



Great Eagle Holdings
Interim Results Presentation
Aug 2022



Highlights of 2022 Interim Results

- The Group's core profit attributable to equity holders was HK\$513.0 million representing a 4.1% drop compared to HK\$534.9 million for the same period last year.
- In 1H 2022, ONTOLO sales continuously progressed but at a slower pace given the larger units, and this is coupled with the spike of COVID-19 cases and the social distancing measures put in place during early 2022 which deterred sales activities.
- Nonetheless, a stronger growth has been witnessed for the performance of our overseas hotels particularly in the UK and the US following the lifting of travel restriction and social distancing measures. For hotels in Hong Kong and Greater China, the performance was still impacted by the lingering effects of the pandemic. The reported gain before interest, taxes and depreciation of the hotels excluding those owned by LHI for the year was HK\$131.9 million in the first half of 2022 (1H 2021: loss of HK\$270.6 million). LHI did not declare any interim distribution for the first half of 2022 (1H 2021: nil).
- Distribution income from Champion REIT dropped by 10.0% year-on-year to HK\$430.8 million in the first half of 2022 (1H 2021: HK\$478.5 million). Management fee income from Champion REIT fell by 9.1% year-on-year to HK\$168.8 million in the first half of 2022 (1H 2021: HK\$185.6 million).
- Net rental income from our investment portfolio, mainly Great Eagle Centre and Eaton Residences, dropped by 9.7% in the first half of 2022 from HK\$54.3 million to HK\$49.0 million.
- Administrative and other expenses rose 41.2% to HK\$270.0 million in the first half of 2022 (1H 2021: HK\$191.2 million) caused by higher staffing cost and increased professional fees for refinancing, acquisition and investment activities. Impairment of HK\$18 million against one of the Group's bond receivables due to a significant increase in credit risk of the counterparty, and writing off HK\$17.4 million in respect of a non-core venture capital fintech investment were also recorded.
- The Group's net finance costs increased to HK\$76.4 million during the reported period (1H 2021: HK\$30.3 million) due to reduction in cash holdings and investments in high yield bonds, as well as increased bank loans utilised comparing to the same period last year.
- The Group also diversified into consumer business and as a start by completed an acquisition of 40% equity interest of Imperial Enterprises Holdings Limited who is specialized in production of pastry products. In addition, the Group is also keen to explore other investment opportunities, including as venture capital in high-tech and biotech companies.



2022 Interim Results – Core Earnings

	1H 2022	1H 2021	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue				
Revenue from property sales	539,650	957,622	(417,972)	-43.6%
Rental Income	74,170	76,400	(2,230)	-2.9%
Hotel Income				
- Overseas and mainland China	1,545,541	676,186	869,355	128.6%
- Others	45,720	49,674	(3,954)	-8.0%
Income from Champion REIT*	599,583	664,144	(64,561)	-9.7%
Income from LHI*	-	-	-	
Other Operations	162,293	139,794	22,499	16.1%
	2,966,957	2,563,820	403,137	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.



2022 Interim Results – Core Earnings

	1H 2022	1H 2021	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Operating income from property sales	263,445	424,277	(160,832)	-37.9%
Net Rental Income	48,967	54,254	(5,287)	-9.7%
Hotel Income				
- Overseas and mainland China	176,476	(169,376)	345,852	n.m.
- Others	(44,606)	(101,222)	56,616	-55.9%
Income from Champion REIT*				
- Dividend income	430,758	478,525	(47,767)	-10.0%
- Asset management	126,721	141,573	(14,852)	-10.5%
- Agency commission	42,104	44,046	(1,942)	-4.4%
Income from LHI*				
- Dividend income	-	-	-	
Other Operations	69,371	54,377	14,994	27.6%
Income before expenses	1,113,236	926,454	186,782	20.2%
Other income	4,253	5,119	(866)	-16.9%
Depreciation and amortisation	(175,338)	(158,895)	(16,443)	10.3%
Administrative and other expenses	(270,040)	(191,255)	(78,785)	41.2%

* 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.



