	28.6	4.9%
<b>Total</b>	<b>1,708.6</b>	<b>1,702.2</b>	<b>0.4%</b>	<b>235.9</b>	<b>197.9</b>	<b>19.2%</b>



## Hotel portfolio – 1H 2016 Operational Statistics

	Occupancy			Average Room Rate			RevPar		
	Jun-16	Jun-15	Change	Jun-16	Jun-15	Change	Jun-16	Jun-15	Change
<b><u>Owned by subsidiary LHI</u></b>									
<b><u>Hong Kong</u></b>									
The Langham, Hong Kong	84.2%	81.8%	2.4ppt	\$2,078	\$2,204	-5.7%	\$1,749	\$1,802	-2.9%
Cordis, Hong Kong	85.4%	88.2%	- 2.8ppt	\$1,610	\$1,725	-6.7%	\$1,374	\$1,522	-9.7%
Eaton Hotel, Hong Kong	92.2%	86.2%	6.0ppt	\$963	\$1,097	-12.2%	\$888	\$946	-6.1%
<b><u>Wholly-owned hotels</u></b>									
<b><u>Europe</u></b>									
The Langham, London	81.8%	77.3%	4.5ppt	£274	£261	5.0%	£224	£202	10.9%
<b><u>North America</u></b>									
The Langham, Boston	76.8%	82.0%	- 5.2ppt	\$278	\$258	7.8%	\$214	\$212	0.9%
The Langham, Huntington Pasadena	74.5%	75.2%	- 0.7ppt	\$279	\$256	9.0%	\$208	\$192	8.3%
The Langham, Chicago	63.8%	65.1%	- 1.3ppt	\$355	\$332	6.9%	\$226	\$216	4.6%
Langham Place, Fifth Avenue, New York	63.7%	74.5%	- 10.8ppt	\$497	\$506	-1.8%	\$317	\$377	-15.9%
Chelsea Hotel, Toronto	70.5%	61.2%	9.3ppt	\$141	\$132	6.8%	\$99	\$80	23.8%
<b><u>Pacific</u></b>									
The Langham, Melbourne	86.5%	86.6%	- 0.1ppt	\$299	\$304	-1.6%	\$259	\$263	-1.5%
The Langham, Sydney	66.3%	55.4%	10.9ppt	\$436	\$404	7.9%	\$289	\$224	29.0%
The Langham, Auckland	90.1%	84.0%	6.1ppt	\$205	\$191	7.3%	\$185	\$161	14.9%
<b><u>China</u></b>									
The Langham, Xintiandi, Shanghai	69.9%	69.4%	0.5ppt	¥ 1,768	¥ 1,776	-0.5%	¥ 1,237	¥ 1,233	0.3%



## Hotel portfolio – 1H 2016 Room and F&B revenue growth (in LC)

	Room revenue growth YTD-June 2016	F&B revenue growth YTD-June 2016
The Langham, London	-14%	0%
The Langham, Boston	1%	-1%
The Langham, Chicago	5%	11%
The Langham Place, Fifth Avenue	-15%	-3%
The Langham, Melbourne	-1%	-11%
The Langham, Auckland	16%	20%
The Langham, Sydney	19%	11%
The Langham, Huntington Pasadena	9%	23%
Delta Chelsea Toronto	24%	7%
The Langham, Xintiandi	1%	1%



## Hotel portfolio – Profit contribution

	1H 2016	1H 2015	Change	in HK\$	
	in 'mn in LC	in 'mn in LC		1H 2016 in 'mn	Contribution to hotel profits
<b>Owned Hotels</b>					
<b>Europe</b>					
UK (The Langham, London)	£2.3	£3.0	-24.5%	25.6	12%
<b>North America</b>					
U.S. (The Langham, Boston, The Langham, Chicago, Langham Place Fifth Ave, NY and The Langham, Huntington Hotel & Spa, Washington D.C. hotel)	US\$5.6	US\$3.5	60.5%	43.5	21%
Canada (Chelsea)	C\$6.0	C\$1.7	260.4%	35.2	17%
<b>Australasia</b>					
Australia (The Langham, Melbourne and Sydney)	A\$4.9	A\$4.2	16.3%	28.1	14%
New Zealand (The Langham, Auckland)	N\$5.3	N\$3.8	37.7%	27.8	14%
<b>China</b>					
The Langham Xintiandi	RMB38.5	RMB38.5	0.0%	45.7	22%
<b>Total</b>	<b>\$205.9</b>	<b>\$169.3</b>	<b>21.6%</b>	<b>205.9</b>	<b>100%</b>

