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Great Eagle Holdings
Investor Presentation
Q1 2023



Highlights of 2022 Annual Results

- The Group's core profit attributable to equity holders for the year was HK\$1,402.6 million, representing a 3.1% growth compared to HK\$1,360.6 million last year. This uptick mainly resulted from a surging demand for high-end hotels after restriction free travel resumed in the UK, US and Australia respectively. This set off the trough experienced by the hotels in Hong Kong and Shanghai during first half of the year under strict social distancing rules / lockdown in place at the time.
- The reported gain before interest, taxes and depreciation of the hotel division excluding those owned by LHI* for the year is HK\$615.9 million, which reflected an improved performance of our hotel portfolio from that of last year (2021: loss of HK\$105.4 million).
- LHI generated a distribution income and declared HK2.9 cents per Share Stapled Unit distribution for 2022.
- Distribution income from Champion REIT dropped 12.9% year-on-year to HK\$796.8 million from HK\$914.6 million for the previous year, while management fee income also fell 8.8% from HK\$365.4 million to HK\$333.4 million.
- Net rental income from our investment portfolio, mainly Great Eagle Centre and Eaton Residences, dropped slightly by 1.0% year-on-year from HK\$98.1 million to HK\$97.1 million.
- Administrative, selling and other expenses increased 14.3% to HK\$500.3 million against the previous year, and this is mainly because of the lower salary base in 2021 as a result of the one-off, no pay leave arrangement for executive staff. Professional fee also increased which was largely due to the ad-hoc professional services engaged during the year to facilitate loan refinancing, acquisition and investment activities. An impairment of HK\$13.0 million against one of the Group's Chinese bond receivables due to surge in default risk of the counterparty; coupled with a write-off of HK\$17.4 million in respect of a non-core venture capital fintech investment were recorded.
- The Group's net finance cost increased to HK\$171.5 million in 2022 (2021: HK\$80.7 million) due to our reduced investment in high yield bonds and link notes, as well as the higher borrowing rates.
- The Group also diversified into consumer businesses and completed an equity interest acquisition of Imperial Enterprises Holdings Limited (specialized in confectionary gifts) and Tonkichi Holdings Limited (specialized in Japanese tonkatsu cuisine) respectively. In addition, We continued the strategy to deploy appropriate resources to invest in the form of venture capital in sectors evidencing the greatest potential for billion-dollar companies including semiconductor, AI and big data, 5G, healthcare services, medical devices, biotechnology and clean technology.

Notes:

* "LHI" refers to Langham Hospitality Investments Limited



2022 Annual Results – Core Earnings

	2022	2021	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue				
Revenue from property sales	919,963	1,801,960	(881,997)	-48.9%
Rental Income	151,101	144,826	6,275	4.3%
Hotel Income				
- Overseas and Mainland China	3,820,003	1,970,712	1,849,291	93.8%
- Others	109,073	114,973	(5,900)	-5.1%
Income from Champion REIT*	1,130,211	1,279,926	(149,715)	-11.7%
Income from LHI*	66,163	60,722	5,441	9.0%
Other Operations	339,772	323,796	15,976	4.9%
	6,536,286	5,696,915	839,371	14.7%

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



2022 Annual Results – Core Earnings (Continued)

	2022	2021	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Operating income from property sales	457,271	815,647	(358,376)	-43.9%
Net Rental Income	97,081	98,122	(1,041)	-1.0%
Hotel Income				
- Overseas and China	712,401	44,494	667,907	1501.1%
- Others	(96,503)	(149,906)	53,403	-35.6%
Income from Champion REIT*				
- Dividend income	796,836	914,558	(117,722)	-12.9%
- Asset management	246,414	266,000	(19,585)	-7.4%
- Agency commission	86,961	99,368	(12,408)	-12.5%
Income from LHI*				
- Dividend income	66,163	60,722	5,441	9.0%
Other Operations	196,738	122,717	74,021	60.3%
Income before expenses	2,563,362	2,271,722	291,640	12.8%
Other income	13,632	9,276	4,356	47.0%
Depreciation and amortisation	(347,059)	(332,041)	(15,018)	4.5%
Administrative, selling and other expenses	(500,266)	(437,708)	(62,558)	14.3%

