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Great Eagle Holdings
Investor Presentation Q1 2018



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 global gateway cities

Stellar returns and operational performance

- NAV has increased almost four-fold from HK\$20bn in 2006 to HK\$74bn in 2017
- Strong financial position as at the end of 2017

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 2017 Final Results

- In 2017, the Group's first Cordis hotel in China, the Cordis, Hongqiao, Shanghai opened in May 2017.
- Despite the absence of major disposal gains which were included in 2016's core profit, 2017's core profit was enhanced by the booking of a significant one-off income tax benefit for our U.S. businesses as a result of the tax reform.
- Nevertheless, there was still a decline in the Group's core profit, which dropped by 6.1% to HK\$1,900.0 million in 2017 (2016: HK\$2,022.5 million), the decline was due to a HK\$127.4 million write-off in relation to a non-core investment in a renewable energy startup company.
- The Group's core operating income decreased by 9.2% to \$2,672.9 million in 2017 (2016: HK\$2,943.9 million), as 2016's core operating income included a distribution income from the U.S. Fund after it disposed of its office properties.
- Excluding the impact of a distribution income from the U.S. Fund, the Group's core operating income was steady in 2017 as the growth in our major profit-contributing businesses offset lower operating profit of other business divisions.
- Income from Champion REIT, which comprised distribution and management fee income from Champion REIT, rose by 5.9% to HK\$1,287.5 million in 2017 (2016: HK\$1,216.0 million), as rising rental rates have lifted rental income across all of the Champion REIT's properties in 2017. Even after the inclusion of a one-off pre-opening charge, there was still a modest growth in EBITDA of the Hotels Division in 2017.
- Distribution income from LHI dropped by 10.2% to HK\$270.2 million in 2017. There was also a 4.5% decline in net rental income from our investment properties and a 12% decline in the Group's operating income from other operations in 2017.
- Core profit before tax dropped by 26.1% to HK\$1,894.0 million in 2017 (2016: HK\$ 2,562.7 million). However, as a result of the tax reform in the United States, this produced a significant one-off income tax benefit for the Group's U.S. operations in 2017. After adding a tax income in 2017, core profit attributable to equity holders dropped by 6.1% to HK\$1,900.0 million in 2017.



2017 Final Results

	<u>2017</u>	<u>2016</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue				
Rental Income	227,584	243,538	(15,954)	-6.6%
Hotel Income				
- Overseas	3,793,211	3,548,727	244,485	6.9%
- Others	164,466	166,271	(1,805)	-1.1%
Income from Champion REIT*	1,287,504	1,216,027	71,477	5.9%
Income from Langham Hosp. Investments*	270,175	300,802	(30,627)	-10.2%
Income from the U.S. Fund*	-	280,632	(280,632)	n.a.
Other Operations	444,639	504,976	(60,337)	-11.9%
	<u>6,187,579</u>	<u>6,260,972</u>	<u>(73,393)</u>	-1.2%

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



2017 Final Results

	2017	2016	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Net Rental Income	172,941	180,984	(8,043)	-4.4%
Hotel Income				
- Overseas	621,994	611,721	10,273	1.7%
- Others	104,667	108,904	(4,237)	-3.9%
Income from Champion REIT*				
- Asset management	259,958	243,182	16,776	6.9%
- Dividend income	927,973	871,569	56,404	6.5%
- Other mgt income	99,573	101,276	(1,703)	-1.7%
Income from Langham Hosp. Investments*				
- Dividend income	270,175	300,802	(30,627)	-10.2%
Income from the U.S. Fund*	-	280,632	(280,632)	n.a.
Other Operations	215,566	244,878	(29,312)	-12.0%
Income before expenses	2,672,847	2,943,948	(271,101)	-9.2%
Other income	59,938	62,302	(2,364)	-3.8%
Realised gain on disposal of US properties	-	398,170	(398,170)	n.a.
Impairment on loan receivables	-	(199,143)	199,143	n.a.
Impairment on an available for sale investment	(127,349)	-	(127,349)	n.a.
Depreciation and amortisation	(178,139)	(153,184)	(24,955)	16.3%
Administrative and other expenses	(438,394)	(377,715)	(60,679)	16.1%

