



Great Eagle Holdings

Investor Presentation Q3 2019



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 more than four-fold from HK\$20bn in 2006 to HK\$82bn as at the end of June 2019
- Strong financial position as at the end of June 2019

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 2019 Interim Results

- The Group has successfully launched ONTOLO, our 723-units luxury residential development project in Pak Shek Kok, Hong Kong. The launch, which took place at a time of large-scale protests across Hong Kong, managed to receive an overwhelmingly positive market response. The 362-rolled out units were a number of times oversubscribed and achieved almost a complete sell out.
- Furthermore, we have successfully disposed of all the remaining units along with Phase II of the Dalian mixed-use development project to an independent third party in July 2019. Gain on sale attributable to the Group will be booked in two stages, with approximately HK\$70 million targeted in the second half of 2019, and the remaining profit of approximately HK\$180 million targeted for 2020 only upon receipt of residual amount.
- In terms of acquisition, we have acquired a small car park site in front of our existing site in Seattle for US\$7.5 million in June 2019. This site will serve as auxiliary car parking facilities of our upcoming project.
- As for the first half of 2019, core operating income increased by 2.1% to HK\$1,318.0 million in the first half of the year, as higher income from Champion REIT had more than offset the decreases in EBITDA of the Hotels Division, net rental income and distribution from LHI.
- Other income of the Group declined by 92.4% to HK\$4.5 million in the first half of 2019, which was due to a high base for comparison. Administrative and other expenses rose by 30.6% to HK\$279.8 million in the first half of 2019 (1H 2018: HK\$214.3 million), the increase was mainly attributable to the write-off of fixed assets related to The Langham, Boston, which is undergoing major renovation works.
- As sale of individual residential units at the Dalian project was put on hold in preparation for a project sale, this has resulted in increased loss incurred for the Dalian development project in the first half of 2019. Hence, share of losses of joint ventures rose by 132.9% to HK\$17.0 million in the first half period. Profit attributable to equity holders dropped by 9.5% to HK\$820.5 million in the first half of 2019 (1H 2018: HK\$906.9 million).



2019 Interim Results

		1H 2019	1H 2018	Change	
		HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue					
Rental Income	- HK	98,980	101,368	(2,388)	-2.4%
	- Building mgt fee	12,994	12,952	42	0.3%
Hotel Income					
	- Overseas	1,937,142	1,972,912	(35,770)	-1.8%
	- Others	86,254	87,571	(1,317)	-1.5%
Income from Champion REIT*		737,570	670,875	66,695	9.9%
Income from Langham Hosp. Investments*		116,558	118,032	(1,474)	-1.2%
Other Operations		222,152	182,010	40,142	22.1%
		<u>3,211,650</u>	<u>3,145,720</u>	<u>65,930</u>	2.1%

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



2019 Interim Results

	<u>1H 2019</u>	<u>1H 2018</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Net Rental Income - HK	87,076	90,142	(3,066)	-3.4%
Hotel Income				
- Overseas	251,725	308,003	(56,278)	-18.3%
- Others	52,698	49,851	2,847	5.7%
Income from Champion REIT*				
- Asset management	151,514	141,211	10,303	7.3%
- Dividend income	516,942	480,787	36,155	7.5%
- Agency commission	69,114	48,877	20,237	41.4%
Income from Langham Hosp. Investments*				
- Dividend income	116,558	118,032	(1,474)	-1.2%
Other Operations	72,358	53,813	18,545	24.1%
Income before expenses	1,317,985	1,290,716	27,269	2.1%
Other income	4,473	59,399	(54,926)	-1.0%
Depreciation and amortisation	(145,766)	(115,442)	(30,324)	26.3%
Administrative and other expenses	(279,835)	(214,314)	(65,521)	30.6%