2022 Interim Results – Core Earnings

	1H 2022	1H 2021	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(95,057)	(77,013)	(18,044)	23.4%
Interest income	18,669	46,729	(28,060)	-60.0%
	(76,388)	(30,284)	(46,104)	152.2%
Share of results of associates	(7,711)	3,598	(11,309)	n.m.
Share of results of joint ventures	1,829	(5,966)	7,795	n.m.
Profit before taxation	589,841	548,771	41,070	7.5%
Income taxes	(77,155)	(13,786)	(63,369)	459.7%
Net Profit	512,686	534,985	(22,299)	-4.2%
Less: Non-controlling interest	278	(102)	380	n.m.
Profit Attributable to Shareholders	512,964	534,883	(21,919)	-4.1%
Basic earnings per share	\$0.70	\$0.74		



2022 Interim Results – Breakdown of Income from Champion REIT

	1H 2022	1H 2021	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Dividend income	430,758	478,525	(47,767)	-10.0%
Asset management income	126,721	141,573	(14,852)	-10.5%
Agency commission income & Property management income	42,104	44,046	(1,942)	-4.4%
	<u>599,583</u>	<u>664,144</u>	<u>(64,561)</u>	-9.7%
Distribution Per Unit declared in HK\$	0.10640	0.12000		-11.3%
Units held by Great Eagle in 000's	4,048,909	3,986,035		1.6%



Analysis on change on core earnings

	1H 2022
	\$'000
Change in profit from core business after tax	<u>(21,919)</u>
Arise from:	
Increase in hotels EBITDA	402,468
Decrease in income from property sales	(160,832)
Increase in administrative and other expense	(78,785)
Decrease in dividend and management income from Champion REIT	(64,561)
Increase in income taxes	(63,369)
Change in net interest expenses	(46,104)
Increase in depreciation and amortisation	(16,443)
Others	5,707
Change in profit from core business after tax	<u>(21,919)</u>



Discount to NAV

NAV based on statutory accounting principles (June 2022)

	HK\$m	HK\$/shr	% of Total
Investment properties (Note 1) Appraised valuation by independent valuer	6,930	9.3	11%
Hotels All valued at cost less depreciation	15,961	21.3	25%
ONTOLO	2,315	3.1	4%
Ho Man Tin Development project	10,116	13.5	16%

Statutory accounting treatments for Champion REIT and LHI

Investment in Champion REIT: -67.99% share of Champion's Net Assets	33,418	44.7	53%
Investment in U.S. Real Estate Fund: - 49.97% share of Fund's NAV	278	0.4	0%
Investment in LHI: -69.53% share of net liab. from three HK hotels Based on cost less depreciation approach (calculated as book cost of the hotels less debt)	(1,954)	(2.6)	-3%
	<u>31,742</u>	<u>42.5</u>	50%

Other net (liabilities)/assets	(4,055)	(5.4)	-6%
Deferred Tax	-	-	0%
Total	63,009	84.3	100%
Net debt (note 2)	(4,440)	(5.9)	
Great Eagle's NAV	58,569	78.3	

Discount to NAV based on share price of HK\$ 18

-77%

NAV based on net assets of Champion REIT, LHI and US Fund (June 2022)

	HK\$m	HK\$/shr	% of Total
Investment properties (Note 1) Appraised valuation by independent valuer	6,930	9.3	10%
Hotels All valued at cost less depreciation	15,961	21.3	23%
ONTOLO	2,315	3.1	3%
Ho Man Tin Development project	10,116	13.5	14%

Share of net assets of Champion REIT and LHI

Investment in Champion REIT: -67.99% share of Champion's Net Assets	33,418	44.7	47%
Investment in U.S. Real Estate Fund: - 49.97% share of Fund's NAV	278	0.4	0%
Investment in LHI: -69.53% share of LHI's Net Assets Based on appraised valuation of LHI's hotels	<u>5,795</u>	<u>7.8</u>	8%
	<u>39,491</u>	<u>52.8</u>	56%

Other net (liabilities)/assets	(4,055)	(5.4)	-6%
Deferred Tax	-	-	0%
Total	70,758	94.6	100%
Net debt (note 2)	(4,440)	(5.9)	
Great Eagle's NAV	66,318	88.7	

Discount to NAV based on share price of HK\$ 18

-80%

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\$2,819 million as at the end of June 2022.