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



2017 Final Results

	2017	2016	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(139,425)	(133,994)	(5,431)	4.1%
Interest income	70,513	42,080	28,433	67.6%
	(68,912)	(91,914)	23,002	-25.0%
Share of results of associates	570	438	132	30.1%
Share of results of joint ventures	(26,598)	(20,190)	(6,408)	31.7%
Profit before taxation	1,893,963	2,562,712	(668,749)	-26.1%
Income taxes	5,046	(530,786)	535,832	-101.0%
Net Profit	1,899,009	2,031,926	(132,917)	-6.5%
Less: Non-controlling interest	1,034	(9,440)	10,474	-111.0%
Profit Attributable to Shareholders	1,900,043	2,022,486	(122,443)	-6.1%
Basic earnings per share	\$ 2.77	\$ 2.99		



2017 Final Results – Breakdown of Income from Champion REIT

	2017	2016	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Asset management income	259,958	243,182	16,776	6.9%
Dividend received	927,973	871,569	56,404	6.5%
Agency commission income & Property management income	99,573	101,276	(1,703)	-1.7%
	<u>1,287,504</u>	<u>1,216,027</u>	<u>71,477</u>	<u>5.9%</u>
 Distribution Per Unit declared in HK\$	 0.24260	 0.22950		 5.7%
Units held by Great Eagle in 000's	3,825,215	3,797,688		0.7%



2017 Final Results – Distribution from LHI

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Distribution Per Share Stapled Unit declared in HK\$	0.216	0.255	-15.3%
Share Stapled Units held by Great Eagle in 000	1,300,811	1,279,614	1.7%
Share Stapled Units entitled to distribution	1,250,811	1,179,614	6.0%
Dividend received in HK'000s	270,175	300,802	-10.2%



Analysis on change on core income

	2017
	\$'000
Change in profit from core business after tax	<u>(122,443)</u>
Arise from:	
Decrease in current and deferred tax in the U.S.	226,099
Absence of impairment on investment in a startup company	199,143
Increase in dividend and management income from Champion REIT	71,477
Increase in hotels division EBITDA	6,036
Absence of gain on disposal of properties and distribution from the U.S. Fund (net of tax impact)	(407,281)
impairment on an available for sale investment	(127,349)
Decrease in distribution income from LHI	(30,627)
Increase in administration expenses	(51,822)
Others	(8,119)
Change in profit from core business after tax	<u>(122,443)</u>



Discount to NAV

Financials

NAV based on statutory accounting principles (Dec 2017)

	HK\$m	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	7,233	10.5	11%
Hotels All valued at cost less depreciation	15,699	22.8	24%
Investment in JVs - Dalian and Miami project	1,362	2.0	2%
Pak Shek Kok Development project (on cost incurred)	3,017	4.4	5%
	HK\$m	HK\$/shr	
Statutory accounting treatments for Champion REIT and LHI			
Investment in Champion REIT: -65.7% share of Champion's Net Assets	40,125	58.3	62%
Investment in U.S. Real Estate Fund - 50.0% share of Fund's NAV	514	0.7	1%
Investment in Langham Hospitality Investments (LHI): Net liabilities from three HK hotels (calculated as book cost of the hotels less debt)	(1,724)	(2.5)	-3%
	38,915	56.5	60%
Other net (liabilities)/assets	(1,475)	(2.1)	-2%
Total	64,751	94.03	100%
Net debt	(282)	(0.41)	
Great Eagle's NAV	64,469	93.62	

Discount to NAV based on share price of HK\$ 39.15

-58%

Note: valuation on investment properties include owner-occupied portion

NAV based on net assets of Champion REIT, LHI and US Fund

	HK\$m	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	7,233	10.5	10%
Hotels All valued at cost less depreciation	15,699	22.8	21%
Investment in JVs - Dalian and Miami project	1,362	2.0	2%
Pak Shek Kok Development project (on cost incurred)	3,017	4.4	4%
	HK\$m	HK\$/shr	
Share of net assets of Champion REIT and LHI			
Investment in Champion REIT: -65.7% share of Champion's Net Assets	40,125	58.3	54%
Investment in U.S. Real Estate Fund - 50.0% share of Fund's NAV	514	0.7	1%
-62.3% share of LHI's Net Assets			
Based on appraised valuation of LHI's hotels	7,731	11.2	10%
	48,370	70.2	65%
Other net (liabilities)/assets	(1,475)	(2.1)	-2%
Total	74,206	107.76	100%
Net debt	(282)	(0.41)	
Great Eagle's NAV	73,924	107.35	