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



2019 Interim Results

	1H 2019	1H 2018	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(86,478)	(86,575)	97	-4.3%
Interest income	81,289	60,109	21,180	-9.3%
	(5,189)	(26,466)	21,277	-80.4%
Share of results of associates	449	362	87	n.m.
Share of results of joint ventures	(16,958)	(7,297)	(9,661)	132.4%
Profit before taxation	875,159	986,958	(111,799)	-11.3%
Income taxes	(53,746)	(81,273)	27,527	10.3%
Net Profit	821,413	905,685	(84,272)	-9.3%
Less: Non-controlling interest	899	(1,165)	2,064	3.7%
Profit Attributable to Shareholders	820,514	906,850	(86,336)	-9.5%
Basic earnings per share	\$ 1.17	\$ 1.30		



2019 Interim Results – Breakdown of Income from Champion REIT

	1H 2019	1H 2018	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Dividend received	516,942	480,787	36,155	7.5%
Asset management income	151,514	141,211	10,303	7.3%
Agency commission income & Property management income	69,114	48,877	20,237	41.4%
	<u>737,570</u>	<u>670,875</u>	<u>66,695</u>	9.9%
Distribution Per Unit declared in HK\$	0.13350	0.12530		6.5%
Units held by Great Eagle in 000	3,872,228	3,837,085		0.9%



2019 Interim Results – Distribution from LHI

	<u>1H 2019</u>	<u>1H 2018</u>	<u>Change</u>
Distribution Per Share Stapled Unit declared in HK\$	0.087	0.090	-3.3%
Share Stapled Units held by Great Eagle in 000	1,339,751	1,311,471	2.2%
Shareholdings in LHIL	66.10%	62.48%	5.8%
Dividend received in HK'000s	116,558	118,032	-1.2%



Analysis on change on core income

	1H 2019 \$'000
Change in profit from core business after tax	<u>(86,336)</u>
Arise from:	
Increase in administration and other expenses (include HK\$40.9mn in fixed asset written off at The Langham, Boston)	(65,521)
Decrease in other income (primarily due to absence of amortisation income of historical tax credit)	(54,926)
Decrease in EBITDA from hotels division	(53,431)
Increase in losses of Joint Ventures	(9,661)
Increase in distribution income and management fee income from Champion REIT	66,695
Decrease in net finance cost	21,277
Increase in operating income from other operations	18,545
Others (mostly due to increased depreciation)	(9,314)
Change in profit from core business after tax	<u>(86,336)</u>



Discount to NAV

Financials

NAV based on statutory accounting principles (June 2019)

	HK\$m	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	7,672	11.0	11%
Hotels All valued at cost less depreciation	15,484	22.2	22%
Investment in JVs - Dalian and Miami project	1,423	2.0	2%
Pak Shek Kok Development project (on cost incurred)	4,400	6.3	6%
	HK\$m	HK\$/shr	
Statutory accounting treatments for Champion REIT and LHI			
Investment in Champion REIT: -66.10% share of Champion's Net Assets	46,285	66.2	64%
Investment in U.S. Real Estate Fund - 49.97% share of Fund's NAV	432	0.6	1%
Investment in Langham Hospitality Investments (LHI): Net liabilities from three HK hotels (calculated as book cost of the hotels less debt)	(1,988)	(2.8)	-3%
	44,729	64.0	62%
Other net (liabilities)/assets	(1,848)	(2.6)	-3%
Total	71,860	102.86	100%
Net debt	(149)	(0.21)	
Great Eagle's NAV	71,711	102.64	

Discount to NAV based on share price of HK\$30

-71%

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	7,672	11.0	9%
Hotels All valued at cost less depreciation	15,484	22.2	19%
Investment in JVs - Dalian and Miami project	1,423	2.0	2%
Pak Shek Kok Development project (on cost incurred)	4,400	6.3	5%
	HK\$m	HK\$/shr	
Share of net assets of Champion REIT and LHI			
Investment in Champion REIT: -66.10% share of Champion's Net Assets	46,285	66.2	56%
Investment in U.S. Real Estate Fund - 49.97% share of Fund's NAV	432	0.6	1%
-63.14% share of LHI's Net Assets			
Based on appraised valuation of LHI's hotels	8,089	11.6	10%
	54,806	78.4	67%
Other net (liabilities)/assets	(1,848)	(2.6)	-2%
Total	81,937	117.28	100%
Net debt	(149)	(0.21)	
Great Eagle's NAV	81,788	117.07	