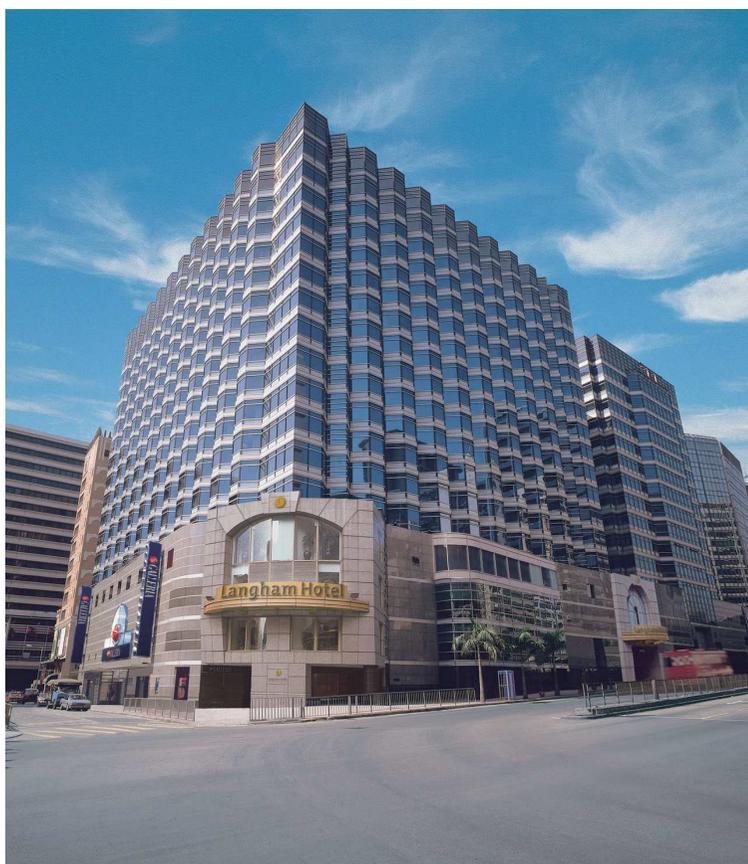


## Hotel portfolio – Currency impact

	<u>Jun-16</u>	<u>Jun-15</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	11.1362	11.8125	-5.7%	(1.6)
CAD	5.8436	6.2841	-7.0%	(2.6)
AUD	5.6989	6.0677	-6.1%	(1.8)
USD	7.7676	7.7541	0.2%	0.1
NZD	5.2614	5.7504	-8.5%	(2.8)
RMB	1.1884	1.2464	-4.7%	(2.2)
Total				- HK\$ 11.0 mn



## The Langham, Hong Kong



	1H 2015	1H 2016	Change
<b>Rooms Available</b>	472	498	26
<b>RevPAR</b>	\$1,802	\$1,749	-2.9%
<b>Room Rate</b>	\$2,204	\$2,078	-5.7%
<b>Occupancy Rate</b>	81.8%	84.2%	2.4 ppt

- The Langham, Hong Kong managed to increase its share of arrivals from the Mainland China in 1H 2016
- The hotel also benefitted from keen demand for its renovated rooms and witnessed growth of arrivals from most geographical regions.
- Revenue from F&B rose by 1.6% year-on-year.



## Cordis, Hong Kong (Rebranded from Langham Place in August 2015)

- At the hotel, business was negatively impacted during the Chinese New Year when there were violent breakouts in Mongkok, and RevPAR for the hotel dropped by 18% year-on-year during February and March 2016.
- Nonetheless, demand for rooms recovered and the hotel witnessed growth in arrivals across most major markets since April 2016.
- Revenue from food and beverage F&B rose by 3.2% year-on-year.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	619	650	31
<b>RevPAR</b>	\$1,522	\$1,374	-9.7%
<b>Room Rate</b>	\$1,725	\$1,610	-6.7%
<b>Occupancy Rate</b>	88.2%	85.4%	-2.8 ppt