Discount to NAV based on share price of HK\$ 39.15

-64%



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	65,383	(9,920)	55,463	15.2%	17.9%	2,943	525	5.6
Overseas Assets	13,079	(4,073)	9,006	31.1%	45.2%	640	111	5.8
Group Total	78,462	(13,993) ^(c)	64,469	17.8%	21.7%	3,583	636	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	62,379	3,233	65,612	n/a	n/a	1,694	42	40.3
Overseas Assets	11,827	(3,515)	8,312	29.7%	42.3%	600	70	8.6
Group Total	74,206	(282) ^(c)	73,924	0.4%	0.4%	2,294	112	20.5

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 2017

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Cap rate	Change from end of Jun 2017
Great Eagle Centre				
Office	193,271	25,203	3.0%	11.0%
Retail	55,944	9,688	4.5%	3.0%
3rd floor	20,959	12,405		11.1%
Carparks (nos/unit price)	296	1,158,784		17.1%
Signage (gross value in HK\$m)		142		-3.4%
Eaton House				
Wanchai Gap Road	34,915	10,540	3.8%	3.7%
Village Road	23,350	9,722	3.5%	2.3%
Blue Pool Road	33,700	11,306	3.3%	1.6%
Convention Plaza apartments	5,817	17,019		2.5%

Langham Hospitality Group





The Langham, London



The Langham, Boston



The Langham, Melbourne



The Langham, Sydney



Cordis, Auckland



Cordis, Hongqiao



The Langham, Pasadena



The Langham, Xintiandi



Chelsea Hotel, Toronto



The Langham, New York



The Langham, Chicago

Pipeline hotels:

- ✓ The Langham, Tokyo
- ✓ Two Hotels in San Francisco
- ✓ Eaton Washington D.C.
- ✓ Hotel in Seattle
- ✓ Hotel in Dalian

To open over 2018-2021

North America

-Improved performance led by Revenue and EBITDA growths at the Chicago and Toronto hotels

Europe

-Increased number of available rooms boosted profit for the Langham London

Australia/New Zealand

-Hotels in Melbourne and Sydney improved, while hotel in Auckland negatively impacted by renovation works

China

- Impacted by the start up stage losses and a one-off pre-opening charge related to the Cordis, Hongqiao



Hotel portfolio – 2017 Operational Statistics

Owned by subsidiary LHI

Hong Kong

The Langham, Hong Kong

Cordis, Hong Kong

Eaton Hotel, Hong Kong

Wholly-owned hotels

Europe

The Langham, London

North America

The Langham, Boston

The Langham, Huntington Pasadena

The Langham, Chicago

The Langham, Fifth Avenue, New York ^{Note 5}

Chelsea Hotel, Toronto

Australia/New Zealand

The Langham, Melbourne

The Langham, Sydney

Cordis, Auckland ^{Note 3}

China

The Langham, Xintiandi, Shanghai

Cordis, Hongqiao*

	YTD Occupancy			YTD Average Room Rate			YTD RevPar		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
The Langham, Hong Kong	88.8%	87.7%	1.1%	\$2,135	\$2,092	2.1%	\$1,895	\$1,834	3.3%
Cordis, Hong Kong	93.9%	89.8%	4.1%	\$1,660	\$1,653	0.4%	\$1,559	\$1,485	5.0%
Eaton Hotel, Hong Kong	94.4%	95.6%	-1.2%	\$986	\$992	-0.5%	\$931	\$948	-1.8%
The Langham, London	77.2%	85.5%	-8.4%	£329	£304	8.1%	£254	£260	-2.2%
The Langham, Boston	76.5%	76.7%	-0.2%	\$300	\$295	1.7%	\$230	\$226	1.4%
The Langham, Huntington Pasadena	70.9%	72.2%	-1.3%	\$285	\$283	0.8%	\$202	\$204	-1.0%
The Langham, Chicago	74.2%	70.9%	3.3%	\$380	\$372	2.3%	\$282	\$263	7.1%
The Langham, Fifth Avenue, New York ^{Note 5}	78.6%	71.1%	7.6%	\$536	\$543	-1.2%	\$422	\$386	9.3%
Chelsea Hotel, Toronto	77.7%	77.0%	0.7%	\$160	\$153	4.7%	\$124	\$117	5.7%
The Langham, Melbourne	87.1%	86.2%	1.0%	\$305	\$300	1.9%	\$266	\$258	3.0%
The Langham, Sydney	82.2%	68.0%	14.2%	\$438	\$435	0.6%	\$360	\$296	21.7%
Cordis, Auckland ^{Note 3}	90.9%	89.8%	1.1%	\$243	\$206	17.7%	\$221	\$185	19.1%
The Langham, Xintiandi, Shanghai	74.9%	73.6%	1.3%	¥ 1,744	¥ 1,716	1.6%	¥ 1,306	¥ 1,264	3.3%
Cordis, Hongqiao*	39.4%	-	n.a.	¥ 883	-	n.a.	¥ 348	-	n.a.