Discount to NAV based on share price of HK\$30

-74%



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	72,469	(10,398)	62,071	14.3%	16.8%	1,593	324	4.9
Overseas Assets	12,325	(2,685)	9,640	21.8%	27.9%	204	42	4.9
Group Total	84,794	(13,083) ^(c)	71,711	15.4%	18.2%	1,797	366	4.9

(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	69,941	2,730	72,671	n/a	n/a	870	7	124.3
Overseas Assets	11,996	(2,879)	9,117	24.0%	31.6%	218	33	6.6
Group Total	81,937	(149) ^(c)	81,788	0.2%	0.2%	1,088	40	27.2

Notes:

- (a) Core financial positions is arrived at sharing the net assets of Champion REIT, LHI and the US Fund. Core EBITDA and net interest expenses are arrived at the Group's profit from core business, and in particular based on dividend entitlement from the 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 amounting to HK\$984 mn.



Valuation – Investment properties

Financials

As at the end of June 2019

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Cap rate	Change from end of Dec 2018
Great Eagle Centre				
Office	193,271	26,776	2.9%	0.2%
Retail	55,944	10,099	4.5%	0.5%
3rd floor	20,959	13,169		0.4%
Carparks (nos/unit price)	296	1,300,676		0.8%
Signage (gross value in HK\$mn)		137		0.0%
Eaton House				
Wanchai Gap Road	34,915	11,428	3.7%	4.5%
Village Road	23,350	10,407	3.5%	2.5%
Blue Pool Road	33,700	11,602	3.2%	2.4%
Convention Plaza apartments	5,817	17,397		0.8%

Langham Hospitality Group





The Langham, London



The Langham, Boston



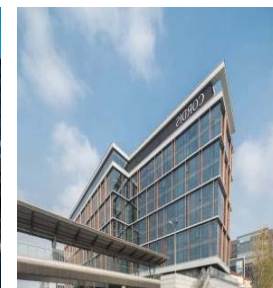
The Langham, Melbourne



The Langham, Sydney



Cordis, Auckland



Cordis, Hongqiao



The Langham, Pasadena



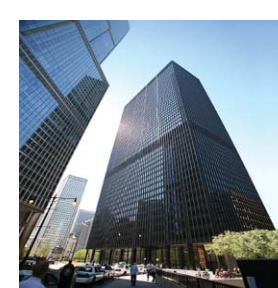
The Langham, Xintiandi



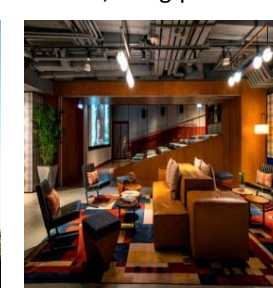
Chelsea Hotel, Toronto



The Langham, New York



The Langham, Chicago



Eaton, Washington D.C.

North America

Improved performances of The Langham, New York, Fifth Avenue, The Langham, Chicago and The Langham Huntington, Pasadena were not enough to offset loss at The Langham, Boston, which has been closed in April for renovations and ramp-up loss at Eaton Washington D.C.