## Eaton, Hong Kong

- The hotel faced severe room rate competition from other hotels which relied heavily on arrivals from China.
- While there was a drop in arrivals from the China market during the first half, increases in arrivals from other Asian countries, Australia and Europe had more than offset decline in arrivals from China.
- Overall, the markedly lower Room Rate brought down RevPAR significantly.
- Revenue from food and beverage dropped by 7.3% year-on-year.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	465	465	0
<b>RevPAR</b>	\$946	\$888	-6.1%
<b>Room Rate</b>	\$1,097	\$963	-12.2%
<b>Occupancy Rate</b>	86.2%	92.2%	6.0 ppt





## The Langham, London

- Disruptions from the ongoing renovation at the hotel has resulted in a lower room revenue for the first half of 2016.
- The renovation of 109 rooms started in November 2015 is scheduled to complete in the third quarter 2016.
- Meanwhile, the average room rate achieved by the hotel during the first half period has increased as the hotel accommodated more high yielding retail leisure travellers.
- Revenue from F&B fell slightly in the first half of 2016, given a decline in revenue in the restaurants.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	344	266	-78
<b>RevPAR</b>	£202	£224	10.9%
<b>Room Rate</b>	£261	£274	5.0%
<b>Occupancy Rate</b>	77.3%	81.8%	4.5 ppt





## The Langham, Melbourne

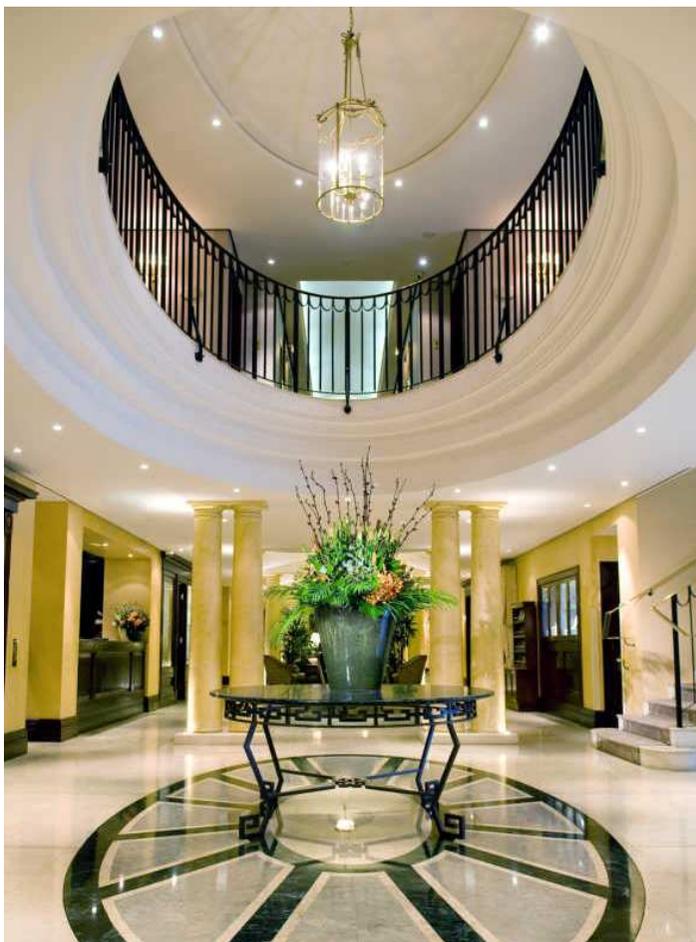
- As compared with the first half of last year, when there were several high profile events in the city, demand for hotel rooms dropped in the first half of this year, given the absence of similar scale events.
- As a result, there was a drop in average room rate for the hotel in the first half of 2016.
- Revenue from F&B also declined as both catering and restaurants business dropped.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	388	388	0
<b>RevPAR</b>	\$263	\$259	-1.5%
<b>Room Rate</b>	\$304	\$299	-1.6%
<b>Occupancy Rate</b>	86.6%	86.5%	-0.1 ppt





## The Langham, Sydney



	1H 2015	1H 2016	Change
<b>Rooms Available</b>	89	81	-8
<b>RevPAR</b>	\$224	\$289	29.0%
<b>Room Rate</b>	\$404	\$436	7.9%
<b>Occupancy Rate</b>	55.4%	66.3%	10.9 ppt

- Since the hotel reopened in December 2014 after it was closed for a major renovation, business at the hotel continued to ramp up and there was an improvement in both occupancy and average room rate during the first half of 2016.
- The increase in demand was supported by retail and corporate group segments.
- Revenue from F&B increased by 11% in the first half of 2016 with improved business in the catering segment



