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Great Eagle Holdings
Investor Presentation Q1 2022



Highlights of 2021 Annual Results

- The Group's core profit attributable to equity holders for the year was HK\$1,360.6 million representing a 23.2% drop compared to HK\$1,771.9 million last year, after factoring in an operating income of HK\$815.6 million (2020: HK\$2,055.4 million) from ONTOLO.
- Operation of the Group's overseas hotels was still significantly hindered by the COVID-19 pandemic. Nevertheless, the reported loss before interest, taxes and depreciation of the hotels excluding those owned by LHI for the year narrowed to HK\$105.4 million from HK\$625.8 million for the previous year, representing an improvement of HK\$520.4 million or 83.2%. LHI generated a small distribution income and declared distribution per Share Staple Unit of HK2.7 cents for the year 2021.
- Distribution income from Champion REIT dropped by 7.4% year-on-year to HK\$914.6 million from HK\$988.0 million for the previous year, while management fee income also fell by 3.3% from HK\$378.0 million to HK\$365.4 million. Net rental income from our investment portfolio, mainly Great Eagle Centre and Eaton Residences, dropped by 27.1% year-on-year from HK\$134.5 million to HK\$98.1 million.
- Administration and other expenses decreased 25.8% to HK\$437.7 million against the previous year, mainly because of more stringent costs control and less property selling expenses. In 2021, the Group recorded fully impaired note receivables of HK\$32.2 million as the counterparty triggered an event. The Group's interest income dropped 58.3% to HK\$78.8 million in 2021 (2020: HK\$188.9 million), due to lower deposit rates as well as reduced cash holdings and investments in high yield bonds.
- The Group holds approximately 13.4 million shares in U.S listed electric vehicle company Lucid (US stock code: LCID.US). An unrealised valuation surplus of HK\$3,717.5 million, based on the closing price of US\$38.05 per share as at 31 December 2021, had been credited directly to the reserve account in the balance sheet of the Group.
- The Group in February 2021 successfully acquired the development rights for a luxury residential project in Ho Man Tin, Hong Kong and took advantage of the underutilised plot ratio to build a new tower with 244 hotel rooms located next to our Cordis, Auckland in the third quarter of 2021. The Group also completed a major renovation of the Langham, Boston and reopened the hotel in late June 2021.



2021 Annual Results – Core Earnings

	2021	2020	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue				
Revenue from property sales	1,801,960	5,107,869	(3,305,909)	-64.7%
Rental Income	144,826	183,309	(38,483)	-21.0%
Hotel Income				
- Overseas	1,970,712	1,226,657	744,055	60.7%
- Others	114,973	73,470	41,503	56.5%
Income from Champion REIT*	1,279,926	1,366,005	(86,079)	-6.3%
Income from LHI*	60,722	-	60,722	n.a
Other Operations	323,796	304,580	19,216	6.3%
	5,696,915	8,261,890	(2,564,975)	-31.0%

* Based on attributable dividend income from Champion REIT and Langham Hospitality Investments and Langham Hospitality Investment Limited ("LHI") in respect of the same financial period.



2021 Annual Results – Core Earnings

	2021	2020	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Operating income from property sales	815,647	2,055,379	(1,239,732)	-60.3%
Net Rental Income	98,122	134,533	(36,411)	-27.1%
Hotel Income				
- Overseas	44,494	(434,761)	479,255	n.m
- Others	(149,906)	(191,013)	41,107	-21.5%
Income from Champion REIT*				
- Asset management	265,999	281,652	(15,653)	-5.6%
- Dividend income	914,558	988,052	(73,494)	-7.4%
- Other mgt income	99,369	96,301	3,068	3.2%
Income from LHI*				
- Dividend income	60,722	-	60,722	n.a
Other Operations	122,717	(26,353)	149,070	n.m
Income before expenses	2,271,722	2,903,790	(632,068)	-21.8%
Other income	9,276	43,958	(34,682)	-78.9%
Depreciation and amortisation	(332,041)	(380,845)	48,804	-12.8%
Administrative and other expenses	(437,708)	(590,022)	152,314	-25.8%

* Based on attributable dividend income from Champion REIT and Langham Hospitality Investments and Langham Hospitality Investment Limited ("LHI") in respect of the same financial period.