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	66,415	(18,805)	47,610	28.3%	39.5%	1,278	301	4.2
Overseas Assets	13,479	(2,520)	10,959	18.7%	23.0%	230	45	5.1
Group Total	79,894	(21,325)	58,569	26.7%	36.4%	1,508	346	4.4

(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	57,556	(1,997)	55,559	3.5%	3.6%	661	57	11.6
Overseas Assets	13,202	(2,443)	10,759	18.5%	22.7%	222	46	4.8
Group Total	70,758	(4,440)	66,318	6.3%	6.7%	883	103	8.6

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\$2,819 million as at the end of June 2022.



Valuation - Investment Properties

Financials

As at the end of Jun 2022

Hong Kong investment properties	GFA (sq.ft.)	Valuation HK\$/psf	Cap rate	Change from end of Dec 2021
Great Eagle Centre				
Office	193,271	22,642	2.9%	-0.9%
Retail	55,944	8,509	4.5%	0.6%
3rd floor	20,959	11,165		-0.8%
Carparks (nos/unit price)	296	1,300,676		0.0%
Signage (gross value in HK\$m)		129		0.0%
Eaton House				
Blue Pool Road	33,700	13,501	3.0%	2.2%
Village Road	23,350	9,807	3.5%	0.9%
Wanchai Gap Road	34,915	10,253	3.7%	0.8%
Convention Plaza apartments	5,817	17,965		1.6%
Tak Woo House (Retail)	1,500	122,000		n/a



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 end June 2022, accumulated sales reached 601 residential units (representing a saleable area of 445,676 sq. ft.) and 157 carparks.

During the first half of 2022, the Group had handed over 23 residential units and 19 carparks respectively to the buyers. ONTOLO contributed sales revenue of HK\$539.6 million and operating profit of HK\$263.4 million respectively during the reporting period.