Europe

Improve average room rates boosted profit for the Langham London

Australia/New Zealand

Declines in RevPAR at The Langham, Melbourne and The Langham, Sydney resulted in reduced EBITDA

China

Substantial improvement in RevPAR at the Cordis, Hongqiao, as the hotel continued to ramp up boosted EBITDA



Hotel portfolio – 1H 2019 Operational Statistics

Occupancy			Average Room Rate			RevPar		
1H 2019	1H 2018	Change	1H 2019	1H 2018	Change	1H 2019	1H 2018	Change

Owned by subsidiary LHI

Hong Kong

The Langham, Hong Kong	90.0%	90.6%	-0.6%	\$2,169	\$2,270	-4.5%	\$1,952	\$2,057	-5.1%
Cordis, Hong Kong	94.4%	95.2%	-0.8%	\$1,737	\$1,749	-0.7%	\$1,640	\$1,666	-1.6%
Eaton HK	86.6%	90.3%	-3.7%	\$1,063	\$1,025	3.7%	\$920	\$925	-0.5%

Wholly-owned hotels

Europe

The Langham, London	72.9%	74.1%	-1.1%	£356	£336	6.0%	£260	£249	4.4%
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North America

The Langham, Boston	59.2%	74.7%	-15.4%	\$233	\$290	-19.7%	\$138	\$217	-36.3%
The Langham, Huntington Pasadena	68.3%	72.2%	-3.9%	\$285	\$278	2.4%	\$195	\$201	-3.1%
The Langham, Chicago	73.1%	70.1%	3.0%	\$383	\$377	1.6%	\$280	\$265	5.9%
The Langham, New York, Fifth Avenue	81.1%	79.0%	2.0%	\$523	\$509	2.8%	\$424	\$402	5.4%
Eaton Washington DC	53.3%	-	-	\$272	-	-	\$145	-	-
Chelsea Hotel, Toronto	75.9%	79.2%	-3.3%	\$168	\$161	4.4%	\$128	\$128	0.1%

Pacific

The Langham, Melbourne	86.5%	87.4%	-0.9%	\$311	\$314	-1.1%	\$269	\$274	-2.1%
The Langham, Sydney	81.5%	82.3%	-0.8%	\$458	\$454	0.9%	\$373	\$374	-0.1%
Cordis, Auckland	85.1%	77.5%	7.6%	\$225	\$244	-8.0%	\$191	\$189	1.1%

China

The Langham, Xintiandi, Shanghai	78.9%	81.1%	-2.2%	¥ 1,614	¥ 1,671	-3.4%	¥ 1,273	¥ 1,355	-6.0%
Cordis, Hongqiao	59.5%	49.8%	9.7%	¥ 921	¥ 890	3.5%	¥ 548	¥ 443	23.5%



Hotel portfolio – 1H 2019 Room and F&B revenue growth (in local currency)

	Room revenue growth YTD-June 2019	F&B revenue growth YTD-June 2019
The Langham, London	4%	6%
The Langham, Boston (closed from April 2019 for renovations)	-68%	-62%
The Langham, Huntington Pasadena	-3%	7%
The Langham, Chicago	6%	11%
The Langham, Fifth Avenue, New York	5%	6%
Delta Chelsea Toronto	0%	-3%
The Langham, Melbourne	-2%	-11%
The Langham, Sydney	-2%	-11%
Cordis, Auckland	0%	8%
The Langham, Xintiandi, Shanghai	-6%	3%
Cordis, Hongqiao, Shanghai	24%	19%



Hotel portfolio – Profit contribution

	1H 2019 in 'mn in LC	1H 2018 in 'mn in LC	Change	in HK\$	
<u>Owned Hotels</u>				1H 2019 in 'mn	Contribution to hotel profits
Europe	£5.6	£4.6	21.3%	56.4	22%
UK (The Langham, London)					
North America					
U.S. (The Langham, Boston, Chicago, New York L.A., and Eaton Washington D.C.)	(US\$1.3)	US\$6.1	-121.3%	-10.3	-4%
Canada (Chelsea)	C\$13.6	C\$13.1	3.8%	79.6	32%
Australia/New Zealand					
Australia (The Langham, Melbourne and Sydney)	A\$5.1	A\$6.3	-19.0%	28.0	11%
New Zealand (Cordis, Auckland)	N\$4.6	N\$4.5	2.2%	24.5	10%
China					
The Langham, Xintiand and Cordis, Hongqiao	RMB63.6	RMB54.8	16.1%	73.5	29%
Total in HK\$' mn	\$251.7	\$308.0	-18.3%	251.7	100%



