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Great Eagle Holdings
Interim Results Presentation
Aug 2023



Highlights of 2023 Interim Results

(for the 6 months period ended June 30, 2023 unless otherwise stated)

- The Group's core profit attributable to equity holders was HK\$1,109.5 million representing a 116.3% increase compared to HK\$513.0 million for the same period last year.
- Recovery of our global hotels business has been witnessed where an EBITDA of HK\$422.4 million was reported, and this represented a 220.2% growth from that of last year (1H 2022: HK\$131.9 million). The sustained growth is mainly due to the revival of demands for our hotels worldwide, including those in Mainland China. Also, the performance of LHI was improved with the reopening of borders and the full lifting of COVID-related measures in Hong Kong. Nevertheless, its profitability had been significantly impacted by the rising finance cost.
- ONTOLO sales continuously progressed where 22 residential units and 10 car parking spaces were delivered. There was a non-recurring one-off cost saving amounted to \$388 million, of which HK\$260 million has to be adjusted to cost of units handed over to the buyers prior to end of 2022. Together with the aforesaid cost revision, ONTOLO reported a gross profit of HK\$545.4 million (1H 2022: \$263.4 million).
- Distribution income from Champion REIT dropped by 11.3% year-on-year to HK\$382.0 million (1H 2022: \$430.8 million). Management fee income from Champion REIT remained stable at HK\$170.7 million (1H 2022: HK\$168.8 million).
- Net rental income from our investment portfolio, mainly Great Eagle Centre, Ying'nFlo and Eaton Residences, increased by 12.1% from HK\$48.9 million to HK\$54.8 million.
- Administrative, selling and other expenses reduced 15.7% to HK\$227.5 million (1H 2022: HK\$270.0 million) and this is largely due to the absence of credit loss provision of Chinese bond receivables and the reduced write-off of non-core venture capital investment compared to the corresponding period of last year.
- The Group's finance costs increased to HK\$187.5 million (1H 2022: HK\$95.1 million) due to the higher interest rates.
- The share of results of joint ventures rose to HK\$94.0 million (1H 2022: HK\$1.8 million). This is attributed to the cash recovered by our joint venture company from the purchaser of our previous Dalian project following the successful legal actions taken to pursue the overdue consideration.



2023 Interim Results – Core Earnings

	1H 2023	1H 2022	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue				
Revenue from property sales	586,817	539,650	47,167	8.7%
Rental Income	82,382	74,170	8,212	11.1%
Hotel Income				
- Overseas and China	2,159,284	1,545,541	613,743	39.7%
- Others	90,935	45,720	45,215	98.9%
Income from Champion REIT*	552,656	599,583	(46,927)	-7.8%
Income from LHI*	-	-	-	
Other Operations	157,881	162,293	(4,412)	-2.7%
	3,629,955	2,966,957	662,998	22.3%

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



2023 Interim Results – Core Earnings

	1H 2023	1H 2022	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Operating income from property sales	545,394	263,445	281,949	107.0%
Net Rental Income	54,819	48,967	5,852	12.0%
Hotel Income				
- Overseas and China	403,108	176,476	226,632	128.4%
- Others	19,333	(44,606)	63,939	n.m.
Income from Champion REIT*				
- Dividend income	382,020	430,758	(48,738)	-11.3%
- Asset management	120,794	126,721	(5,927)	-4.7%
- Agency commission	49,842	42,104	7,738	18.4%
Income from LHI*				
- Dividend income	-	-	-	
Other Operations	65,126	69,371	(4,245)	-6.1%
Income before expenses	1,640,436	1,113,236	527,200	47.4%
Other income	21,239	4,253	16,986	399.4%
Depreciation and amortisation	(167,600)	(175,338)	7,738	-4.4%
Administrative, selling and other expenses	(227,561)	(270,040)	42,479	-15.7%

