



Great Eagle Holdings

Investor Presentation Q3 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 global gateway cities

Stellar returns and operational performance

- NAV has increased three-fold from HK\$20bn in 2006 to HK\$60bn 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 2017 Interim Results

- During the first half of 2017, the Group's first Cordis hotel in China, Cordis Hongqiao, Shanghai soft-opened in May 2017.
- In terms of development or redevelopment projects, we currently have a total of nine projects in various stages of planning or development, and we have made considerable progress with each of these projects.
- As for asset sales, the Fund has put its office building in Seattle on offer. In Hong Kong, Champion REIT also started exploring the possibility of selling its Langham Place Office. As of today, it is still early to conclude whether any of these disposals will eventually take place.
- On the Group's operational results for the first six months in 2017, core operating income increased by 11.5% to HK1,273.6 million, driven primarily by the improvement in EBITDA from the Hotels Divisions and higher income from Champion REIT. There was also a one-off distribution declared by the China Fund, which we have an investment stake and our share of distribution was included under operating income from other operations.
- Nonetheless, there was a 6.6% drop in distribution from LHI given increased tax and interest expense payments incurred by LHI. There was also a small 0.9% decline in net rental income from our investment properties after our office property in the U.S. was sold in early 2017.
- Share of losses of joint ventures in the first half of 2017 dropped by 28.1% to HK\$15.9 million, attributable to reduced loss for the Miami project as less marketing expense was incurred in the first half of 2017.
- Profit attributable to equity holders rose by 14.8% to HK\$904.1 million in the first half of 2017 (1H 2016: HK\$787.4 million).



2017 Interim Results

		<u>1H 2017</u>	<u>1H 2016</u>	<u>Change</u>	
		HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue					
Rental Income	- HK	99,785	95,677	4,108	4.3%
	- Overseas	1,270	10,718	(9,448)	-88.2%
	- Building mgt fee	12,725	12,603	122	1.0%
Hotel Income					
	- Overseas	1,740,348	1,636,017	104,331	6.4%
	- Others	80,151	72,586	7,565	10.4%
Income from Champion REIT*		624,148	571,710	52,438	9.2%
Income from Langham Hosp. Investments*		127,842	136,836	(8,994)	-6.6%
Other Operations		251,427	249,887	1,540	0.6%
		<u>2,937,696</u>	<u>2,786,034</u>	<u>151,662</u>	5.4%

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



2017 Interim Results

	1H 2017	1H 2016	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Net Rental Income - HK	86,028	84,010	2,018	2.4%
- Overseas	407	3,211	(2,804)	-87.3%
Hotel Income				
- Overseas	252,493	205,860	46,633	22.7%
- Others	45,385	30,002	15,383	51.3%
Income from Champion REIT*				
- Asset management	127,723	119,331	8,392	7.0%
- Dividend income	447,365	398,412	48,953	12.3%
- Agency commission	49,060	53,967	(4,907)	-9.1%
Income from Langham Hosp. Investments*				
- Dividend income	127,842	136,836	(8,994)	-6.6%
Other Operations	137,328	110,612	26,716	24.1%
Income before expenses	1,273,631	1,142,241	131,390	11.5%
Other income	28,994	29,336	(342)	-1.0%
Other expenses	(2,553)	(16,170)	13,617	-84.2%
Depreciation and amortisation	(84,352)	(75,958)	(8,394)	11.1%
Administrative expenses	(198,126)	(177,690)	(20,436)	11.5%

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



2017 Interim Results

	1H 2017	1H 2016	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(64,457)	(67,455)	2,998	-4.3%
Interest income	28,256	31,185	(2,929)	-9.3%
	(36,201)	(36,270)	69	-0.2%
Share of results of associates	182	48	134	n.m.
Share of results of joint ventures	(15,866)	(22,078)	6,212	-28.1%
Profit before taxation	965,709	843,459	122,250	14.5%
Income taxes	(58,834)	(53,286)	(5,548)	10.3%
Net Profit	906,875	790,173	116,702	14.8%
Less: Non-controlling interest	2,772	2,726	46	3.7%
Profit Attributable to Shareholders	904,103	787,447	116,656	14.8%
Basic earnings per share	\$ 1.32	\$ 1.17		12.8%