Hotel portfolio – Currency impact

	<u>Jun-19</u>	<u>Jun-18</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	10.1472	10.7796	-5.9%	(4.3)
CAD	5.8805	6.1363	-4.2%	(4.0)
AUD	5.5378	6.0450	-8.4%	(3.5)
USD	7.8433	7.8378	0.1%	(0.0)
NZD	5.2708	5.6056	-6.0%	(2.0)
RMB	1.1555	1.2305	-6.1%	(5.5)
Total				- HK\$ 19.2 mn



Managed Hotels

2010	Rooms
Cordis, Beijing Capital Airport	372
2012	Rooms
The Langham, Shenzhen	352
2013	Rooms
Langham Place Guangzhou	500
2014	Rooms
Langham Place Ningbo	143
Langham Place, Xiamen	327
2015	Rooms
Langham Place, Haining	263
2016	Rooms
The Langham Haikou	249
2018	Rooms
The Langham, Hefei	339
2019	Rooms
Cordis, Dongqian Lake, Ningbo	238



Hotel pipeline

2019	Rooms	Status
Cordis, Hangzhou	184	Agreement
2020	Rooms	Status
Cordis, Shanghai East Bund	161	Agreement
The Langham, Jakarta	225	Agreement
The Langham, Changsha	296	Agreement
2021	Rooms	Status
Cordis, Yuhu Lake, Chongqing	202	Agreement
The Langham Turtle Bay, Queensland, Australia	58	Agreement
Cordis, Hangzhou	175	Agreement
2022 and after	Rooms	Status
The Langham, Tokyo	280	Owned hotel
The Langham, Chengdu	231	Agreement
Eaton, San Francisco	180	Owned hotel
Cordis, Baoshan, Shanghai	262	Agreement
Cordis, Xiamen	400	Agreement
The Langham, San Francisco	410	Owned hotel
The Langham, Nanjing	230	Agreement
A hotel in Seattle	173	Owned hotel

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

Investment properties





1H 2019 - Rental income breakdown

	Gross rental income			Net rental income		
	1H 2019	1H 2018	Growth (%)	1H 2019	1H 2018	Growth (%)
(in HK\$ mn)						
Hong Kong Investment Properties						
Great Eagle Centre	69.2	71.0	(2.6)	67.6	69.6	(3.0)
Eaton Residence Apartments	26.8	27.7	(3.4)	16.7	18.2	(8.3)
Others (Building mgt income, rental income at convention plaza and other properties)	16.0	15.6	2.9	2.8	2.3	22.0
Total	112.0	114.3	0.4	87.1	90.1	(3.4)

- Gross rental income for the Great Eagle Centre dropped by 2.5% to HK\$69.2 million in the first half of 2019, which was mainly attributable to the absence of rental income after the expiry of leases on office space reserved for our in-house expansion. Net rental income dropped by 2.9% to HK\$67.6 million.
- Reduced demand from the corporate segment has led to lower occupancy of the portfolio, gross rental income of Eaton Residence Apartments dropped by 3.2% year-on-year to HK\$26.8 million in the first half of the 2019, and net rental income dropped by 8.2% year-on-year to HK\$16.7 million for the first half of 2019.



U.S. Fund

The Austin, San Francisco

Construction work was completed by December 2017. The project was completed in December 2017 and was highly acclaimed by Wallpaper Magazine as an embodiment of Californian modernism. Out of 100 units, 90 units were sold and delivered to buyers by the end of June 2019. The profitability of this small project would be minimal.

Cavalleri, Malibu

While the Fund received offers from institutional buyers for an en-bloc sale of the project in late 2018, the sale failed to come through after a severe fire broke out in the area. Notwithstanding, the interest from buyers is currently low and the Fund is not actively marketing the project in the meantime. A loss is expected from this investment on disposal.