* Soft-opened in May 2017



Hotel portfolio – 2017 Room and F&B revenue growth (in local currency)

	Room revenue growth YTD- Dec 2017	F&B revenue growth YTD- Dec 2017
The Langham, London	24%	15%
The Langham, Boston	1%	-5%
The Langham, Chicago	7%	4%
The Langham, Fifth Avenue, New York	10%	-4%
The Langham, Huntington, Pasadena	-2%	-9%
Chelsea Hotel, Toronto	5%	7%
The Langham, Melbourne	3%	9%
Cordis, Auckland	-8%	-6%
The Langham, Sydney	33%	1%
The Langham, Xintiandi	3%	17%



Hotel portfolio – Profit contribution

	in Local Currency			in HK\$	
	2017 in mn	2016 in mn	Change	2017 in mn	Contribution to hotel profits
<u>Owned Hotels</u>					
China					
Shanghai (Langham Xintiandi and Cordis, Hongqiao)	RMB 62.3	RMB 88.5	-29.6%	\$71.9	12%
Europe					
UK (The Langham, London)	£12.0	£9.6	24.5%	\$120.1	19%
North America					
U.S. (The Langham in Boston, Chicago, New York and Pasadena, and a hotel in Washington D.C.)	US\$18.70	US\$20.80	-10.1%	\$146.0	23%
Canada (Chelsea)	C\$25.3	C\$19.8	27.8%	\$151.9	24%
Australasia					
Australia (The Langham, Melbourne and Sydney)	A\$15.0	A\$11.5	30.4%	\$89.6	14%
New Zealand (Cordis, Auckland)	N\$7.7	N\$11.6	-33.6%	\$42.5	7%
<u>Total in HK\$ mn</u>	\$622.0	\$611.7	1.7%	\$622.0	100%



Hotel portfolio – Currency impact

	<u>Dec-17</u>	<u>Dec-16</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	10.0442	10.5117	-4.4%	(5.6)
CAD	6.0181	5.8632	2.6%	3.9
AUD	5.9836	5.7755	3.6%	3.1
USD	7.7929	7.7622	0.4%	0.6
NZD	5.541	5.4146	2.3%	1.0
RMB	1.1538	1.1687	-1.3%	(0.9)
Total				HK\$ 2.1 mn



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



Cordis,
Beijing Capital Airport
With 372 rooms
Opened in August 2010
(rebranded from Langham
Place in November 2017)



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

2018	Rooms	Status
Eaton, Washington D.C.	209	Owned hotel
The Langham, Chongqing	174	Agreement
The Langham, Hefei	322	Agreement
The Langham, Dubai	437	Agreement
The Langham, Changsha	296	Agreement
Cordis, Ningbo, Dongqian Lake	162	Agreement
2019	Rooms	Status
The Langham, Datong	327	Agreement
Cordis, Hangzhou	184	Agreement
Cordis, Shanghai East Bund	155	Agreement
The Langham, Lusail Doha	238	Agreement
The Langham, Jakarta	225	Agreement
2020 and after	Rooms	Status
The Langham, Tokyo	251	Owned hotel
The Langham, Jeddah	278	Agreement
Eaton, San Francisco	151	Owned hotel
Cordis, Dongguan	235	Agreement
The Langham, Bangkok	250	Agreement
The Langham, Chengdu	200	Agreement
The Langham, San Francisco	230	Owned hotel
The Langham, Nanjing	210	Agreement
The Langham, Dalian	360	50% interest
A hotel in Seattle	To be confirmed	Owned hotel

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

Investment properties





2017 Final Results - Rental income breakdown

	Gross rental income		Growth	Net rental income		Growth
	2017	2016	(%)	2017	2016	(%)
(in HK\$ mn)						
Hong Kong Investment Properties						
Great Eagle Centre	139.1	139.6	(0.4)	136.2	137.2	(0.7)
Eaton Residence Apartments	53.7	51.2	4.9	34.6	31.7	9.1
Others* (Building mgt income, rental income at 2700 Ygnacio and convention plaza)	34.8	52.7	(34.0)	2.1	12.1	(82.6)
Total	227.6	243.5	(6.5)	172.9	181.0	(4.5)