2017 Interim Results – Breakdown of Income from Champion REIT

	1H 2017	1H 2016	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Dividend received	447,365	398,412	48,953	12.3%
Asset management income	127,723	119,331	8,392	7.0%
Agency commission income & Property management income	49,060	53,967	(4,907)	-9.1%
	<u>624,148</u>	<u>571,710</u>	<u>52,438</u>	9.2%
Distribution Per Unit declared in HK\$	0.11730	0.10940		7.2%
Units held by Great Eagle in 000	3,813,985	3,634,320		4.9%



2017 Interim Results – Distribution from LHI

	<u>1H 2017</u>	<u>1H 2016</u>	<u>Change</u>
Distribution Per Share Stapled Unit declared in HK\$	0.103	0.117	-12.0%
Share Stapled Units held by Great Eagle in 000	1,291,181	1,269,540	1.7%
Share Stapled Units entitled to distribution	1,241,181	1,169,540	6.1%
Dividend received in HK'000s	127,842	136,836	-6.6%



Analysis on change on core income

	1H 2017 \$'000
Change in profit from core business after tax	<u>+ HK\$ mn</u> <u>116,655</u>
Arise from:	
Increase in EBITDA from hotels division	62,016
Increase in distribution income and management fee income from Champion REIT	52,438
Increase in operating income from other operations (distribution received for our share of investment in the China Fund)	26,716
Decrease in losses of Joint Ventures	6,212
Decrease in distribution income from from LHI	(8,994)
Increase in administration and other expenses	(6,819)
Others (mostly due to increased depreciation and taxes)	(14,914)
Change in profit from core business after tax	<u>116,655</u>



Discount to NAV

Financials

NAV based on statutory accounting principles (June 2017)

	HK\$m	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	6,638	9.7	11%
Hotels All valued at cost less depreciation	HK\$m 15,022	21.8	25%
Investment in JVs - Dalian and Miami project	1,217	1.8	2%
Pak Shek Kok Development project (on cost incurred)	2,821	4.1	5%
	HK\$m	HK\$/shr	
Statutory accounting treatments for Champion REIT and LHI			
Investment in Champion REIT:			
-65.6% share of Champion's Net Assets	36,157	52.6	61%
Investment in U.S. Real Estate Fund			
- 50.0% share of Fund's NAV	455	0.7	1%
Investment in Langham Hospitality Investments (LHI):			
Net liabilities from three HK hotels (calculated as book cost of the hotels less debt)	(1,685)	(2.4)	-3%
	34,927	50.8	59%
Other net (liabilities)/assets	(1,031)	(1.5)	-2%
Total	59,594	86.65	100%
Net debt	(18)	(0.03)	n/a
Great Eagle's NAV	59,576	86.62	

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	6,638	9.7	10%
Hotels All valued at cost less depreciation	HK\$m 15,022	21.8	22%
Investment in JVs - Dalian and Miami project	1,217	1.8	2%
Pak Shek Kok Development project (on cost incurred)	2,821	4.1	4%
	HK\$m	HK\$/shr	
Share of net assets of Champion REIT and LHI			
Investment in Champion REIT:			
-65.6% share of Champion's Net Assets	36,157	52.6	53%
Investment in U.S. Real Estate Fund			
- 50.0% share of Fund's NAV	455	0.7	1%
-62.1% share of LHI's Net Assets			
Based on appraised valuation of LHI's hotels	7,361	10.7	11%
	43,973	63.9	64%
Other net (liabilities)/assets	(1,031)	(1.5)	-2%
Total	68,640	99.80	100%
Net debt	(18)	(0.03)	n/a
Great Eagle's NAV	68,622	99.77	



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	60,624	(9,293)	51,331	15.3%	18.1%	1,446	253	5.7
Overseas Assets	12,548	(4,300)	8,248	34.3%	52.1%	268	52	5.2
Group Total	73,172	(13,593) ^(c)	59,579	18.6%	22.8%	1,714	305	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	57,244	3,776	61,020	n/a	n/a	824	24	34.3
Overseas Assets	11,396	(3,794)	7,602	33.3%	49.9%	278	34	8.2
Group Total	68,640	(18) ^(c)	68,622	0.0%	0.0%	1,102	58	19.0