## The Langham, Auckland

- Given a strong hotel market in Auckland, the hotel benefitted from an increase in demand from travellers of both retail and corporate segments.
- As a result, the hotel achieved higher occupancy and average room rate for the first half of 2016.
- Revenue from F&B rose by 20% in the first half 2016, which was driven by increase in revenue in both restaurants and banquet business.
- Note that the function room for banqueting business was closed for renovation in the first quarter of last year.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	409	409	0
<b>RevPAR</b>	\$161	\$185	14.9%
<b>Room Rate</b>	\$191	\$205	7.3%
<b>Occupancy Rate</b>	84.0%	90.1%	6.1 ppt





## Langham Place Fifth Avenue, New York



	1H 2015	1H 2016	Change
<b>Rooms Available</b>	214	214	0
<b>RevPAR</b>	\$377	\$317	-15.9%
<b>Room Rate</b>	\$506	\$497	-1.8%
<b>Occupancy Rate</b>	74.5%	63.7%	-10.8 ppt

- In addition to the challenging operating conditions in New York, the performance of the hotel was also impacted by the room renovation that commenced in January 2016.
- As a result, both average room rate and occupancy declined during the first half of 2016.
- Revenue from F&B for the hotel declined by 3% in the first half of 2016, driven by lower revenue in the bar which was closed in April 2016.



## The Langham, Chicago

- After receiving multiple prestigious accolades in the lodging industry stemming from its luxurious product and services, the hotel has firmly established itself as one of the most luxurious hotel in Chicago.
- This has helped the hotel to gain market share and increase its average room rate, which rose by 7% during the first half period.
- Revenue from F&B rose by 11% year-on-year during the first half of 2016, which was driven by increased catering business.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	316	316	0
<b>RevPAR</b>	\$216	\$226	4.6%
<b>Room Rate</b>	\$332	\$355	6.9%
<b>Occupancy Rate</b>	65.1%	63.8%	-1.3 ppt





## The Langham, Boston

- Given the steady demand in the city in the first half of 2016, the hotel strategically targeted at high yielding retail leisure and corporate travellers during the period.
- This helped the hotel to deliver an 8% increase in average room rate during the first half of 2016.
- Revenue from F&B was slightly behind the same period last year, which was due to a combination of slower pickup in catering demand and softer restaurant business.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	318	318	0
<b>RevPAR</b>	\$212	\$214	0.9%
<b>Room Rate</b>	\$258	\$278	7.8%
<b>Occupancy Rate</b>	82.0%	76.8%	-5.2 ppt





## The Langham, Huntington Hotel & Spa, Pasadena

- The hotel witnessed a strong return in demand from high yielding corporate group business during the first half of 2016, which was relatively low for the same period last year.
- Therefore, the hotel strategically targeted room rates growth during the first half of 2016, which rose by 9% during the period.
- Revenue from F&B grew by 23% year-on-year during the first half of 2016, which was driven by increased catering business in corporate meetings and conferences.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	380	380	0
<b>RevPAR</b>	\$192	\$208	8.3%
<b>Room Rate</b>	\$256	\$279	9.0%
<b>Occupancy Rate</b>	75.2%	74.5%	-0.7 ppt





## Chelsea Hotel, Toronto

- The hotel benefitted from strong demand as there were several large citywide events in the first half of 2016.
- This allowed the hotel to deliver a growth in average room rate of 7% in the first half period.
- Room revenue demonstrated a strong growth as well, as it had more available rooms following the completion of the room renovation in 2015.
- Revenue from F&B rose by 7% driven by stronger banqueting business and increased revenue from the restaurants.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	1,590	1,590	0
<b>RevPAR</b>	\$80	\$99	23.8%
<b>Room Rate</b>	\$132	\$141	6.8%
<b>Occupancy Rate</b>	61.2%	70.5%	9.3 ppt





## The Langham, Xintiandi

- While demand from the group segment was slow during the first half of 2016, the hotel focused on demand from the retail leisure business, which helped offset the slower group business.
- Hence, the hotel managed to deliver steady performance in the first half of 2016.
- Revenue from F&B rose by 1.4% year-on-year during the first half period, which was driven by improved business in the restaurants while business from the catering segment was stable.