Dexter Horton, Seattle

The U.S. Fund had successfully disposed of the property for US\$151 million in December 2018. However, the Fund has decided not to make a distribution in order to retain liquidity in case of difficulty in loan refinancing in relation to the Fund's other development projects.



Development projects I

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Dalian Mixed-use Development Project

- The Group successfully entered into a sale agreement with a third party in July 2019 in respect of all the remaining unsold units of Phase I together with the site for Phase II of the project. Gain on sale will be booked in two stages.

Tokyo Hotel Redevelopment Project

- The site with an initial gross floor area of about 350,000 sq. ft. has been expanded to approximately 379,100 sq. ft. after the acquisition of three small adjacent sites and application for a higher plot ratio. Planning application has been submitted with construction is expected to commence in 2020.

Pak Shek Kok Residential Development Project

- The presale permit was approved in June 2019 and the first batch of the project for pre-sale was launched in July 2019. Accumulated sales have reached approximately half of our total unit count as at the end of August 2019.

U.S. hotel and mixed-use redevelopment projects

- Constructions will commence after proposed developments have been approved by the town's planning department for the sites at 555 Howard Street, 1125 Market Street and 1931 Second Avenue.



Development projects II

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Cordis, Auckland expansion project

- In order to maximise the plot ratio of the site for the Cordis, Auckland, the Group applied for the construction of an additional 244 rooms on the site, which was subsequently approved by the local planning department. Construction commenced in March 2019 and is scheduled to complete ahead of the 2021 Auckland APEC summit

Chelsea Hotel Redevelopment Project

- In order to ensure the highest and best use of this site, the Group has submitted a development proposal to redevelop this site into a mixed-use project with a 400-key hotel, two residential towers and other commercial space which would more than double the existing aggregate gross floor area.
- After lengthy negotiations with City Planning, the Group secured the Entitlement Rights per our development application at the end of 2018. The Group will submit a Site Permit application to the City Planning in the second half of 2019 and we expect to receive Construction Permit approval in two to three years' time after our application submission. The Group is presently soliciting proposals from well-established Toronto property developers to explore potential joint-venture options that would reduce our market exposure while leveraging off local market expertise.



Outlook for the Group's results

For LHI, the lag effect of the recent protests will affect our hotel's businesses at least over the second half of 2019. In fact, all three hotels have witnessed substantially lower RevPARs in July and August of 2019. Furthermore, unless the protests in Hong Kong come to complete halt soon, we expect the pace of hotel room bookings to deteriorate materially in the months ahead.

As for the Hotels Division, given macroeconomic outlook is now more uncertain than usual, this will negatively affect global travel demand, and we expect there will be increased pressure on EBITDA of the overseas hotels in the second half of the year as trading conditions are expected to deteriorate. Furthermore, the lack of revenue contribution from The Langham, Boston throughout the second half of 2019 will also hold back revenue of the Hotels Division in the second half of 2019.

For Champion REIT, the leasing strategy for Three Garden Road would focus on maintaining high occupancy. Given the considerable gap between passing rents and market rents, positive rental reversion of the property should continue. Similarly, Langham Place Office should also stand to gain from positive rental reversion with the gradual consolidation of its lifestyle positioning. However, the outlook of Hong Kong retail market remains highly uncertain. RMB fluctuation and current social unrest have dampened retail sales and the stalled retail environment would significantly impact the turnover rent portion of Langham Place Mall for the rest of 2019, as seen in July and August 2019 preliminary figures.