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



2023 Interim Results – Core Earnings

	<u>1H 2023</u>	<u>1H 2022</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(187,464)	(95,057)	(92,407)	97.2%
Interest income	82,435	18,669	63,766	341.6%
	(105,029)	(76,388)	(28,641)	37.5%
Share of results of associates	(4,743)	(7,711)	2,968	n.m.
Share of results of joint ventures	94,029	1,829	92,200	n.m.
Profit before taxation	1,250,771	589,841	660,930	112.1%
Income taxes	(141,832)	(77,155)	(64,677)	83.8%
Net Profit	1,108,939	512,686	596,253	116.3%
Less: Non-controlling interest	563	278	285	102.5%
Profit Attributable to Shareholders	1,109,502	512,964	596,538	116.3%
Basic earnings per share	\$1.48	\$0.70		



2023 Interim Results – Breakdown of Income from Champion REIT

	<u>1H 2023</u> HK\$'000	<u>1H 2022</u> HK\$'000	<u>Change</u>	
			HK\$'000	%
Dividend income	382,020	430,758	(48,738)	-11.3%
Asset management income	120,794	126,721	(5,927)	-4.7%
Agency commission income & Property management income	49,842	42,104	7,738	18.4%
	<u>552,656</u>	<u>599,583</u>	<u>(46,927)</u>	-7.8%
Distribution Per Unit declared in HK\$	0.09270	0.10640		-12.9%
Units held by Great Eagle in '000	4,120,096	4,048,909		1.8%



Analysis on change of core earnings

	1H 2023
	\$'000
Change in profit from core business after tax	<u>596,538</u>
Arise from:	
Increase in hotels EBITDA	290,571
Increase in operating income from property sales	281,949
Increase in share of result of joint ventures	92,200
Decrease in administrative, selling and other expense	42,479
Increase in other income	16,986
Decrease in dividend and management income from Champion REIT	(46,927)
Increase in income taxes	(64,677)
Change in net interest expenses	(28,641)
Others	12,598
Change in profit from core business after tax	<u><u>596,538</u></u>



Discount to NAV

NAV based on statutory accounting principles (June 2023)

	HK\$m	HK\$/shr	% of Total
Investment properties (Note 1) Appraised valuation by independent valuer	6,982	9.3	11%
Hotels All valued at cost less depreciation	15,659	20.9	25%
ONTOLO	1,782	2.4	3%
Ho Man Tin Development project	9,636	12.9	16%

Statutory accounting treatments for Champion REIT and LHI

Investment in Champion REIT: - 68.78% share of Champion's Net Assets	32,552	43.5	53%
Investment in U.S. Real Estate Fund: - 49.97% share of Fund's NAV	282	0.4	0%
Investment in LHI: - 69.96% share of net liab. from three HK hotels Based on cost less depreciation approach (calculated as book cost of the hotels less debt)	(2,078)	(2.8)	-3%
	30,756	41.1	50%

Other net (liabilities)/assets	(3,010)	(4.0)	-5%
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Total	61,805	82.66	100%
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Net debt (note 2)	(4,860)	(6.5)	
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Great Eagle's NAV	56,945	76.16	
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Discount to NAV based on share price of HK\$ 15		-80.3%	
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NAV based on net assets of Champion REIT, LHI and US Fund (June 2023)

	HK\$m	HK\$/shr	% of Total
Investment properties (Note 1) Appraised valuation by independent valuer	6,982	9.3	10%
Hotels All valued at cost less depreciation	15,659	20.9	22%
ONTOLO	1,782	2.4	3%
Ho Man Tin Development project	9,636	12.9	14%

Share of net assets of Champion REIT and LHI

Investment in Champion REIT: - 68.78% share of Champion's Net Assets	32,552	43.5	47%
Investment in U.S. Real Estate Fund: - 49.97% share of Fund's NAV	282	0.4	0%
Investment in LHI: - 69.96% share of LHI's Net Assets Based on appraised valuation of LHI's hotels	6,096	8.2	9%
	38,930	52.1	56%

Other net (liabilities)/assets	(3,010)	(4.0)	-5%
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Total	69,979	93.59	100%
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Net debt (note 2)	(4,860)	(6.5)	
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Great Eagle's NAV	65,119	87.09	
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Discount to NAV based on share price of HK\$ 15		-82.8%	
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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\$1,706 million as at the end of June 2023.