2021 Annual Results – Core Earnings

	<u>2021</u>	<u>2020</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(159,494)	(156,053)	(3,441)	2.2%
Interest income	78,779	188,862	(110,083)	-58.3%
	(80,715)	32,809	(113,524)	n.m
Share of results of associates	6,100	5,148	952	18.5%
Share of results of joint ventures	(8,572)	(16,972)	8,400	-49.5%
Profit before taxation	1,428,062	1,997,866	(569,804)	-28.5%
Income taxes	(67,056)	(224,918)	157,862	-70.2%
Net Profit	1,361,006	1,772,948	(411,942)	-23.2%
Less: Non-controlling interest	(368)	(1,047)	679	-64.9%
Profit Attributable to Shareholders	1,360,638	1,771,901	(411,263)	-23.2%
Basic earnings per share	\$ 1.87	\$ 2.48		



2021 Annual Results – Breakdown of Income from Champion REIT

	<u>2021</u>	<u>2020</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Asset management income	265,999	281,652	(15,653)	-5.6%
Dividend received	914,558	988,052	(73,494)	-7.4%
Agency commission income & Property management income	99,369	96,301	3,068	3.2%
	<u>1,279,926</u>	<u>1,366,005</u>	<u>(86,079)</u>	<u>-6.3%</u>
Distribution Per Unit declared in HK\$	0.2279	0.2500		-8.8%
Units held by Great Eagle in 000's	4,022,800	3,969,878		1.3%



2021 Annual Results – Dividend Income from LHI

	<u>2021</u>	<u>2020</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Dividend Income in HK'000s	<u>60,722</u>	<u>-</u>	<u>60,722</u>	<u>n.a</u>
Distribution Per Share Stapled Unit declared in HK\$	0.027	-	-	n.a
Share Stapled Units held by Great Eagle in 000's	2,248,978	2,233,137	15,841	0.7%



Analysis on change on core earnings

	2021
	\$'000
Change in profit from core business after tax	<u>(411,263)</u>
Arise from:	
Decrease in hotels EBITDA loss	520,362
Decrease in income taxes	157,863
Decrease in impairment on non-core investment and fixed asset written off	146,756
Increase in income from other operations (absence of Eaton Club impairment)	149,070
Increase in distribution income from LHI	60,722
Decrease in depreciation and amortisation	48,804
Decrease in income from property sales	(1,239,732)
Change in net interest expenses	(113,524)
Decrease in dividend and management income from Champion REIT	(86,079)
Decrease in net rental income	(36,411)
Allowance for credit loss on notes and interest receivables	(32,247)
Others	13,153
Change in profit from core business after tax	<u>(411,263)</u>



Discount to NAV

Financials

NAV based on statutory accounting principles (December 2021)

	HK\$m	HK\$/shr	% of Total
Investment properties (Note 1) Appraised valuation by independent valuer	6,769	9.3	11%
Hotels All valued at cost less depreciation	16,711	22.9	26%
Pak Shek Kok Development project	2,548	3.5	4%
Ho Man Tin Development project	10,042	13.7	16%

Statutory accounting treatments for Champion REIT and LHI

Investment in Champion REIT: -67.76% share of Champion's Net Assets	33,612	46.0	53%
Investment in U.S. Real Estate Fund: - 49.97% share of Fund's NAV	272	0.4	0%
Investment in LHI: Net liabilities from three HK hotels Based on cost less depreciation approach (calculated as book cost of the hotels less debt)	(1,949)	(2.7)	-3%
	31,935	43.7	50%

Other net (liabilities)/assets (4,366) (6.0) -7%

Total 63,639 87.05 100%

Net debt (Note 2) (2,190) (3.00)

Great Eagle's NAV 61,449 84.06

Discount to NAV based on share price of HK\$ 20 -76%

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

	HK\$m	HK\$/shr	% of Total
Investment properties (Note 1) Appraised valuation by independent valuer	6,769	9.3	10%
Hotels All valued at cost less depreciation	16,711	22.9	24%
Pak Shek Kok Development project	2,548	3.5	4%
Ho Man Tin Development project	10,042	13.7	14%

Share of net assets of Champion REIT and LHI

Investment in Champion REIT: -67.76% share of Champion's Net Assets	33,612	46.0	47%
Investment in U.S. Real Estate Fund: - 49.97% share of Fund's NAV	272	0.4	0%
-69.39% share of LHI's Net Assets Investment in LHI: Based on appraised valuation of LHI's hotels	5,412	7.4	8%
	39,296	53.8	55%

Other net (liabilities)/assets (4,366) (6.0) -6%

Total 71,000 97.12 100%

Net debt (Note 2) (2,190) (3.00)

Great Eagle's NAV 68,810 94.13

Discount to NAV based on share price of HK\$ 20 -79%

Note 1: Calculation on investment properties include owner-occupied portion.