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



2022 Annual Results – Core Earnings (Continued)

	2022	2021	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(238,657)	(159,494)	(79,163)	49.6%
Interest income	67,155	78,779	(11,624)	-14.8%
	(171,502)	(80,715)	(90,787)	112.5%
Share of results of associates	17,102	6,100	11,002	180.4%
Share of results of joint ventures	(729)	(8,572)	7,843	-91.5%
Profit before taxation	1,574,540	1,428,062	146,478	10.3%
Income taxes	(171,050)	(67,056)	(103,994)	155.1%
Net Profit	1,403,490	1,361,006	42,484	3.1%
Less: Non-controlling interest	(897)	(368)	(529)	143.8%
Profit Attributable to Shareholders	1,402,593	1,360,638	41,955	3.1%
Basic earnings per share	\$1.90	\$1.87		



2022 Annual Results – Breakdown of Income from Champion REIT

	<u>2022</u>	<u>2021</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Dividend income	796,836	914,558	(117,722)	-12.9%
Asset management income	246,414	266,000	(19,586)	-7.4%
Agency commission income & Property management income	86,961	99,369	(12,408)	-12.5%
	<u>1,130,211</u>	<u>1,279,927</u>	<u>(149,716)</u>	-11.7%
Distribution Per Unit declared in HK\$	0.1956	0.2275	(0.0319)	-14.0%
Units held by Great Eagle in 000	4,078,798	4,022,800	55,998	1.4%



2022 Annual Results – Breakdown of Income from LHI

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000	<u>Change</u>	
			HK\$'000	%
Dividend Income in HK'000s	<u>66,163</u>	<u>60,722</u>	<u>5,441</u>	9.0%
Distribution Per Share Stapled Unit declared in HK\$	0.029	0.027	0.002	7.4%
Share Stapled Units held by Great Eagle in 000's	2,281,487	2,248,978	32,509	1.4%



Analysis on change on core earnings

	<u>2022</u> <u>HK\$'000</u>
Change in profit from core business after tax	<u>41,954</u>
Arise from:	
Increase in hotel division EBITDA	721,310
Increase in distribution from LHI	5,441
Increase in other business operations	72,980
Decrease in income from property sales	(358,376)
Increase in administrative, selling and other expense	(62,558)
Decrease in dividend and management income from Champion REIT	(149,715)
Increase in income taxes	(103,994)
Increase in net interest expenses	(90,787)
Increase in depreciation and amortisation	(15,018)
Others	22,671
Change in profit from core business after tax	<u><u>41,954</u></u>



Discount to NAV

NAV based on statutory accounting principles (December 2022)

	HK\$m	HK\$/shr	% of Total
Investment properties (Note 1) Appraised valuation by independent valuer	7,002	9.4	11%
Hotels All valued at cost less depreciation	15,987	21.4	26%
ONTOLO	2,163	2.9	3%
Ho Man Tin Development project	9,905	13.2	16%

Statutory accounting treatments for Champion REIT and LHI

Investment in Champion REIT: -68.28% share of Champion's Net Assets	32,612	43.6	52%
Investment in U.S. Real Estate Fund: - 49.97% share of Fund's NAV	277	0.4	0%
Investment in LHI: -69.70% share of net liab. from three HK hotels Based on cost less depreciation approach (calculated as book cost of the hotels less debt)	(1,996)	(2.7)	-3%
	30,893	41.3	50%

Other net (liabilities)/assets	(3,663)	(4.9)	-6%
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Total	62,287	83.30	100%
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Net debt (note 2)	(5,467)	(7.3)	
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Great Eagle's NAV	56,820	75.99	
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Discount to NAV based on share price of HK\$ 19		-75.0%	
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NAV based on net assets of Champion REIT, LHI and US Fund (December 2022)

	HK\$m	HK\$/shr	% of Total
Investment properties (Note 1) Appraised valuation by independent valuer	7,002	9.4	10%
Hotels All valued at cost less depreciation	15,987	21.4	23%
ONTOLO	2,163	2.9	3%
Ho Man Tin Development project	9,905	13.2	14%

Share of net assets of Champion REIT and LHI

Investment in Champion REIT: -68.28% share of Champion's Net Assets	32,612	43.6	47%
Investment in U.S. Real Estate Fund: - 49.97% share of Fund's NAV	277	0.4	0%
Investment in LHI: -69.70% share of LHI's Net Assets Based on appraised valuation of LHI's hotels	5,688	7.6	8%
	38,577	51.6	55%

Other net (liabilities)/assets	(3,663)	(4.9)	-5%
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Total	69,971	93.58	100%
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Net debt (note 2)	(5,467)	(7.3)	
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Great Eagle's NAV	64,504	86.27	
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Discount to NAV based on share price of HK\$ 19		-78.0%	
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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\$1,710 million as at the end of December 2022.