Reconciliation to core earnings from reported

	Reported earnings 1H 2019 HK\$'000	Core earnings 1H 2019 HK\$'000	Core earnings 1H 2018 HK\$'000	
Gross Revenue				
Rental Income				
- HK	98,980	98,980	101,368	
- Building mgt fee inc	12,994	12,994	12,952	
Hotel Income				
- HK hotels revenue	810,204	-	-	- Core revenue ignores revenue of HK hotels after the spin off
- Overseas	1,937,142	1,937,142	1,972,912	
- Others	86,254	86,254	87,571	
Income from Champion REIT				
- Management fee income	220,628	220,628	190,088	
- Gross rental income	1,552,942			- Ignore, core profit base on distributions
- Distributions		516,942	480,787	- Add back distributions of Champion REIT
Income from Langham Hosp. Investments				
- Gross rental income	295,523			- Ignore, core profit base on distributions
- Distributions		116,558	118,032	- Add back distributions of LHI
Income from U.S. Real Estate Fund	35,190			- Ignore, core profit base on distributions
Other Operations	222,152	222,152	182,010	
Elimination of intra-group transactions	(574,796)			- Ignore intra-group elimination associated with CREIT, LHI and US fund
Revenue	<u>4,697,213</u>	<u>3,211,650</u>	<u>3,145,720</u>	



Reconciliation to core earnings from reported

	Reported earnings 1H 2019 HK\$'000	Core earnings 1H 2019 HK\$'000	Core earnings 1H 2018 HK\$'000	
Net Operating Income				
Net Rental Income - HK	87,076	87,076	90,142	
Hotel Income - Overseas	251,725	251,725	308,003	
- Others	52,698	52,698	49,851	
Income from Champion REIT				
- Management fee income	220,628	220,628	190,088	
- Net rental income	1,111,105			- Ignore net rental income, core profit base on distributions
- Distributions		516,942	480,787	- Add back distributions of Champion REIT
Income from Langham Hosp. Investments	277,255			- Ignore income of the HK hotels, base on distributions
- Distributions		116,558	118,032	- Add back distributions of LHI
Operating income from U.S. Real Estate Fund	(7,244)			
Other Operations	72,358	72,358	53,813	- Ignore operating income of US fund, core profit base on distributions
Elimination of intra-group transactions	(22,920)			
Operating profit	2,042,681	1,317,985	1,290,716	



Reconciliation to core earnings from reported

	Reported earnings 1H 2019 HK\$'000	Core earnings 1H 2019 HK\$'000	Core earnings 1H 2018 HK\$'000	
Operating profit before Dep. and Amortisation	2,042,681	1,317,985	1,290,716	
Depreciation and amortisation	(385,365)	(145,766)	(115,442)	- Exclude depreciation of CREIT, LHI and US Fund, add back depreciation relating to hotel land and buildings
Fair value changes on investment properties	2,500,153			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments	(90,837)			- Ignored in core earnings calculation
Fair value changes of financial assets designated at FVTPL	27,682			- Ignored in core earnings calculation
Other income (excluding interest income)	3,993	4,473	59,399	- Ignore other income of CREIT, LHI and the US fund
Administrative expenses and other expenses	(298,121)	(279,835)	(214,314)	- Exclude admin. expense of CREIT, LHI and US fund



Reconciliation to core earnings from reported

	Reported earnings 1H 2019 HK\$'000	Core earnings 1H 2019 HK\$'000	Core earnings 1H 2018 HK\$'000	
Net finance costs				
Finance cost	(432,777)	(86,478)	(86,575)	- Exclude interest expense of CREIT, LHI and US fund
Interest income (Classified as "Other income" on income statement)	102,212 (330,565)	81,289 (5,189)	60,109 (26,466)	- Exclude interest income of CREIT, LHI, US fund
Share of results of associates	449	449	362	
Share of results of joint ventures	(16,958)	(16,958)	(7,297)	
Profit before tax	3,453,112	875,159	986,958	
Income taxes	(223,146)	(53,746)	(81,273)	-Exclude taxes of CREIT, LHI and US fund
Net Profit	3,229,966	821,413	905,685	
Less: Non-controlling interest	1,070,750	899	(1,165)	- Exclude non-controlling interest of CREIT, LHI and US fund
Profit Attributable to Shareholders	2,159,216	820,514	906,850	
Basic earnings per share	\$ 3.09	\$ 1.17	\$ 1.30	