Note 2: Including other liquid investments such as investment in linked notes, bonds and equities amounting to HK\$5,023 mn as at the end of December 2021.



Financial position

Financials

(A) Base on statutory financial positions

(HK\$ Million)	Attributable Book Value	Attributable Net Debt	Net Equity	Loan to Value	Gearing	EBITDA	Net interest expense	Interest Cover
Hong Kong/ PRC Assets	62,914	(12,330)	50,584	19.6%	24.4%	2,915	695	4.2
Overseas Assets	14,393	(3,528)	10,865	24.5%	32.5%	21	80	0.3
Group Total	77,307	(15,858) ^(b)	61,449	20.5%	25.8%	2,936	775	3.8

(B) Base on core financial positions ^(a)

(HK\$ Million)	Attributable Book Value	Net (Debt)/ Cash	Net Equity	Loan to Value	Gearing	Core EBITDA	Net interest expense	Interest Cover
Hong Kong/ PRC Assets	56,882	1,174	58,056	n/a	n/a	1,925	235	8.2
Overseas Assets	14,118	(3,364)	10,754	23.8%	31.3%	12	78	0.2
Group Total	71,000	(2,190) ^(b)	68,810	3.1%	3.2%	1,937	313	6.2

Notes

(a) Core financial positions is arrived at sharing the net assets of Champion REIT, LHI and the U.S 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 three subsidiary groups.

(b) Including other liquid investments such as investment in linked notes, bonds and equities amounting to HK\$5,023 mn as at the end of December 2021.



Valuation - Investment Properties

Financials

As at the end of Dec 2021

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Cap rate	Change from end of Jun 2021
Great Eagle Centre				
Office	193,271	22,849	2.9%	-1.2%
Retail	55,944	8,455	4.5%	-1.7%
3rd floor	20,959	11,260		-0.4%
Carparks (nos/unit price)	296	1,300,676		0.0%
Signage (gross value in HK\$m)		129		8.4%
Eaton House				
Wanchai Gap Road	34,915	10,168	3.7%	0.0%
Village Road	23,350	9,722	3.5%	0.0%
Blue Pool Road	33,700	13,205	3.0%	6.5%
Convention Plaza apartments	5,817	17,690		2.2%