* 2700 Ygnacio was sold in early 2017

- In 2017, overall net rental income from our investment properties dropped by 4.5% to HK\$172.9 million, which was primarily due to reduced rental income contribution from 2700 Ygnacio, as it was sold in early 2017.
- Primarily as a result of additional area reserved for the group's expansion, there was a small decline in the gross rental income for the Great Eagle Centre.
- Increased demand helped boost the occupancy of the Eaton Residence portfolio from 78.8% in 2016 to 83.4% in 2017. Gross rental income rose by 4.9% year-on-year to HK\$53.7 million in 2017.



U.S. Fund

The Austin, San Francisco

Construction work on the site had started in the first quarter of 2016 and the topping off of the building was celebrated in November 2016. The development project has completed in December 2017 and as at the end of 2017, 20 out of a total of 53 pre-sold residential units have been handed over to buyers.

Cavalleri, Malibu

Refurbishment on the Cavalleri is expected to complete in the first quarter of 2018, due to a delay from our original target completion date in late 2017 as we have decided to transition construction works to a higher quality general contractor. The project has been launched to the market for an en-bloc transaction targeting institutional and overseas buyers.

Dexter Horton, Seattle

As technology companies are still expanding in down town Seattle, rental rates have been trending up in 2017 and the Fund anticipates there will be further rental increases going forward. Hence, instead of putting the building on offer, the Fund has decided to retain the property for the time being.

The Group booked HK\$7.3 million (2016: HK\$89.6 million) in asset management fee income from the U.S. Fund for 2017, which was included in “operating income from other operations”.



Development projects

Dalian Mixed-use Development Project

- Sales volume had a significant pickup with 158 apartments sold in 2017, including 115 apartments sold under presale contracts and bringing cumulative sales to 395 apartments as at the end of 2017. Although as only 40 of the pre-sold apartments were completed and handed to buyers in 2017, there was a after-tax loss of HK\$23.1 million for our interest in the project in 2017.

Tokyo Hotel Redevelopment Project

- The site with an initial estimated gross floor area of approximately 350,000 sq. ft. has been expanded to about 370,000 sq. ft. after the acquisition of three small adjacent sites. The development plan is being redesigned to account for the additional footage and to meet city planning comments.

Pak Shek Kok Residential Development Project

- The main superstructure works, which commenced since July 2017 is still being built and topping-out of the buildings is expected to take place in late 2018. The project is expected to complete in early 2020 with pre-sale of the residential apartments will be in 2019 at the earliest.

U.S. hotel and mixed-use redevelopment projects

- Constructions will commence after proposed developments or refinements have been approved by the town's planning department for the sites at 1125 Market Street and 1931 Second Avenue, ²⁶ whereas construction on 555 Howard Street is expected to start in 2Q 2018.



Outlook for the Group's results

As for the Hotels Division, EBITDA of the overseas hotels in 2018 should improve as operations at Cordis, Hongqiao, continue to ramp up and revenue and profitability of the hotel will improve in 2018. Meanwhile, growth momentum should remain intact with our recently renovated hotels. The above improvement should offset the negative impact from renovation works to be undertaken at The Langham, Melbourne, The Langham, Boston and The Langham Huntington, Pasadena scheduled in the second half of 2018. It should be noted that there will be a pre-opening charge in the second half of 2018 related to the Eaton, Washington D.C., as the hotel is expected to open in the third quarter of 2018.

For Champion REIT, given that spot rents are still below the passing rents for both Three Garden Road and Langham Place Office Tower, positive rental reversion should continue in the coming year, whereas the recovery of Hong Kong's retail sales in the second half of 2017 improved the operating environment for retailers, which will support performance of the Langham Place Mall in 2018.

For LHI, as the food and beverage outlets and banqueting ballrooms at Eaton, Hong Kong will still be under renovation for several months in the first half of 2018, F&B revenue will still be much lower in the first half of 2018 as compared with that over the same period of the previous year. At the same time, there will also be soft refurbishment for some of the rooms during the second and third quarters of 2018, and this will have a negative impact on Eaton's room revenue in 2018.