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 June 2017

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Cap rate	Change from end of Dec 2016
Great Eagle Centre				
Office	193,271	22,709	3.3%	10.9%
Retail	55,944	9,402	4.8%	0.0%
3rd floor	20,959	11,165		10.9%
Carparks (nos/unit price)	296	989,865		10.2%
Signage (gross value in HK\$mn)		147		-8.1%
Eaton House				
Wanchai Gap Road	34,915	10,168	3.8%	4.7%
Village Road	23,350	9,507	3.6%	5.7%
Blue Pool Road	33,700	11,128	3.3%	5.3%
Convention Plaza apartments	5,817	16,606		4.7%

Langham Hospitality Group





The Langham, London



The Langham, Boston



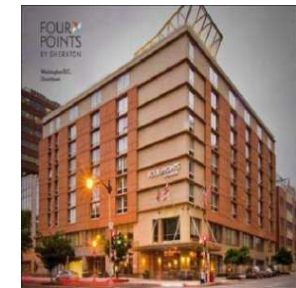
The Langham, Melbourne



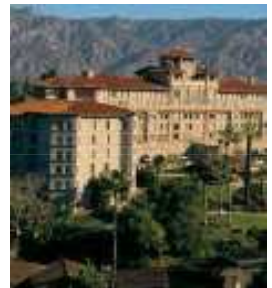
The Langham, Sydney



The Langham, Auckland



Washington D.C. hotel



The Langham, Pasadena



The Langham, Xintiandi



Chelsea Hotel, Toronto



Langham Place, New York



The Langham, Chicago



Cordis, Hongqiao

Pipeline hotels:

- ✓ The Langham, Dalian
- ✓ The Langham, Tokyo
- ✓ Two Hotels in San Francisco
- ✓ Eaton Seattle

To be opened over 2018-2021.

North America

-Improved performance led by EBITDA growth at hotels in Chicago and Toronto

Europe

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

Australia/New Zealand

-Hotels in Sydney and Auckland delivered strong profit growth, while performance of Melbourne property was steady

China

- Impacted by a one-off pre-opening charge for Cordis, Hongqiao



Hotel portfolio – 1H 2017 Operational Statistics

Occupancy			Average Room Rate			RevPar		
1H 2017	1H 2016	Change	1H 2017	1H 2016	Change	1H 2017	1H 2016	Change

Owned by subsidiary LHI

Hong Kong

The Langham, Hong Kong	85.6%	84.2%	1.4ppt	\$2,086	\$2,078	0.4%	\$1,787	\$1,749	2.1%
Cordis, Hong Kong	91.6%	85.4%	6.2ppt	\$1,590	\$1,610	-1.3%	\$1,456	\$1,374	5.9%
Eaton Hotel, Hong Kong	96.9%	92.2%	4.7ppt	\$945	\$963	-1.9%	\$915	\$888	3.1%

Wholly-owned hotels

Europe

The Langham, London	73.1%	81.8%	- 8.8ppt	£307	£274	12.1%	£224	£224	0.1%
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North America

The Langham, Boston	75.2%	76.8%	- 1.6ppt	\$285	\$278	2.6%	\$215	\$214	0.4%
The Langham, Huntington Pasadena	70.4%	74.5%	- 4.1ppt	\$284	\$279	1.6%	\$200	\$208	-3.8%
The Langham, Chicago	69.5%	63.8%	5.8ppt	\$370	\$355	4.1%	\$257	\$226	13.5%
Langham Place, Fifth Avenue, New York	72.1%	63.7%	8.3ppt	\$499	\$497	0.4%	\$360	\$317	13.5%
Chelsea Hotel, Toronto	70.5%	70.5%	0.1ppt	\$153	\$141	9.0%	\$108	\$99	9.1%

Pacific

The Langham, Melbourne	85.7%	86.5%	- 0.9ppt	\$305	\$299	1.8%	\$261	\$259	0.8%
The Langham, Sydney	79.4%	66.3%	13.2ppt	\$431	\$436	-1.3%	\$342	\$289	18.4%
The Langham, Auckland	93.0%	90.1%	2.8ppt	\$245	\$205	19.0%	\$227	\$185	22.8%

China

The Langham, Xintiandi, Shanghai	71.0%	69.9%	1.1ppt	¥ 1,743	¥ 1,768	-1.4%	¥ 1,237	¥ 1,237	0.1%
Cordis, Hongqiao*	22.7%	-	n.a.	¥ 875	-	n.a.	¥ 199	-	n.a.