Development Projects for Sales

ONTOLO, Pak Shek Kok

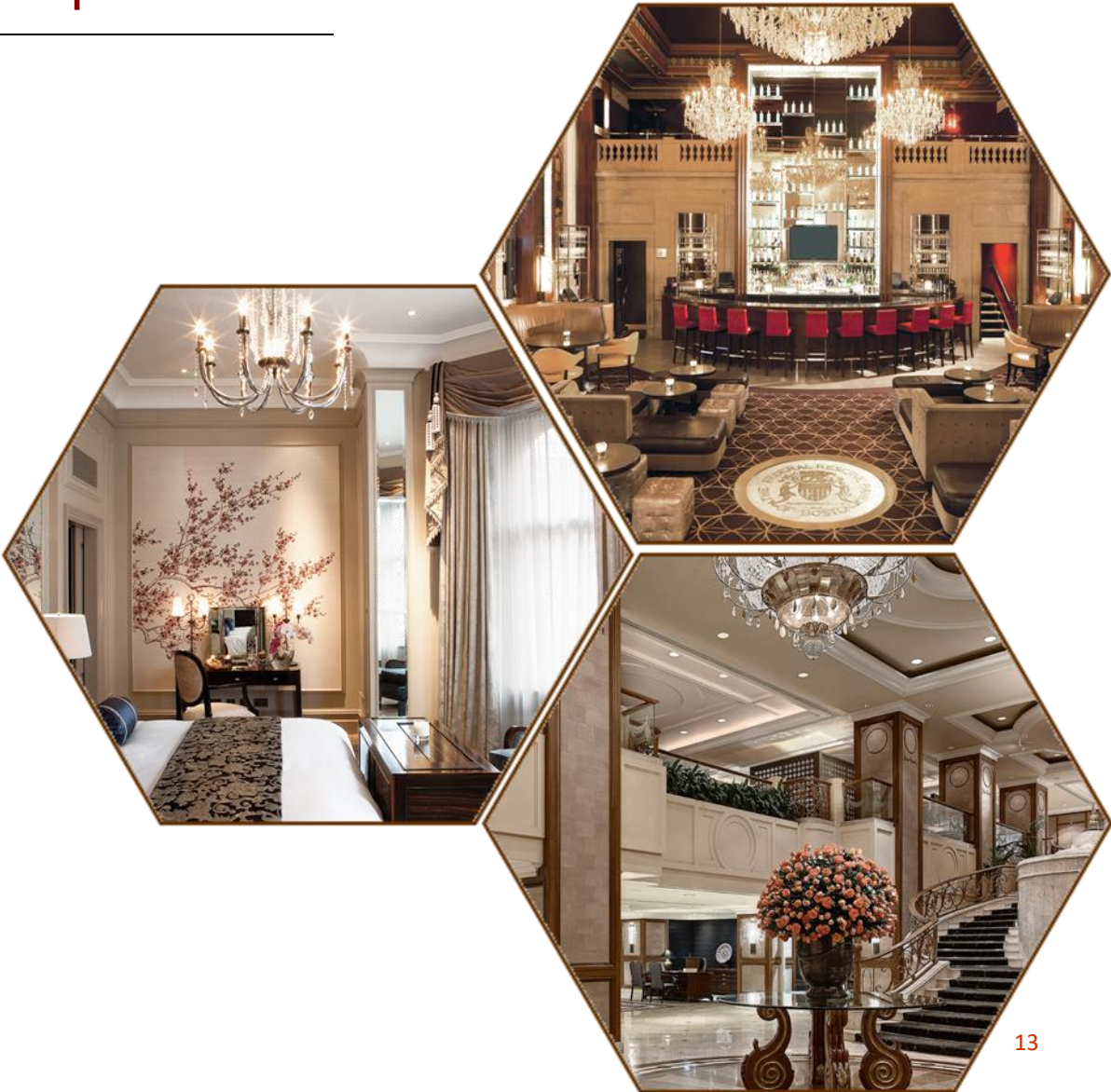
The site, which is located in Pak Shek Kok, Tai Po and commands spectacularly unobstructed sea views over Tolo Harbour was acquired in May 2014. The development, with a total permissible gross floor area of 730,870 sq. ft. or saleable area of 635,612 sq. ft., comprised 723 luxury residential units and 456 parking spaces, was completed in the fourth quarter of 2020.

By the end of 2021, accumulated sales reached 580 residential units (representing a saleable area of 417,162 sq. ft.) and 149 carparks. A majority of the units sold was handed over to buyers in 2020, while 117 residential units (saleable area 90,193 sq. ft.) and 41 carparks were delivered to buyers in 2021 resulted in booking of relevant revenue and operating profit contribution of HK\$1,802.0 million and HK\$815.6 million respectively in the reported period. During the year, the average sales price for the residential units reached HK\$19,278 per sq. ft. based on saleable area, while average sales price was HK\$2.57 million per unit for the sold parking spaces.

Ho Man Tin residential development project

This residential project has a gross floor area of 742,000 sq. ft. and comprises 990 apartments in 5 high-rise towers above Ho Man Tin MTR station under a Development Agreement with MTR Corporation Limited. The revised General Buildings Plan was approved by the Buildings Department in October 2021. The foundation works are nearing completion and the superstructure will be commenced in April 2022.