	1H 2015	1H 2016	Change
<b>Rooms Available</b>	357	357	0
<b>RevPAR</b>	\$1,233	\$1,237	0.3%
<b>Room Rate</b>	\$1,776	\$1,768	-0.5%
<b>Occupancy Rate</b>	69.4%	69.9%	0.5 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



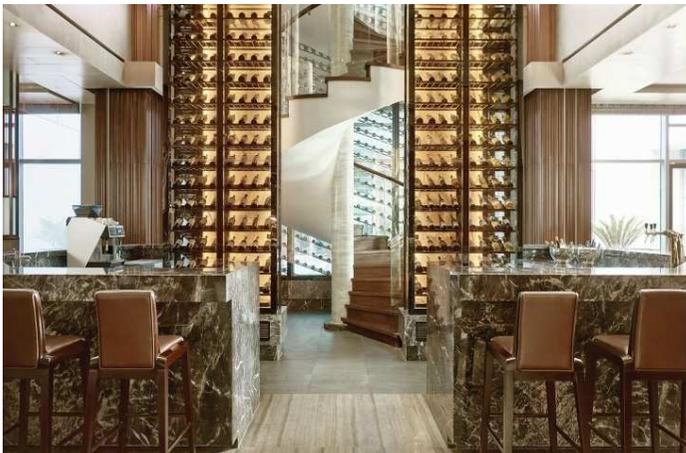
Langham Place,  
Ningbo Culture Plaza  
With 143 rooms  
Opened in 2014