* Soft-opened in May 2017



Hotel portfolio – 1H 2017 Room and F&B revenue growth (in local currency)

	Room revenue growth YTD-June 2017	F&B revenue growth YTD-June 2017
The Langham, London	40%	9%
The Langham, Boston	0%	7%
The Langham, Huntington Pasadena	-5%	-10%
The Langham, Chicago	13%	13%
The Langham Place, Fifth Avenue	5%	-32%
Delta Chelsea Toronto	9%	15%
The Langham, Melbourne	0%	11%
The Langham, Sydney	42%	-18%
The Langham, Auckland	22%	3%
The Langham, Xintiandi, Shanghai	-1%	31%



Hotel portfolio – Profit contribution

	1H 2017 in 'mn in LC	1H 2016 in 'mn in LC	Change	in HK\$	
<u>Owned Hotels</u>				1H 2017 in 'mn	Contribution to hotel profits
Europe					
UK (The Langham, London)	£4.0	£2.3	74.1%	39.2	16%
North America					
U.S. (The Langham, Boston, The Langham, Chicago, Langham Place Fifth Avenue, NY and The Langham, Huntington, Pasadena)	US\$5.9	US\$5.6	5.3%	45.7	18%
Canada (Chelsea)	C\$9.7	C\$6.0	61.3%	56.8	22%
Australia/New Zealand					
Australia (The Langham, Melbourne and Sydney)	A\$5.7	A\$4.9	15.6%	33.6	13%
New Zealand (The Langham, Auckland)	N\$7.6	N\$5.3	44.0%	42.0	17%
China					
The Langham, Xintiand and Cordis, Hongqiao	RMB31.1	RMB38.5	-19.2%	35.1	14%
<u>Total in HK\$' mn</u>	<u>\$252.5</u>	<u>\$205.9</u>	<u>22.6%</u>	<u>252.5</u>	<u>100%</u>



Hotel portfolio – Currency impact

	<u>Jun-17</u>	<u>Jun-16</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	9.7830	11.1362	-12.2%	(5.4)
CAD	5.8364	5.8436	-0.1%	(0.1)
AUD	5.8750	5.6989	3.1%	1.0
USD	7.7736	7.7676	0.1%	0.0
NZD	5.5034	5.2614	4.6%	1.8
RMB	1.1307	1.1884	-4.9%	(3.0)
Total				- HK\$ 5.6 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



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

2018	Rooms	Status
Eaton, Washington D.C.	224	Owned hotel
The Langham, Chongqing	174	Agreement
The Langham, Hefei	338	Agreement
Langham Place, Dubai	437	Agreement
Langham Place, Changsha	296	Agreement
Cordis, Ningbo, Dongqian Lake	162	Agreement
2019	Rooms	Status
The Langham, Dalian	360	50% interest
Langham Place, Datong	327	Agreement
Cordis, Hangzhou	184	Agreement
Cordis, Shanghai East Bund	155	Agreement
The Langham, Jeddah	278	Agreement
Langham Place, Lusail Doha	238	Agreement
The Langham, Jakarta	210	Agreement
2020 and after	Rooms	Status
The Langham, Tokyo	250	Owned hotel
Eaton, San Francisco	150	Owned hotel
Langham Place Bali	120	Agreement
The Langham, Bangkok	250	Agreement
Langham Place Wade Park, Dallas	260	Agreement
the Langham, 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





2017 Interim Results - Rental income breakdown

	Gross rental income			Net rental income		
	1H 2017	1H 2016	Growth (%)	1H 2017	1H 2016	Growth (%)
(in HK\$ mn)						
Hong Kong Investment Properties						
Great Eagle Centre	69.1	69.8	(1.0)	67.6	68.1	(0.7)
Eaton Residence Apartments	26.2	24.4	7.4	17.0	14.8	14.9
Others* (Building mgt income, rental income at 2700 Ygnacio and convention plaza)	18.5	24.8	(25.4)	1.8	4.3	(58.1)
Total	113.8	119.0	(4.4)	86.4	87.2	(0.9)

* 2700 Ygnacio was sold in early 2017

- In the first half of 2017, overall net rental income from our investment properties dropped by 0.9% to HK\$86.4 million, which was primarily due to reduced rental income contribution from our office property in the U.S., which was included in “others” 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 from the corporate segment helped boost the occupancy of the Eaton Residence portfolio from 75.3% in the first half of 2016 to 83.1% in the first half of 2017. Gross rental income rose by 7.4% year-on-year to HK\$26.2 million in the first half of the 2017.