Financial position

(A) Base on statutory financial positions

(HK\$ Million)	Attributable Book Value	Attributable Net Debt ^(b)	Net Equity	Loan to Value	Gearing	EBITDA	Net Interest Expense	Interest Cover
Hong Kong/ PRC Assets	62,444	(16,641)	45,803	26.6%	36.3%	2,402	725	3.3
Overseas Assets	13,621	(2,604)	11,017	19.1%	23.6%	798	99	8.1
Group Total	76,065	(19,245)	56,820	25.3%	33.9%	3,200	824	3.9

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

(HK\$ Million)	Attributable Book Value	Net Debt ^(b)	Net Equity	Loan to Value	Gearing	Core EBITDA	Net Interest Expense	Interest Cover
Hong Kong/ PRC Assets	56,625	(2,939)	53,686	5.2%	5.5%	1,307	161.5	8.1
Overseas Assets	13,346	(2,528)	10,818	18.9%	23.4%	783	101	7.8
Group Total	69,971	(5,467)	64,504	7.8%	8.5%	2,090	262	8.0

Notes

- (a) Core financial positions are 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 three subsidiary groups.
- (b) Including other liquid investments such as investment in linked notes, bonds and equities amounting to HK\$1,710 mn as at the end of December 2022.



Valuation - Investment Properties

As at the end of December 2022

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Cap rate	Valuation Change from end of Jun 2022
Great Eagle Centre				
Office	193,271	21,783	2.9%	-3.8%
Retail	55,944	8,491	4.5%	-0.2%
Retail 3rd floor	20,959	10,783		-3.4%
Carparks (nos/unit price)	296	1,300,676		0.0%
Signage (gross value in HK\$m)		129		0.0%
Eaton Residences				
Blue Pool Road	33,701	13,234	3.0%	2.0%
Village Road	23,350	9,636	3.5%	-1.7%
Wanchai Gap Road	34,915	9,881	3.7%	-3.6%
Convention Plaza apartments	5,817	17,432		-3.0%
Tak Woo House (Retail)	1,500	115,333		-5.5%



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., comprising 723 luxury residential units and 456 car parking spaces, was completed in Q4, 2020.

During the year, the average sales price for the residential units was HK\$24,000 per sq. ft. based on saleable area, while the average sales price for the sold car parking spaces was HK\$2.59 million per unit.

By the end of 2022, accumulated sales reached 615 residential units (representing a saleable area of 465,926 sq. ft.) and 178 car parking spaces (“Properties Sold”). The majority of the Properties Sold had been handed over to buyers in years prior to 2022. In the reported year, 34 residential units (saleable area 38,122 sq. ft.) and 37 car parking spaces were delivered, resulting in the booking of relevant revenue and operating profit contribution of HK\$920.0 million and HK\$457.3 million respectively. It is expected that the remaining 29 residential units (saleable area 39,508 sq. ft.) and 8 car parking spaces of the Properties Sold will be delivered to buyers over 2023 to 2025, representing contracted price of about HK\$946.2 million.

Ho Man Tin residential development project

This residential project has a gross floor area of 742,000 sq. ft. (or a saleable area of approx. 660,000 sq. ft.) and comprises 990 apartments above Ho Man Tin MTR station under a Development Agreement with MTR Corporation Limited.

Works are on schedule and presale is targeted to launch in end of 2023.



Hotel portfolio – 2022 Operational Statistics

(in local currency)

Occupancy			Average Room Rate			RevPar		
2022	2021	Change	2022	2021	Change	2022	2021	Change

Owned Hotels

Hong Kong

The Langham, Hong Kong	59.8%	30.1%	29.7%	\$1,753	\$1,103	58.9%	\$1,048	\$332	215.7%
Cordis, Hong Kong	66.4%	36.0%	30.4%	\$1,428	\$996	43.4%	\$948	\$358	164.9%
Eaton HK	73.4%	48.8%	24.6%	\$911	\$534	70.6%	\$669	\$261	156.6%

Europe

The Langham, London	65.5%	22.8%	42.7%	£533	£476	12.0%	£349	£108	223.3%
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North America

