



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

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

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



## 2017 Interim Results

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

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





## 2017 Interim Results

|  | <b>1H 2017</b> | <b>1H 2016</b> | <b>Change</b> |        |
|--|----------------|----------------|---------------|--------|
|  | HK\$'000       | HK\$'000       | HK\$'000      | %      |
| <b>Net finance costs</b>                   |                |                |               |        |
| 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%  |
| <b>Share of results of associates</b>      | 182            | 48             | 134           | n.m.   |
| <b>Share of results of joint ventures</b>  | (15,866)       | (22,078)       | 6,212         | -28.1% |
| <b>Profit before taxation</b>              | 965,709        | 843,459        | 122,250       | 14.5%  |
| <b>Income taxes</b>                        | (58,834)       | (53,286)       | (5,548)       | 10.3%  |
| <b>Net Profit</b>                          | 906,875        | 790,173        | 116,702       | 14.8%  |
| <b>Less: Non-controlling interest</b>      | 2,772          | 2,726          | 46            | 3.7%   |
| <b>Profit Attributable to Shareholders</b> | 904,103        | 787,447        | 116,656       | 14.8%  |
| <b>Basic earnings per share</b>            | \$ 1.32        | \$ 1.17        |               | 12.8%  |



## 2017 Interim Results – Breakdown of Income from Champion REIT

|  | <b>1H 2017</b>        | <b>1H 2016</b>        | <b>Change</b>        |       |
|--|-----------------------|-----------------------|----------------------|-------|
|  | HK\$'000              | HK\$'000              | HK\$'000             | %     |
| Dividend received  | <b>447,365</b>        | <b>398,412</b>        | 48,953               | 12.3% |
| Asset management income                                  | <b>127,723</b>        | <b>119,331</b>        | 8,392                | 7.0%  |
| Agency commission income &<br>Property management income | <b>49,060</b>         | <b>53,967</b>         | (4,907)              | -9.1% |
|  | <b><u>624,148</u></b> | <b><u>571,710</u></b> | <b><u>52,438</u></b> | 9.2%  |
| <b>Distribution Per Unit declared in HK\$</b>            | <b>0.11730</b>        | <b>0.10940</b>        |                      | 7.2%  |
| <b>Units held by Great Eagle in 000</b>                  | <b>3,813,985</b>      | <b>3,634,320</b>      |                      | 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\$ | <b>0.103</b>     | <b>0.117</b>     | -12.0%        |
| Share Stapled Units held by Great Eagle in 000       | <b>1,291,181</b> | <b>1,269,540</b> | 1.7%          |
| Share Stapled Units entitled to distribution         | <b>1,241,181</b> | <b>1,169,540</b> | 6.1%          |
| Dividend received in HK'000s                         | <b>127,842</b>   | <b>136,836</b>   | -6.6%         |





## Analysis on change on core income

|  | 1H 2017<br>\$'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)                        |
| <b>Change in profit from core business after tax</b>   | <u><b>116,655</b></u>           |



## Discount to NAV

## Financials

## NAV based on statutory accounting principles (June 2017)

|   | HK\$m         | HK\$/shr     | % of Total  |
|---|---------------|--------------|-------------|
| Investment properties<br>Appraised valuation by independent valuer                        | 6,638         | 9.7          | 11%         |
| Hotels<br>All valued at cost less depreciation  | 15,022        | 21.8         | 25%         |
| Investment in JVs - Dalian and Miami project  | 1,217         | 1.8          | 2%          |
| Pak Shek Kok Development project<br>(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<br>(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%         |
| <b>Total</b>  | <b>59,594</b> | <b>86.65</b> | <b>100%</b> |
| Net debt  | (18)          | (0.03)       | n/a         |
| <b>Great Eagle's NAV</b>  | <b>59,576</b> | <b>86.62</b> |             |

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<br>Appraised valuation by independent valuer | 6,638         | 9.7          | 10%         |
| Hotels<br>All valued at cost less depreciation                     | 15,022        | 21.8         | 22%         |
| Investment in JVs - Dalian and Miami project                       | 1,217         | 1.8          | 2%          |
| Pak Shek Kok Development project<br>(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%         |
| <b>Total</b>   | <b>68,640</b> | <b>99.80</b> | <b>100%</b> |
| Net debt   | (18)          | (0.03)       | n/a         |
| <b>Great Eagle's NAV</b>   | <b>68,622</b> | <b>99.77</b> |             |