U.S. Fund

The Austin, San Francisco

The project is expected to complete in the second half of 2017. Since the first quarter of 2017, the residence units have been formally launched to the brokerage and buyer community. Thus far, they have received keen response from buyers with about one-third of the 100 units presold at the end of July 2017 with prices exceeding those projects in the immediate vicinity.

Cavalleri, Malibu

Refurbishment on the Cavalleri is expected to complete in late 2017. The project has been launched to the market and thus far poor responses were noted from individual buyers in the vicinity. Therefore, the Fund will also target other type of buyers, including institutional and overseas buyers given the high quality of the project and its covetous location.

Dexter Horton, Seattle

After the Fund had successfully completed its value-added strategy on this building by reshuffling the tenant mix towards more of tenants from technology sector who pay higher rents, the Fund has put it on offer since late July this year.

The Group booked HK\$26.9 million (1H 2016: HK\$24.1 million) in asset management fee income from the U.S. Fund for the first half of 2017, which was included in “operating income from other operations”.



Development projects

Dalian Mixed-use Development Project

- During the first half of 2017, 15 apartments in the first batch of pre-sold apartments were completed and handed to buyers, bringing the accumulated number of apartments sold to 242 as at the end of June 2017. There was a after-tax loss of HK\$15 million for our interest in the project in the first half of 2017.

Tokyo Hotel Redevelopment Project

- Earlier this year, we learnt that a small site of 111 sq. m. immediately adjacent to our acquired site became available through a private sale process, and we have agreed to purchase it for JPY0.47 billion. Hence, development plan for the hotel is being redesigned to account for the additional footage.

Pak Shek Kok Residential Development Project

- Works on the basement and foundation have been finished in July 2017 and superstructure works have been commenced right after.

U.S. hotel and mixed-use redevelopment projects

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



Outlook for the Group's results

As for the Hotels Division, EBITDA of the overseas hotels in the second half of 2017 will continue to be a mixed one. As operations at Cordis, Hongqiao continue to ramp up, revenue from the hotel will increase further in the second half of 2017, but as the hotel is still in the process of building its occupancy rate, it will incur a loss in 2017.

Meanwhile, growth momentum remains intact with our renovated hotels and our hotels in cities where there are strong convention activities, but some of our hotels are still facing challenging market conditions.

Gross rental income from our investment properties will decline in 2H 2017 as compared with that in 1H 2017, given the absence of rental income contribution from Great Eagle Centre office space that has been taken for our in-house expansion. Excluding the impact of the one-off income, income from other operations is expected to be steady in the second half of 2017 as compared with that witnessed in the first half period.

For Champion REIT, positive rental reversion for the office portfolio is expected to sustain in 2H 2017. However, downside pressure persists on the base rent of Langham Place Mall.

For LHI, a large scale refurbishment at Eaton, Hong Kong which began in July 2017, will eliminate almost all of its food and beverage business in 2H 2017, whereas higher interest expense and cash tax payment will continue to impact on its distributable income in 2H 2017.