Reconciliation to core earnings from reported

		Reported earnings 2017 HK\$'000	Core earnings 2017 HK\$'000	Core earnings 2016 HK\$'000	
Gross Revenue					
Rental Income	- HK	227,584	227,584	243,538	
	- Income from the U.S. Fund	182,713	-	-	- Core revenue ignore revenue of US properties of the US fund
Hotel Income	- HK hotels revenue	1,533,044			
	- Overseas hotels	3,793,211	3,793,211	3,548,727	- Core revenue ignores revenue after the spin off
	- Others, including Hotel mgt fee	164,466	164,466	166,271	
Income from Champion REIT					
	- Management fee income	359,531	359,531	344,458	
	- Gross rental income	2,699,899			- Ignore, core profit base on distributions
	- Distributions		927,973	871,569	- Add back distributions
Income from Langham Hosp. Investments					
	- Gross rental income	694,145			- Ignore, core profit base on distributions
	- Distributions		270,175	300,802	- Add back distributions
Income from the U.S. Fund base on distributions			-	280,632	- Base on distributions
Other Operations		444,639	444,639	504,976	
Elimination of intra-group transactions		(1,151,128)			- Ignore inter-group eliminations associated with CREIT, LHI and US fund
Revenue		<u>8,948,104</u>	<u>6,187,579</u>	<u>6,260,972</u>	



Reconciliation to core earnings from reported

	Reported earnings 2017 HK\$'000	Core earnings 2017 HK\$'000	Core earnings 2016 HK\$'000	
Net Operating Income				
Net Rental Income - HK	172,941	172,941	180,984	
- Overseas	46,445	-	-	- Ignore, core profit base on distributions of the US fund
Hotel Income - Overseas	621,994	621,994	611,721	
- Others	104,667	104,667	108,904	
- Net rental income from LHI	580,707			- Ignore, core profit base on distributions - Core profit is after intergroup transactions
Income from Champion REIT				
- Management fee income	359,531	359,531	344,458	
- Net rental income	1,906,356			- Ignore, core profit base on distributions
- Distributions		927,973	871,569	- Add back distributions
Income from Langham Hosp. Investments				
- Distributions		270,175	300,802	- Add back distributions
Income from the U.S. Fund base on distributions		-	280,632	- Base on distributions
Other Operations	215,566	215,566	244,878	
- Inter-group adjustments under statutory accounts	(12,792)			- Core profit for other operations is after intergroup transactions
Operating profit	3,995,415	2,672,847	2,943,948	



Reconciliation to core earnings from reported

	Reported earnings 2017 HK\$'000	Core earnings 2017 HK\$'000	Core earnings 2016 HK\$'000	
Operating profit before Dep. and Amortisation	3,995,415	2,672,847	2,943,948	
Depreciation and amortisation	(620,324)	(178,139)	(153,184)	- 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	
Impairment on an available for sale investment	(127,349)	(127,349)	-	
Fair value changes on investment properties	10,876,356			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments	(65,276)			- Ignored in core earnings calculation
Fair value changes of financial assets designated at FVTPL	56,975			- Ignored in core earnings calculation
Impairment on loan receivables	-		(199,143)	
Other income (excluding interest income)	104,955	59,938	62,302	-Exclude other income of CREIT, LHI & US fund
Administrative and other expenses	(458,133)	(438,394)	(377,715)	- Exclude administrative and other expense relating to CREIT, LHI & US fund



Reconciliation to core earnings from reported

	Reported earnings 2017 HK\$'000	Core earnings 2017 HK\$'000	Core earnings 2016 HK\$'000	
Net finance costs				
Finance cost	(660,012)	(139,425)	(133,994)	- Exclude interest expense of CREIT, LHI and US fund
Interest income (Classified as "Other income" on income statement)	89,911	70,513	42,080	- Exclude interest income of CREIT, LHI and US fund
	(570,101)	(68,912)	(91,914)	
Share of results of associates	570	570	438	
Share of results of joint ventures	(26,598)	(26,598)	(20,190)	
Profit before tax	13,166,490	1,893,963	2,562,712	
Income taxes	(377,559)	5,046	(530,786)	- Exclude taxes of CREIT, LHI and US fund,
Net Profit	12,788,931	1,899,009	2,031,926	and taxes related to fair value change on IP
Less: Non-controlling interest	(3,971,079)	(1,034)	9,440	- Exclude non-controlling interest of CREIT, LHI and US fund
Profit Attributable to Shareholders	8,817,852	1,900,043	2,022,486	
Basic earnings per share	\$ 12.83	\$ 2.77	\$ 2.99	