The Langham, Boston ^{Note 1}	47.3%	18.7%	28.6%	\$478	\$499	-4.2%	\$226	\$93	142.3%
The Langham, Huntington Pasadena	55.6%	34.3%	21.3%	\$362	\$365	-0.8%	\$201	\$125	60.8%
The Langham, Chicago	63.8%	43.0%	20.8%	\$507	\$472	7.4%	\$324	\$203	59.6%
The Langham, New York, Fifth Avenue	70.9%	39.3%	31.6%	\$746	\$673	10.8%	\$529	\$264	100.0%
Eaton Washington DC	57.1%	29.6%	27.5%	\$267	\$192	39.1%	\$153	\$57	169.2%
Chelsea Hotel, Toronto	67.2%	33.9%	33.3%	\$180	\$110	63.6%	\$121	\$37	224.4%

Pacific

The Langham, Melbourne	57.9%	20.4%	37.5%	\$360	\$344	4.7%	\$208	\$70	197.0%
The Langham, Sydney	61.6%	31.7%	29.9%	\$574	\$538	6.7%	\$353	\$171	107.0%
Cordis, Auckland ^{Note 2}	37.9%	27.3%	10.6%	\$244	\$218	11.9%	\$93	\$60	56.3%

Mainland China

The Langham, Xintiandi, Shanghai	39.8%	63.0%	-23.2%	¥ 1,086	¥ 1,296	-16.2%	¥ 432	¥ 816	-47.1%
Cordis, Hongqiao	40.1%	58.8%	-18.7%	¥ 731	¥ 768	-4.8%	¥ 293	¥ 451	-35.0%

Notes:

- 1) The Langham, Boston reopened in Q2,2021 after the hotel closed for renovation from April 2019.
- 2) The new Pinnacle Tower extension of Cordis, Auckland opened in December 2021.



Hotel portfolio – 2022 Profit Contribution

<u>Owned Hotels</u>	2022 in HK\$ mn	2021 in HK\$ mn	Fav/(-) unfav	Contribution to hotel profit
Europe	210.8	23.1	n.m.	30%
UK (The Langham, London)				
North America	457.1	10.7	n.m.	64%
U.S. (The Langham in Boston, Chicago, New York, Pasadena and Eaton Washington D.C.)				
Canada (Chelsea)				
Australasia	46.6	(53.0)	n.m.	7%
Australia (The Langham, Melbourne and Sydney)				
New Zealand (Cordis, Auckland)				
Mainland China	(2.1)	63.7	n.m.	-1%
Shanghai (Langham Xintiandi and Cordis, Hongqiao)				
Total	712.4	44.5	n.m.	100%



Outlook for the Group's results

- The Group remains optimistic about the economy of Hong Kong for 2023. Hospitality and retail sector should improve with the return of travellers and demand for residential properties will be boosted by the return of prospective buyers from mainland China. This may benefit the sale of the remainder units of ONTOLO, as well as the new Ho Man Tin project which is targeted to launch in end of 2023. Hopefully, the office sector should start to recover when mainland businesses can return to work and invest in Hong Kong.
- The performance of LHI is expected to modestly recover following the reopening of the border and the relaxation of social distancing measures in Hong Kong.
- For Champion REIT, the REIT manager expects that 2023 would remain challenging. The downward pressure on office rentals due to existing and upcoming supply; while rising borrowing cost and its volatility would continue to weigh on the performance of the REIT and hence the distribution per unit. The REIT manager will endeavour to closely monitor the market conditions to enhance the performance of Champion REIT, while looking for prudent investment opportunities.
- We are particularly cautious about the interest rate hikes and its potential impacts on the businesses of the entire Group as a whole. To mitigate, the Group will continue to navigate the businesses diligently amid the uncertainties and challenges ahead. It will explore new business trends and prudently look for investment opportunities.
- We will continue to implement our disciplined financial management measures, to minimize the risks and to providing sustainable benefits for the Group in the long run.