Langham Hospitality Group





Hotel portfolio – 2021 Operational Statistics

	YTD Occupancy			YTD Average Room Rate			YTD RevPar		
	2021	2020	Change	2021	2020	Change	2021	2020	Change
<u>Owned by subsidiary LHI</u>									
<u>Hong Kong</u>									
The Langham, Hong Kong	30.1%	16.3%	13.8%	\$1,103	\$1,342	-17.8%	\$332	\$219	51.9%
Cordis, Hong Kong	36.0%	22.5%	13.5%	\$996	\$1,165	-14.5%	\$358	\$262	37.0%
Eaton HK	48.8%	37.4%	11.4%	\$534	\$543	-1.7%	\$261	\$203	28.2%
<u>Wholly-owned hotels</u>									
<u>Europe</u>									
The Langham, London	22.8%	19.0%	3.7%	£476	£333	43.0%	£108	£63	71.2%
<u>North America</u>									
The Langham, Boston ^{Note 1}	18.7%	n.a.	n.a.	\$499	n.a.	n.a.	\$93	n.a.	n.a.
The Langham, Huntington Pasadena	34.3%	22.3%	12.0%	\$365	\$295	23.8%	\$125	\$66	90.5%
The Langham, Chicago	43.0%	21.3%	21.7%	\$472	\$369	27.8%	\$203	\$79	157.8%
The Langham, New York, Fifth Avenue	39.3%	18.5%	20.7%	\$673	\$498	35.2%	\$264	\$92	186.3%
Eaton Washington DC	29.6%	17.9%	11.7%	\$192	\$182	5.9%	\$57	\$32	75.1%
Chelsea Hotel, Toronto	33.9%	20.3%	13.6%	\$110	\$137	-19.9%	\$37	\$28	33.6%
<u>Pacific</u>									
The Langham, Melbourne	20.4%	21.5%	-1.1%	\$344	\$346	-0.6%	\$70	\$75	-5.9%
The Langham, Sydney	31.7%	36.6%	-4.9%	\$538	\$470	14.6%	\$171	\$172	-0.7%
Cordis, Auckland	27.3%	40.4%	-13.1%	\$218	\$230	-5.1%	\$60	\$93	-35.8%
<u>China</u>									
The Langham, Xintiandi, Shanghai	63.0%	52.3%	10.7%	¥ 1,296	¥ 1,172	10.6%	¥ 816	¥ 613	33.2%
Cordis, Hongqiao	58.8%	40.4%	18.3%	¥ 768	¥ 723	6.2%	¥ 451	¥ 292	54.5%

Note 1: The Langham Boston re-opened on 30 June 2021



Hotel portfolio – 2021 Profit Contribution

	2021 HK\$mn	2020 HK\$mn	Change	Contribution to hotel profit
<u>Owned Hotels</u>				
Europe				
UK (The Langham, London)	23.1	(47.9)	n.m	52%
North America				
U.S. (The Langham in Boston, Chicago, New York, Pasadena and Eaton Washington D.C.)	10.7	(364.6)	n.m	24%
Canada (Chelsea)				
Australasia				
Australia (The Langham, Melbourne and Sydney)	(53.0)	(40.1)	32.2%	-119%
New Zealand (Cordis, Auckland)				
China				
Shanghai (Langham Xintiandi and Cordis, Hongqiao)	63.7	17.8	257.9%	143%
<u>Total</u>	44.5	(434.8)	-110.2%	100%



Outlook for the Group's results

- While local commercial properties and offices are still under pressure, some stabilisation was previously observed although this is still far from a full recovery, particularly in light of the recent outburst of the new COVID-19 virus variant Omicron. The residential market has remained resilient which may support our sale of the remaining ONTOLO units, although this is expected to happen at a slower pace compared to the first sale in 2020 since larger and more expensive units are involved.
- Given the continuation of the impact of COVID-19, we do not expect significant contribution of distribution income from LHI.
- For Champion REIT, the REIT manager expects the economic environment to remain challenging with notable headwinds, which will pressure its rental income and distribution.
- The Group is also mindful of the growing number of geopolitical risks and the continuation of tensions between the U.S. and China, and will therefore adopt necessary prudence in its operation and investment strategies.
- The Group will continue to navigate its businesses carefully amid these challenges and uncertainties. It will remain proactive, with necessary prudence, in looking for new investment opportunities that will provide sustainable benefits for the future. The Group is also exploring new and diversified income avenues in other investment fields on top of its existing property and hospitality sectors.
- During the year, the Group also endeavoured to arrange various standby credit facilities at competitive pricings so as to provide additional funding capability and flexibility to its already strong balance sheet. Given the Group's strong financial and liquidity position, we are confident in our ability to tackle challenges and uncertainties, as well as to capitalise on opportunities that may arise.