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	62,081	(16,198)	45,882	26.1%	35.3%	1,724	491	3.5
Overseas Assets	13,453	(2,390)	11,063	17.8%	21.6%	410	64	6.4
Group Total	75,533	(18,588)	56,945	24.6%	32.6%	2,134	555	3.8

(B) Base on core financial positions (a)

(HK\$ Million)	Attributable Book Value	Net Debt	Net Equity	Loan to Value	Gearing	Core EBITDA	Net Interest Expense	Interest Cover
Hong Kong/ PRC Assets	56,803	(2,528)	54,274	4.5%	4.7%	1,032	124.1	8.3
Overseas Assets	13,177	(2,332)	10,845	17.7%	21.5%	402	65	6.2
Group Total	69,979	(4,860)	65,119	6.9%	7.5%	1,434	189	7.6

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 three subsidiary groups.
- (b) At the balance sheet date, the Group holds liquid assets including bonds amounted to HK\$302 million and invested securities amounted to HK\$1,404 million which included LCID shares of HK\$728 million. Should these amounts be taken into account, net consolidated borrowings and gearing ratio would be reduced to HK\$18,588 million and 32.6% respectively. The net debt and gearing ratio based on core financial positions would be correspondingly decreased to HK\$4,860 million and 7.5% respectively.



Valuation - Investment Properties

Financials

As at the end of June 2023

Hong Kong investment properties

	GFA (sq.ft)	Valuation HK\$/psf	Cap rate	Change from end of Dec 2022
Great Eagle Centre				
Office	193,271	21,783	2.9%	0.0%
Retail	55,944	8,491	4.5%	0.0%
Retail 3rd floor	20,959	10,783		0.0%
Carparks (nos/unit price)	296	1,300,676		0.0%
Signage (gross value in HK\$mn)		136		5.4%
Eaton Residences, Blue Pool Road	33,700	13,353	3.0%	0.9%
Eaton Residences, Village Road	23,350	9,636	3.5%	0.0%
Ying'nFlo, Wanchai Gap Road	34,915	9,967	3.7%	0.9%
Convention Plaza apartments	5,817	17,432		0.0%
Tak Woo House (Retail)	1,500	115,333		0.0%



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 car parking spaces, was completed in Q4 2020.

During 1H 2023, 22 residential units and 10 car parking spaces were delivered and accumulated sales reached 647 residential units, which represented 89.5% of the total 723 residential units sold. Among such, 608 units had been delivered to buyers. Average sales price for the residential units was HK\$21,400 per sq. ft. based on saleable area, and HK\$2.86 million per unit for car parking spaces.