Reconciliation to core earnings from reported

	Reported earnings 2022 HK\$'000	Core earnings 2022 HK\$'000	Core earnings 2021 HK\$'000	
Gross Revenue				
Property sales	919,963	919,963	1,801,960	
Rental Income	151,101	151,101	144,826	
Hotel Income	943,701	3,820,003	1,970,712	- Core revenue ignores revenue of HK hotels
- HK hotels revenue	943,701	3,820,003	1,970,712	
- Overseas & Mainland China	3,820,003	3,820,003	1,970,712	
- Others, including hotel mgt fee	109,073	109,073	114,973	
Income from Champion REIT				
- Management fee income	333,375	333,375	365,368	- Ignore, core profit base on distributions
- Gross rental income	2,625,311	796,836	914,558	- Add back distributions of Champion REIT
- Distributions		796,836	914,558	
Income from LHI				
- Gross rental income	375,958	66,163	60,722	- Ignore, core profit base on distributions
- Distributions		66,163	60,722	- Add back distributions of LHI
Other Operations (including US Fund operations)	380,845	339,772	323,796	
Elimination of intra-group transactions	(774,498)			- Ignore intra-group elimination associated with CREIT, LHI and US Fund
Revenue	<u>8,884,832</u>	<u>6,536,286</u>	<u>5,696,915</u>	



Reconciliation to core earnings from reported (Continued)

	Reported earnings 2022 HK\$'000	Core earnings 2022 HK\$'000	Core earnings 2021 HK\$'000	
Net Operating Income				
Operating income from property sales	457,271	457,271	815,647	
Net Rental Income	97,081	97,081	98,122	
Hotel Income				
- Overseas and China	712,401	712,401	44,494	
- Others	(96,503)	(96,503)	(149,906)	
Income from Champion REIT				
- Management fee income	333,375	333,375	365,368	
- Net rental income	1,788,143			- Ignore net rental income, core profit base on distributions
- Distributions		796,836	914,558	- Add back distributions of Champion REIT
Income from LHI				
- Net rental income	313,753			- Ignore income of the HK hotels, base on distributions
- Distributions		66,163	60,722	- Add back distributions of LHI
Operating income from U.S. Fund	17,937			- Ignore operating income of US Fund, core profit base
Other Operations	196,738	196,738	122,717	on distributions
Elimination of intra-group transactions	(113,464)			
Operating profit	3,706,732	2,563,362	2,271,722	



Reconciliation to core earnings from reported (Continued)

	Reported earnings 2022 HK\$'000	Core earnings 2022 HK\$'000	Core earnings 2021 HK\$'000	
Operating profit before Dep. and Amortisation	3,706,732	2,563,362	2,271,722	
Depreciation and amortisation	(885,628)	(347,059)	(332,041)	- Exclude depreciation of CREIT, LHI and US Fund, add back depreciation relating to hotel land and buildings
Fair value changes on investment properties	(1,923,046)			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments	351,737			- Ignored in core earnings calculation
Fair value changes of financial assets at FVTPL	(122,855)			- Ignored in core earnings calculation
Reversal of impairment loss on a hotel property	274,082			- Ignored in core earnings calculation
Other income (excluding interest income)	9,274	13,632	9,276	- Ignore other income of CREIT, LHI and the US Fund
Administrative, selling and other expenses		(500,266)	(437,708)	
Administrative and selling expenses	(530,027)	(470,000)	(405,461)	- Exclude admin. expense of CREIT, LHI and US Fund
Allowance for credit loss on notes receivables	(61,240)	(13,000)	(32,247)	- Exclude credit loss provision made in CREIT
Investment written off		(17,266)	-	- Investment written off directly charge to reserve in statutory account



Reconciliation to core earnings from reported (Continued)

	Reported earnings 2022 HK\$'000	Core earnings 2022 HK\$'000	Core earnings 2021 HK\$'000	
Net finance costs				
Finance cost	(829,907)	(238,657)	(159,494)	- Exclude interest expense of CREIT, LHI and US Fund
Interest income (Classified as "Other income" on income statement)	96,352	67,155	78,779	- Exclude interest income of CREIT, LHI and US Fund
	(733,555)	(171,502)	(80,715)	
Share of results of associates	17,102	17,102	6,100	
Share of results of joint ventures	(43,237)	(729)	(8,572)	-Exclude share of results of JV of Champion REIT
Profit before tax	59,339	1,574,540	1,428,062	
Income taxes	(470,153)	(171,050)	(67,056)	-Exclude taxes of CREIT, LHI and US Fund
Net Profit	(410,814)	1,403,490	1,361,006	and taxes related to fair value change of IP and reversal of impairment loss on a hotel property
Less: Non-controlling interest	229,410	(897)	(368)	- Exclude non-controlling interest of CREIT, LHI and US Fund
Profit Attributable to Shareholders	(181,404)	1,402,593	1,360,638	
Basic earnings per share	(\$0.25)	\$1.90	\$1.87	