Reconciliation to core earnings from reported

	Reported earnings 2021 <u>HK\$'000</u>	Core earnings 2021 <u>HK\$'000</u>	Core earnings 2020 <u>HK\$'000</u>	
Gross Revenue				
Revenue from property sales	1,801,960	1,801,960	5,107,869	
Rental Income	144,826	144,826	183,309	
Hotel Income				
- HK hotels revenue	749,613			- Core revenue ignore revenue of
- Overseas hotels	1,970,712	1,970,712	1,226,656	Hong Kong hotels
- Others, including Hotel mgt fe	114,973	114,973	73,471	
Income from Champion REIT				
- Management fee income	365,368	365,368	377,953	- Ignore, core profit base on distributions
- Gross rental income	2,769,213			- Add back distributions
- Distributions		914,558	988,052	
Income from Langham Hosp. Investments				
- Gross rental income	224,352			- Ignore, core profit base on distributions
- Distributions		60,722	-	- Add back distributions
Other Operations (including US Fund operations)	376,648	323,796	304,580	
Elimination of intra-group transactions	(687,236)			- Ignore inter-group eliminations associated with CREIT, LHI and US fund
Revenue	<u>7,830,429</u>	<u>5,696,915</u>	<u>8,261,890</u>	



Reconciliation to core earnings from reported

	Reported earnings 2021 HK\$'000	Core earnings 2021 HK\$'000	Core earnings 2020 HK\$'000	
Net Operating Income				
Operating income from property sales	815,647	815,647	2,055,379	
Net Rental Income	98,122	98,122	134,533	
Hotel Income				
- Overseas	44,494	44,494	(434,761)	
- Others	(149,906)	(149,906)	(191,013)	
- Net rental income from LHI	203,615			- Ignore, core profit base on distributions - Core profit is after intergroup transactions
Income from Champion REIT				
- Management fee income	365,368	365,368	377,953	
- Net rental income	1,932,986			- Ignore, core profit base on distributions
- Distributions		914,558	988,052	- Add back distributions
Income from Langham Hosp. Investments				
- Distributions		60,722	-	- Add back distributions
Other Operations (including US Fund operations)	135,339	122,717	(26,353)	
- Inter-group adjustments under statutory accounts	(75,348)			- Core profit for other operations is after intergroup transactions



Reconciliation to core earnings from reported

	Reported earnings 2021 HK\$'000	Core earnings 2021 HK\$'000	Core earnings 2020 HK\$'000	
Operating profit before Dep. and Amortisation	3,370,317	2,271,722	2,903,790	
Depreciation and amortisation	(849,367)	(332,041)	(380,845)	- Exclude depreciation of CREIT, LHI & US Fund, add back depreciation relating to hotel land and buildings
Fair value changes on investment properties	(2,178,596)			- Ignored in core earnings calculation
Fair value changes on derivative financial instrument	290,780			- Ignored in core earnings calculation
Fair value changes of financial assets designated at F	(47,172)			- Ignored in core earnings calculation
Other income (excluding interest income)	8,706	9,276	43,958	-Exclude other income/expenses of CREIT, LHI & US fund
Administrative and other expenses	(446,598)	(437,708)	(590,022)	- Exclude administrative and other
Administrative and selling expenses		(405,461)	(443,265)	expense relating to CREIT, LHI & US fund
Credit loss on notes and interest receivables	(108,396)	(32,247)	-	- Exclude credit loss provision made in CREIT
Investment and fixed asset written off		-	(146,756)	



Reconciliation to core earnings from reported

	Reported earnings 2021 <u>HK\$'000</u>	Core earnings 2021 <u>HK\$'000</u>	Core earnings 2020 <u>HK\$'000</u>	
Net finance costs				
Finance cost	(705,271)	(159,494)	(156,053)	- Exclude interest expense of CREIT, LHI and US fund
Interest income (Classified as "Other income" on income statement)	162,756 (542,515)	78,779 (80,715)	188,862 32,809	- Exclude interest income of CREIT, LHI and US fund
Share of results of associates	6,100	6,100	5,148	
Share of results of joint ventures	13,742	(8,572)	(16,972)	
Profit before tax	<u>(482,999)</u>	<u>1,428,062</u>	<u>1,997,866</u>	
Income taxes	(309,019)	(67,056)	(224,918)	- Exclude taxes of CREIT, LHI and US fund,
Net Profit	<u>(792,018)</u>	<u>1,361,006</u>	<u>1,772,948</u>	and taxes related to fair value change on IP
Less: Non-controlling interest	<u>292,984</u>	<u>368</u>	<u>1,047</u>	- Exclude non-controlling interest of CREIT, LHI and US fund
(Loss)/Profit Attributable to Shareholders	(499,034)	1,360,638	1,771,901	
Basic (loss)/ earnings per share	\$ (0.69)	\$ 1.87	\$ 2.48	