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





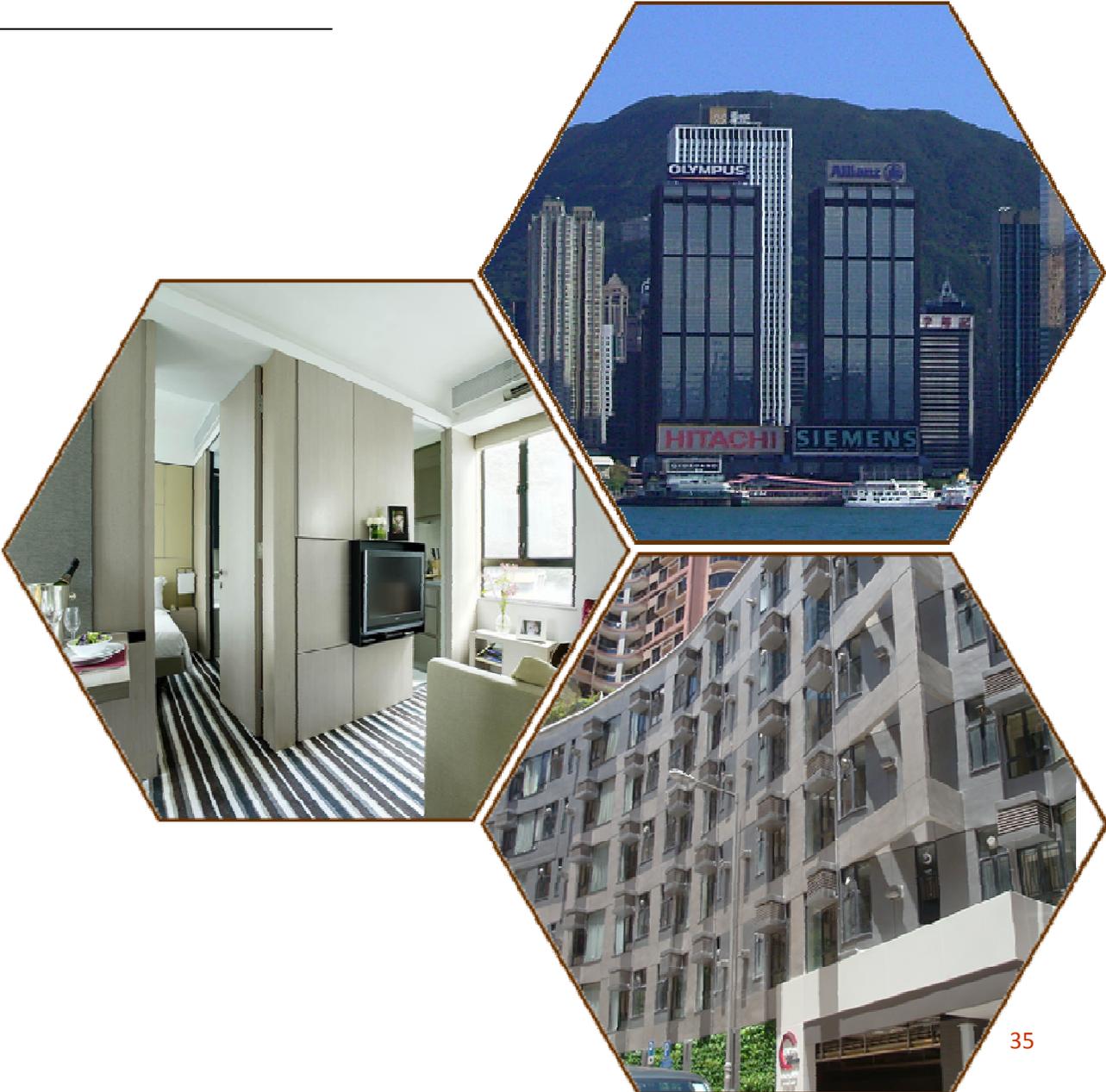
## Hotel pipeline

2016	Rooms	Status
Cordis Qingdao	538	Agreement
2017	Rooms	Status
Langham Place, Changsha	300	Agreement
Cordis Shanghai East Bund	155	Agreement
Cordis Hongqiao	400	Owned hotel
Eaton Washington	260	Owned hotel
The Langham Chongqing	144	Agreement
The Langham Hefei	338	Agreement
2018	Rooms	Status
Langham Place Bali	120	Agreement
Langham Place Dubai	167	Agreement
Langham Place Lusail Doha	236	Agreement
The Langham Jakarta	210	Agreement
Eaton San Francisco	150	Agreement
Langham Place Wade Park	233	Agreement
The Langham Santa Fe	105	Agreement
2019	Rooms	Status
Langham Place Dalian	361	50% interest
The Langham Dara Sakor Cambodia	200	Agreement
2020 and after	Rooms	Status
Langham Place Tokyo	300	Owned hotel
Langham Place San Francisco	257	Owned hotel

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

# Investment properties

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## 1H 2016 Results - Rental income breakdown

	Gross rental income			Net rental income		
	1H 2016	1H 2015	Growth	1H 2016	1H 2015	Growth
(in HK\$ mn)						
<b>Hong Kong Investment Properties</b>						
Great Eagle Centre	69.8	71.4	-2.2%	68.1	62.6	8.9%
Eaton serviced apartments	24.4	23.4	4.2%	14.8	14.1	5.4%
Convention Plaza Apartments	1.4	1.4	5.6%	1.1	1.1	-1.0%
Building Management income	12.6	12.0	5.4%	-	-	
Others including 2700 Ygnacio	10.7	8.0	33.3%	3.2	7.8	-58.9%
<b>Total</b>	<b>119.0</b>	<b>116.2</b>	<b>2.4%</b>	<b>87.2</b>	<b>85.5</b>	<b>2.0%</b>



## Great Eagle Centre

- In the first half of 2016, there was a modest improvement in both occupancy and average passing rent of the office space at the Great Eagle Centre.
- As spot rents at the Great Eagle Centre remained at a high level during the first half of 2016, a lack of spot rent growth has limited the growth in average passing rent. Therefore, there was only a 1.9% growth in average passing rent for the leased office space at the Great Eagle Centre.
- Occupancy growth was also modest given the number of units available is limited and mostly are small size units. Occupancy rose by 0.7 percentage points to 98.2% as at the end of June 2016.
- However, overall gross rental income for the Great Eagle Centre actually dropped by 2.2% to HK\$69.8 million in the first half of 2016, which was attributable to the absence of rental income after the expiry of a lease for a large signage space in October 2015.
- Nonetheless, net rental income increased by 8.8% to HK\$68.1 million. The higher growth achieved in net rental income was due to a higher cost base for comparison last year, as increased maintenance capital expenditure was incurred for the building during the first half of 2015.