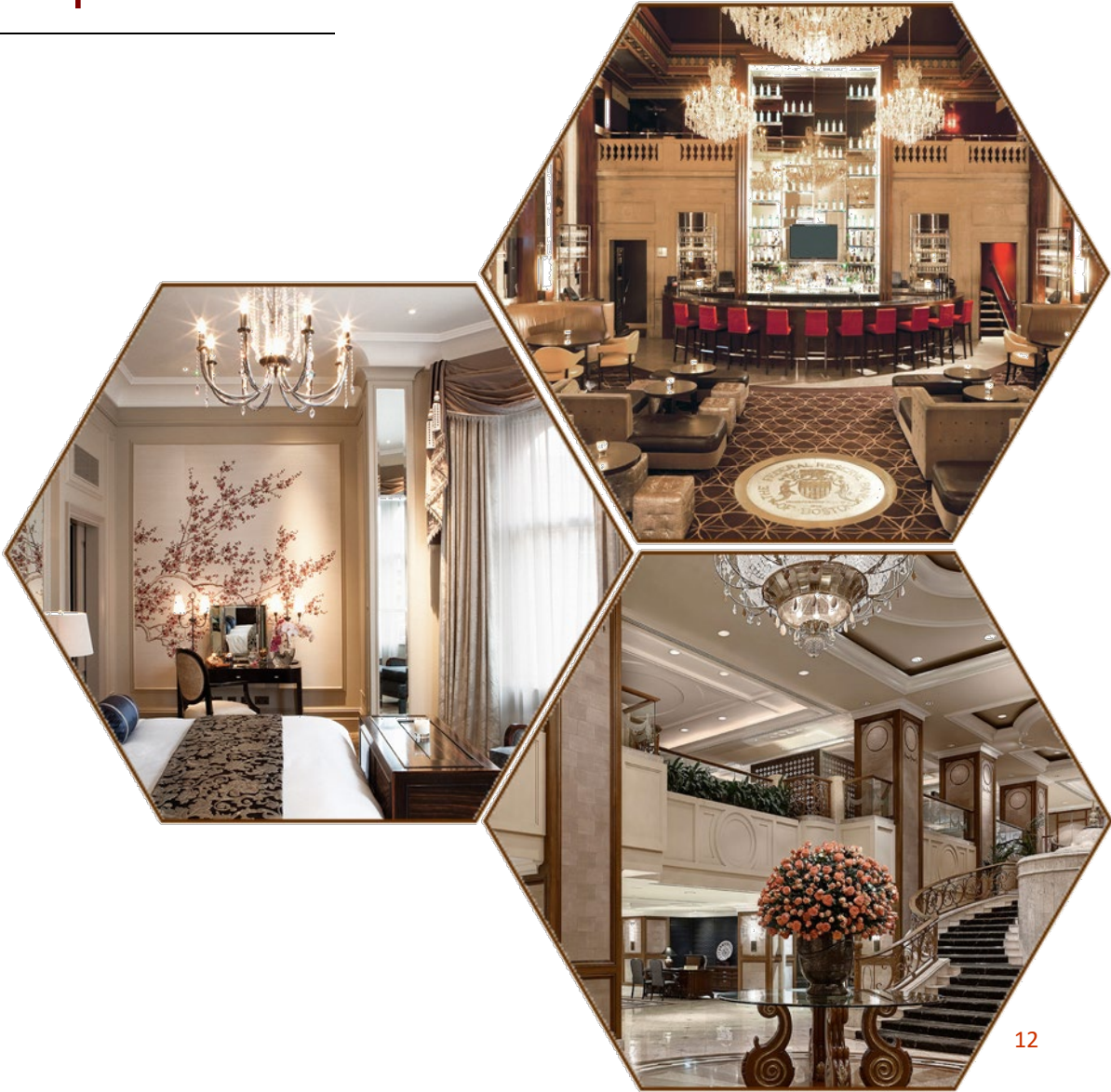
Subsequent to the reporting period, the final account with the main contractor had been concluded. There was a non-recurring one-off cost saving amounted to HK\$388 million, out of which HK\$260 million has to be adjusted to cost of units handed over to the buyers prior to end of 2022. Together with the aforesaid cost revision, ONTOLO reported a gross profit of HK\$545.4 million for the period ended 30 June 2023.

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 the first half of 2024.

Langham Hospitality Group





Hotel portfolio – 1H, 2023 Operational Statistics

YTD Occupancy			YTD Average Room Rate			YTD RevPar		
Jun-23	Jun-22	Change	Jun-23	Jun-22	Change	Jun-23	Jun-22	Change

Owned by subsidiary LHI

Hong Kong

The Langham, Hong Kong	84.5%	70.6%	13.9%	\$2,044	\$1,644	24.3%	\$1,727	\$1,160	48.9%
Cordis, Hong Kong	88.4%	71.1%	17.3%	\$1,468	\$1,501	-2.2%	\$1,297	\$1,067	21.6%
Eaton HK	86.0%	76.3%	9.7%	\$963	\$1,096	-12.1%	\$828	\$836	-1.0%

Wholly-owned hotels

Europe

The Langham, London	69.8%	54.6%	15.2%	£495	£487	1.6%	£345	£266	29.7%
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North America

The Langham, Boston	57.8%	36.5%	21.3%	\$447	\$480	-6.9%	\$259	\$175	48.0%
The Langham Huntington, Pasadena	68.0%	49.5%	18.5%	\$337	\$382	-11.8%	\$230	\$189	21.7%
The Langham, Chicago	60.4%	54.9%	5.5%	\$485	\$509	-4.7%	\$293	\$280	4.6%
The Langham, New York, Fifth Avenue	75.2%	58.3%	16.9%	\$678	\$674	0.6%	\$510	\$393	29.8%
Eaton Washington DC	71.6%	53.2%	18.4%	\$288	\$275	4.7%	\$206	\$147	40.1%
Chelsea Hotel, Toronto	64.5%	58.7%	5.8%	\$203	\$142	43.0%	\$131	\$83	57.8%