## 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> | 60,624              | (9,293)                 | 51,331     | 15.3%         | 18.1%   | 1,446  | 253                  | 5.7            |
| <b>Overseas Assets</b>       | 12,548              | (4,300)                 | 8,248      | 34.3%         | 52.1%   | 268    | 52                   | 5.2            |
| <b>Group Total</b>           | 73,172              | (13,593) <sup>(c)</sup> | 59,579     | 18.6%         | 22.8%   | 1,714  | 305                  | 5.6            |

### (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 expense | Interest Cover |
|------------------------------|---------------------|---------------------|------------|------------------------------|------------------------|-------------|----------------------|----------------|
| <b>Hong Kong/ PRC Assets</b> | 57,244              | 3,776               | 61,020     | n/a                          | n/a                    | 824         | 24                   | 34.3           |
| <b>Overseas Assets</b>       | 11,396              | (3,794)             | 7,602      | 33.3%                        | 49.9%                  | 278         | 34                   | 8.2            |
| <b>Group Total</b>           | 68,640              | (18) <sup>(c)</sup> | 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<br>HK\$/psf | Cap rate | Change from<br>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

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The Langham, London



The Langham, Boston



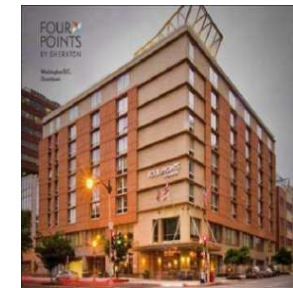
The Langham, Melbourne



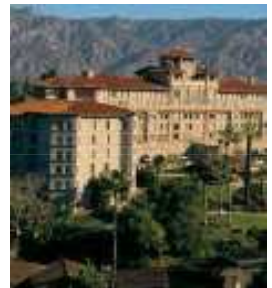
The Langham, Sydney



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% |
|---------------------|-------|-------|----------|------|------|-------|------|------|------|

#### 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<br>YTD-June 2017 | F&B revenue growth<br>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<br>in 'mn<br>in LC | 1H 2016<br>in 'mn<br>in LC | Change       | in HK\$           |                                  |
|---|----------------------------|----------------------------|--------------|-------------------|----------------------------------|
| <u>Owned Hotels</u>   |                            |                            |              | 1H 2017<br>in 'mn | Contribution to<br>hotel profits |
| <b>Europe</b>   |                            |                            |              |                   |                                  |
| UK (The Langham, London)  | £4.0                       | £2.3                       | 74.1%        | 39.2              | 16%                              |
| <b>North America</b>  |                            |                            |              |                   |                                  |
| U.S. (The Langham, Boston, The Langham, Chicago, Langham Place<br>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%                              |
| <b>Australia/New Zealand</b>  |                            |                            |              |                   |                                  |
| 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%                              |
| <b>China</b>  |                            |                            |              |                   |                                  |
| 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<br>(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

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## 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)  |                     |              |              |                   |             |              |
| <b>Hong Kong Investment Properties</b>  |                     |              |              |                   |             |              |
| 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)       |
| <b>Total</b>  | <b>113.8</b>        | <b>119.0</b> | <b>(4.4)</b> | <b>86.4</b>       | <b>87.2</b> | <b>(0.9)</b> |

\* 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

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### 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<br>1H 2017<br>HK\$'000 | Core earnings<br>1H 2017<br>HK\$'000 | Core earnings<br>1H 2016<br>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<br>1H 2017<br>HK\$'000 | Core earnings<br>1H 2017<br>HK\$'000 | Core earnings<br>1H 2016<br>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<br>1H 2017<br>HK\$'000 | Core earnings<br>1H 2017<br>HK\$'000 | Core earnings<br>1H 2016<br>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*<br>(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<br>1H 2017<br>HK\$'000 | Core earnings<br>1H 2017<br>HK\$'000 | Core earnings<br>1H 2016<br>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<br>"Other income" on income statement) | 39,171<br>(274,051)                      | 28,256<br>(36,201)                   | 31,185<br>(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                              |  |