## Eaton Serviced Apartments

- Overall occupancy of the three serviced apartments rose from 70.4% in the first half of 2015 to 75.3% in the first half of 2016.
- The increase was driven primarily by an increase in occupancy of the serviced apartment at the Village Road property, whereas scaffolding and facelift works had negatively impacted occupancy for the property last year.
- Improvement in occupancy at Wanchai Gap Road, which benefitted from increased demand from the corporate segment, also helped boost occupancy of the portfolio during the first half of 2016.
- With the recovery in demand for the serviced apartments at Wanchai Gap Road and Village Road properties, average net passing rent for the three serviced apartments increased by 2.3% to HK\$31.2 per sq. ft. on gross floor area in the first half of 2016, as compared with HK\$30.5 per sq. ft. in the first half of 2015.
- Gross rental income rose by 4.3% year-on-year to HK\$24.4 million in the first half of the 2016, whereas net rental income increased by 5.0% year-on-year to HK\$14.8 million for the first half of 2016.



## US Real Estate 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. Total disposal gain, including distribution and asset management fee from the Fund, attributable to the Group and before tax is approximately US\$110 million. However, as completions of the above disposals occurred after the end of June 2016, the gain mentioned above for the divestments will be reflected in the Group's result for the second half of 2016.

Followings are updates of the Fund's projects:

1545 Pine Street - Construction work on the site will start in the third quarter of 2016 after the excavation and fill works are completed. 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.

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.

For the first half of 2016, the Group booked HK\$22 million (1H 2015: HK\$11 million) in asset management fee from the U.S. Fund, which was included under "Other Operations".



## Estimated impact on Great Eagle from disposal of properties by the U.S. Fund

For illustration purpose only

( in US\$ mn)

<i>Impact on Great Eagle's core profit</i>		353 Sacramento Street	123 Mission Street	500 Ygnacio	Total
1) Realised profits upon injection to the U.S. Fund					
Injected values of properties to the US Fund	(A)	130.0	180.0	32.0	
Acquired costs of properties by Great Eagle		82.0	180.0	19.5	
Realised gains upon injection to the U.S. Fund	1)	48.0	-	12.5	
2) Share of profit upon disposal of properties by the U.S. Fund					
Sale price		169.5	255.0	35.9	
Less disposal expenses assumed at 4% of sale price		- 6.8	- 10.2	- 1.4	
Less assumed capex spent		- 2.5	- 3.5	- 1.5	
Net proceeds	(B)	160.2	241.3	33.0	
Less injected value of properties	(A)	130.0	180.0	32.0	
Profit realised by the U.S. Fund		30.2	61.3	1.0	
Great Eagle's 50% share of profit	2)	15.1	30.6	0.5	
Total realised gains to Great Eagle before tax	1)+2) = 3)	63.1	30.6	13.0	106.7
Share of disposal fee income to Great Eagle	4)	1.4	2.0	0.3	3.7
			Estimated total disposal gain 3) + 4)		110.4
<i>Impact on Great Eagle's cash flow</i>					
		353 Sacramento Street	123 Mission Street	500 Ygnacio	
Net proceeds	(B)	160.2	241.3	33.0	
Less bank loan		- 48.0	- 125.0	- 16.4	
Net cash proceeds		112.2	116.3	16.6	
Share of cash proceeds to Great Eagle before tax		56.1	58.1	8.3	122.5



## Outlook for the Group's results in the 2H 2016

Upon completion of the disposal of office properties in San Francisco under the U.S. Fund in the second half of the year, the Group's results for the second half of 2016 will also be lifted by a gain from the disposal.

For the Group's overseas hotels, before the impact of currency movements, their performance in the second half of 2016 will still be uneven, partly because of the effects of the renovations and the slowdown of the global economy that will have varying degree of impact on different markets in which we operate.

As for the three hotels in Hong Kong owned by LHI, there are signs indicating that Hong Kong's RevPAR is close to bottoming out as the rate of RevPAR decline narrowed markedly in the first half of 2016 as compared with that witnessed in the first and second half of 2015.

Steady result is expected for Champion REIT as major leases committed in 2015 will have a full-year impact this year. While the base rent of Langham Place Mall should maintain a slight growth in 2016, the sustainability may be at risk next year in view of the uncertainties and difficulties in the retail market and the general economy.