Pacific

The Langham, Melbourne	69.6%	47.4%	22.2%	\$360	\$368	-2.2%	\$250	\$174	43.7%
The Langham, Sydney	71.8%	54.4%	17.4%	\$565	\$564	0.2%	\$406	\$307	32.2%
Cordis, Auckland	66.4%	21.1%	45.3%	\$262	\$239	9.6%	\$174	\$50	248.0%

Mainland China

The Langham, Shanghai, Xintiandi	83.0%	39.0%	44.0%	¥ 1,311	¥ 1,038	26.3%	¥ 1,088	¥ 405	168.6%
Cordis, Shanghai, Hongqiao	74.4%	42.3%	32.1%	¥ 844	¥ 743	13.6%	¥ 627	¥ 314	99.7%



Hotel portfolio – 1H, 2023 Profit Contribution

<u>Owned Hotels</u>	1H 2023 in HK\$ mn	1H 2022 in HK\$ mn	Fav/(-) unfav	Contribution to hotel profit
Europe				
UK (The Langham, London)	86.9	61.6	41.1%	22%
North America				
U.S. (The Langham in Boston, Chicago, New York, Pasadena and Eaton Washington D.C.)	203.7	131.1	55.4%	50%
Canada (Chelsea)				
Australasia				
Australia (The Langham, Melbourne and Sydney)	48.4	(4.5)	n.m.	12%
New Zealand (Cordis, Auckland)				
Mainland China				
Shanghai (The Langham, Xintiandi and Cordis, Hongqiao)	64.1	(11.7)	n.m	16%
Total	403.1	176.5	128.4%	100%



Outlook for the Group's results

- The landscape of global economy remains challenging for the remainder of 2023. In particular, the intertwining impacts of high interest rates, lasting of warfare between Russia and Ukraine, geo-political tensions and the ongoing of Sino-US conflicts continue to hinder the post-pandemic recovery of Hong Kong.
- The upside of greater net income growth for our hotel portfolio worldwide would be tampered to some extent as operating expenses have been rising with the escalating labour and staff cost.
- For Hong Kong, the high interest rates and uncertain economic outlook would exert additional pressures on residential pricing and home sales. The Group will stay cautious regarding the sale of the remainder units at ONTOLO in Pak Shek Kok, as well as the presale of the new Ho Man Tin project. Despite the short-term volatilities, we are still optimistic of the longer-term prospect of the Hong Kong residential market.
- For Champion REIT, the REIT manager expects the performance would still be impeded by the subdued office market as a result of weakened tenant demand from global and local businesses, in particular Mainland Chinese corporations, and the increasing availability of new office stock in Hong Kong. The lower rentals and increased borrowing cost would together pose a downside risk to the distribution for 2023 as a whole.
- The recently announced economic stimulus plan of China is expected to help boosting the domestic demand and Hong Kong shall benefit from such. Therefore, there is room for LHI to improve further for the second half of 2023 with the anticipation of receiving more travellers from Mainland China and internationally following the improvement of airline capacity. However, the high labour and energy cost would still weigh on its performance.
- We will continue its prudent practice in its operation and will be more alert to risks, whilst prudently looking for quality opportunities for business growth at the same time. We will closely monitor the market movements for our businesses at home and abroad. Given our strong balance sheet with sound liquidity, we are confident in weathering the prevailing market uncertainties and stay opened for new investment should right opportunities arise.