Reconciliation to core earnings from reported

	Reported earnings	Core earnings	Core earnings	
	1H 2017	1H 2017	1H 2016	
	HK\$'000	HK\$'000	HK\$'000	
Gross Revenue				
Rental Income				
- HK	99,785	99,785	95,677	
- Overseas	1,270	1,270	10,718	
- Building mgt fee inc	12,725	12,725	12,603	
Hotel Income				
- HK hotels revenue	744,899	-	-	- Core revenue ignores revenue of HK hotels after the spin off
- Overseas	1,740,348	1,740,348	1,636,017	
- Others	80,151	80,151	72,586	
Income from Champion REIT				
- Management fee income	176,783	176,783	173,298	
- Gross rental income	1,317,684			- Ignore, core profit base on distributions
- Distributions		447,365	398,412	- Add back distributions of Champion REIT
Income from Langham Hosp. Investments				
- Gross rental income	332,814			- Ignore, core profit base on distributions
- Distributions		127,842	136,836	- Add back distributions of LHI
Income from U.S. Real Estate Fund	35,167			- Ignore, core profit base on distributions
Other Operations	251,427	251,427	249,887	
Elimination of intra-group transactions	(576,411)			- Ignore intra-group elimination associated with CREIT, LHI and US fund
Revenue	<u>4,216,642</u>	<u>2,937,696</u>	<u>2,786,034</u>	



Reconciliation to core earnings from reported

	Reported earnings 1H 2017 HK\$'000	Core earnings 1H 2017 HK\$'000	Core earnings 1H 2016 HK\$'000	
Net Operating Income				
Net Rental Income - HK	86,028	86,028	84,010	
- Overseas	407	407	3,211	
Hotel Income - Overseas	252,493	252,493	205,860	
- Others	45,385	45,385	30,002	
Income from Champion REIT				
- Management fee income	176,783	176,783	173,298	
- Net rental income	936,634			- Ignore net rental income, core profit base on distributions
- Distributions		447,365	398,412	- Add back distributions of Champion REIT
Income from Langham Hosp. Investments	278,596			- Ignore income of the HK hotels, base on distributions
- Distributions		127,842	136,836	- Add back distributions of LHI
Operating income from U.S. Real Estate Fund	16,906			- Ignore operating income of US fund, core profit base
Other Operations	137,328	137,328	110,612	on distributions (note there is no distribution from
Elimination of intra-group transactions	(26,690)			the US fund in 1H 2017)
Operating profit	1,903,870	1,273,631	1,142,241	



Reconciliation to core earnings from reported

	Reported earnings 1H 2017 HK\$'000	Core earnings 1H 2017 HK\$'000	Core earnings 1H 2016 HK\$'000	
Operating profit before Dep. and Amortisation	1,903,870	1,273,631	1,142,241	
Depreciation and amortisation	(298,912)	(84,352)	(75,958)	- Exclude depreciation of CREIT and LHI, add back depreciation, relating to hotel land and buildings
Fair value changes on investment properties	4,432,739			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments* (HK\$114.09 mn less a realised loss of HK\$2.553 mn reclassified as "other expenses")	(111,537)			- Ignored in core earnings calculation
Fair value changes of financial assets designated at FVTPL	22,460			- Ignored in core earnings calculation
Other income (excluding interest income)	76,122	28,993	29,336	- Ignore other income of CREIT, LHI and the US fund less unrealised gain on foreign currency deposits
other expenses (included in fair value changes of derivative financial instruments under statutory accounts*)	(2,553)	(2,553)	(16,170)	- Add back realised loss on foreign currency contracts
Administrative expenses	(215,135)	(198,126)	(177,690)	- Exclude admin. expense of CREIT, LHI and US fund



Reconciliation to core earnings from reported

	Reported earnings 1H 2017 HK\$'000	Core earnings 1H 2017 HK\$'000	Core earnings 1H 2016 HK\$'000	
Net finance costs				
Finance cost	(313,222)	(64,457)	(67,455)	- Exclude interest expense of CREIT, LHI and US fund
Interest income (Classified as "Other income" on income statement)	39,171 (274,051)	28,256 (36,201)	31,185 (36,270)	- Exclude interest income of CREIT, LHI, US fund
Share of results of associates	182	182	48	
Share of results of joint ventures	(15,866)	(15,866)	(22,078)	
Profit before tax	5,517,319	965,709	843,459	
Income taxes	(215,666)	(58,834)	(53,286)	- Exclude taxes of CREIT, LHI and US fund
Net Profit	5,301,653	906,875	790,173	
Less: Non-controlling interest	1,615,921	2,772	2,726	- Exclude non-controlling interest of CREIT, LHI and US fund
Profit Attributable to Shareholders	3,685,732	904,103	787,447	
Basic earnings per share	\$ 5.37	\$ 1.32	\$ 1.17	