## Reconciliation to core earnings from reported

	Reported earnings 1H 2016 HK\$'000	Core earnings 1H 2016 HK\$'000	Core earnings 1H 2015 HK\$'000	
Gross Revenue				
Rental Income				
- HK	95,677	95,677	96,173	
- Overseas	10,718	10,718	8,038	
- Building mgt fee inc	12,603	12,603	11,955	
Hotel Income				
- HK hotels revenue	729,134	-	-	- Core revenue ignores revenue of HK hotels after the spin off
- Overseas	1,636,017	1,636,017	1,632,822	
- Others	72,586	72,586	69,385	
Income from Champion REIT				
- Management fee income	173,298	173,298	140,248	- Ignore, core profit base on distributions
- Gross rental income	1,251,760			- Add back distributions of Champion REIT
- Distributions		398,412	339,940	
Income from Langham Hosp. Investments*				
- Gross rental income	322,329			- Ignore, core profit base on distributions
- Distributions		136,836	127,336	- Add back distributions of LHI
Income from U.S. Real Estate Fund	182,863			- Ignore, core profit base on distributions
Other Operations	249,887	249,887	259,510	
Elimination of intra-group transactions	(556,717)			- Ignore inter-group elimination associated with CREIT, LHI and US fund
Revenue	<u>4,180,155</u>	<u>2,786,034</u>	<u>2,685,407</u>	



## Reconciliation to core earnings from reported

	Reported earnings 1H 2016 HK\$'000	Core earnings 1H 2016 HK\$'000	Core earnings 1H 2015 HK\$'000	
Net Operating Income				
Net Rental Income				
- HK	84,010	84,010	77,717	
- Overseas	104,976	3,211	7,830	- Ignore net rental income of the transferred US office properties & inter-group elimination
Hotel Income				
- Overseas	205,969	205,860	169,255	- Ignore inter-group elimination
- Others	30,002	30,002	28,685	
Income from Champion REIT				
- Management fee income	173,298	173,298	140,248	
- Net rental income	869,516			- Ignore net rental income, core profit base on distributions
- Distributions		398,412	339,940	- Add back distributions of Champion REIT
Income from Langham Hosp. Investments*	270,383			- Ignore income of the HK hotels, base on distributions
- Distributions		136,836	127,336	- Add back distributions of LHI
Other Operations	86,997	110,612	104,732	- Core profit for other operations is after impact of inter-group elimination
Operating profit	1,825,151	1,142,241	995,743	



## Reconciliation to core earnings from reported

	Reported earnings 1H 2016 HK\$'000	Core earnings 1H 2016 HK\$'000	Core earnings 1H 2015 HK\$'000	
Operating profit before Dep. and Amortisation	1,825,151	1,142,241	995,743	
Depreciation and amortisation	(294,989)	(75,958)	(73,705)	- Exclude depreciation of CREIT and LHI, add back depreciation, relating to hotel land and buildings
Fair value changes on investment properties	1,815,790			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments	(72,971)			- Ignored in core earnings calculation
Fair value changes of financial assets designated at FVTPL	(14,958)			- Ignored in core earnings calculation
Other income (excluding interest income)	29,352	29,336	83,562	- Ignore other income of the US fund
Other expenses	(9,408)	(16,170)	(4,140)	- Exclude other expenses of CREIT, LHI, US fund, add back realised loss on foreign currency contracts
Administrative expenses	(201,168)	(177,690)	(159,386)	- Exclude admin. expense of CREIT, LHI and US fund



## Reconciliation to core earnings from reported

	Reported earnings <u>1H 2016</u> HK\$'000	Core earnings <u>1H 2016</u> HK\$'000	Core earnings <u>1H 2015</u> HK\$'000	
Net finance costs				
Finance cost	(367,462)	(67,455)	(93,149)	- Exclude interest expense of CREIT, LHI and US fund
Interest income (Classified as "Other income" on income statement)	38,351 (329,111)	31,185 (36,270)	137,709 44,560	- Exclude interest income of CREIT, LHI, US fund and realised interest income on linked notes
Share of results of associates	48	48	(3,731)	
Share of results of joint ventures	(22,078)	(22,078)	(8,892)	
Profit before tax	<u>2,725,658</u>	<u>843,459</u>	<u>874,011</u>	
Income taxes	(283,697)	(53,286)	(34,353)	- Exclude taxes of CREIT, LHI and US fund, and taxes related to fair value change on IP
Net Profit	<u>2,441,961</u>	<u>790,173</u>	<u>839,658</u>	
Less: Non-controlling interest	<u>949,949</u>	<u>2,726</u>	<u>1,558</u>	- Exclude non-controlling interest of CREIT, LHI and US fund
Profit Attributable to Shareholders	1,492,012	787,447	838,100	
Basic earnings per share	\$ 2.21	\$ 1.17	\$ 1.26	