Reconciliation to core earnings from reported

	Reported earnings 1H 2023 HK\$'000	Core earnings 1H 2023 HK\$'000	Core earnings 1H 2022 HK\$'000	
Gross Revenue				
Property sales	586,817	586,817	539,650	
Rental Income	82,382	82,382	74,170	
- HK				
- Overseas				
Hotel Income	720,196			
- HK hotels revenue				- Core revenue ignored revenue of HK hotels
- Overseas & China	2,159,284	2,159,284	1,545,541	
- Others	90,935	90,935	45,720	
Income from Champion REIT				
- Management fee income	170,636	170,636	168,825	
- Gross rental income	1,299,504			- Ignored, core profit base on distributions
- Distributions		382,020	430,758	- Added back distributions of CREIT
Income from LHI				
- Gross rental income	271,476			- Ignored, core profit base on distributions
- Distributions		-	-	- Added back distributions of LHI, if any
Income from U.S. Fund	19,378			- Ignored, core profit base on distributions
Other Operations	157,881	157,881	162,293	
Elimination of intra-group transactions	(476,063)			- Ignored intra-group elimination associated with CREIT, LHI and US fund
Revenue	<u>5,082,426</u>	<u>3,629,955</u>	<u>2,966,957</u>	



Reconciliation to core earnings from reported

	Reported earnings 1H 2023 HK\$'000	Core earnings 1H 2023 HK\$'000	Core earnings 1H 2022 HK\$'000	
Net Operating Income				
Operating income from property sales	545,394	545,394	263,445	
Net Rental Income - HK	54,819	54,819	48,967	
Hotel Income				
- Overseas and China	403,108	403,108	176,476	
- Others	19,333	19,333	(44,606)	
Income from Champion REIT				
- Management fee income	170,636	170,636	168,825	
- Net rental income	876,248			- Ignored net rental income, core profit based on distributions
- Distributions		382,020	430,758	- Added back distributions of CREIT
Income from LHI				
- Net rental income	226,434			- Ignored rental income of the HK hotels, core profit based on distributions
- Distributions		-	-	- Added back distributions of LHI, if any
Operating income from U.S. Fund	6,199			- Ignored operating income of US Fund, core profit based on distributions
Other Operations	65,126	65,126	69,371	
Elimination of intra-group transactions	(8,073)			
Operating profit	2,359,224	1,640,436	1,113,236	



Reconciliation to core earnings from reported

	Reported earnings 1H 2023 HK\$'000	Core earnings 1H 2023 HK\$'000	Core earnings 1H 2022 HK\$'000	
Operating profit before Dep. and Amortisation	2,359,224	1,640,436	1,113,236	
Depreciation and amortisation	(445,733)	(167,600)	(175,338)	- Excluded depreciation of CREIT, LHI and US Fund, add back depreciation relating to hotel land and buildings
Fair value changes on investment properties	(421,049)			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments	(138,622)			- Ignored in core earnings calculation
Fair value changes of financial assets designated at FVTPL	10,724			- Ignored in core earnings calculation
Other income (excluding interest income)	8,394	21,239	4,253	- Ignore other income of CREIT, LHI and US Fund
Administrative, selling and other expenses	(238,028)	(227,561)	(270,040)	
Administrative and selling expenses		(219,722)	(234,690)	- Excluded admin. expense of CREIT, LHI and US Fund
Allowance for credit loss on notes receivables		-	(18,000)	- Excluded credit loss provision made in CREIT
Investment written off		(7,839)	(17,350)	- Investment written off directly charged to reserve



Reconciliation to core earnings from reported

	Reported earnings 1H 2023 HK\$'000	Core earnings 1H 2023 HK\$'000	Core earnings 1H 2022 HK\$'000	
Net finance costs				
Finance cost	(579,745)	(187,464)	(95,057)	- Excluded interest expense of CREIT, LHI and US Fund
Interest income (Classified as "Other income" on income statement)	109,175	82,435	18,669	- Excluded interest income of CREIT, LHI and US Fund
	(470,570)	(105,029)	(76,388)	
Share of results of associates	(4,743)	(4,743)	(7,711)	
Share of results of joint ventures	88,073	94,029	1,829	- Excluded share of results of JV of CREIT
Profit before tax	747,670	1,250,771	589,841	
Income taxes	(251,794)	(141,832)	(77,155)	- Excluded taxes of CREIT, LHI and US Fund
Net Profit	495,876	1,108,939	512,686	
Less: Non-controlling interest	(17,210)	563	278	- Excluded non-controlling interest of CREIT, LHI and US Fund
Profit Attributable to Shareholders	478,666	1,109,502	512,964	
Basic earnings per share	\$0.64	\$1.48	\$0.70	