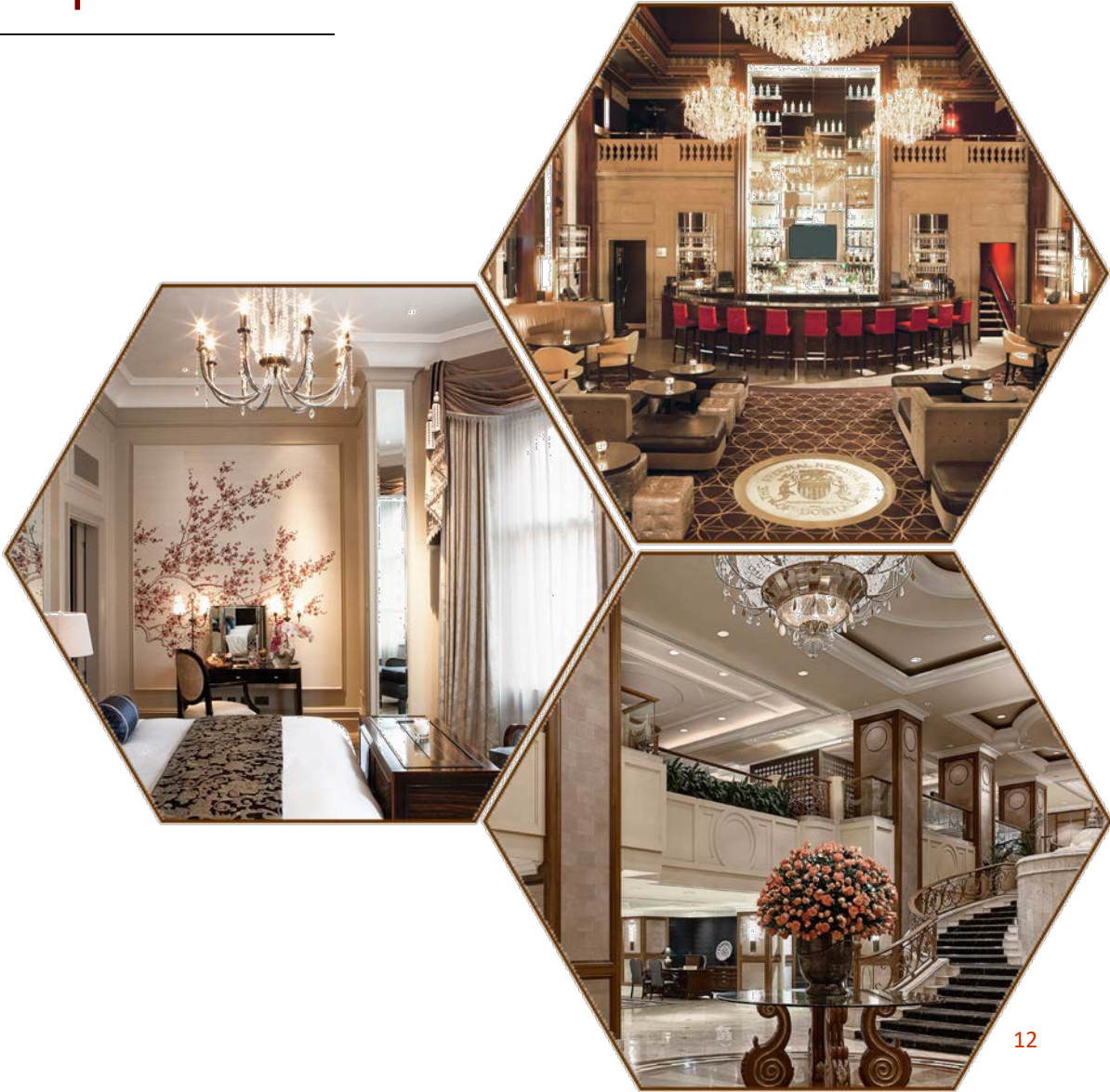
Average sales price for the residential units reached HK\$24,100 per sq. ft. based on saleable area, and HK\$2.51 million per unit for parking spaces during the reporting period.

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 foundation works have been mostly completed. Presale is planned for the first half of 2023, whilst completion of construction for handover is scheduled for the last quarter of 2024.

Langham Hospitality Group





Hotel portfolio – 1H, 2022 Operational Statistics

YTD Occupancy			YTD Average Room Rate			YTD RevPar		
Jun-22	Jun-21	Change	Jun-22	Jun-21	Change	Jun-22	Jun-21	Change

Owned by subsidiary LHI

Hong Kong

The Langham, Hong Kong	70.6%	20.6%	49.9%	\$1,644	\$1,137	44.5%	\$1,160	\$235	394.2%
Cordis, Hong Kong	71.1%	26.2%	44.9%	\$1,501	\$1,008	48.9%	\$1,067	\$264	304.4%
Eaton HK	76.3%	35.9%	40.3%	\$1,096	\$522	109.8%	\$836	\$188	345.3%

Wholly-owned hotels

Europe

The Langham, London	54.6%	4.7%	49.9%	£487	£416	17.2%	£266	£20	1253.4%
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North America

The Langham, Boston ^{Note 1}	36.5%	2.0%	n.a.	\$480	\$482	n.a.	\$175	\$10	n.a.
The Langham, Huntington Pasadena	49.5%	22.3%	27.1%	\$382	\$347	10.2%	\$189	\$77	143.9%
The Langham, Chicago	54.9%	26.2%	28.7%	\$509	\$439	16.1%	\$280	\$115	143.4%
The Langham, New York, Fifth Avenue	58.3%	21.0%	37.3%	\$674	\$552	22.1%	\$393	\$116	239.3%
Eaton Washington DC	53.2%	20.7%	32.5%	\$275	\$160	71.7%	\$147	\$33	340.9%
Chelsea Hotel, Toronto	58.7%	12.1%	46.6%	\$142	\$106	33.3%	\$83	\$13	546.4%

Pacific

The Langham, Melbourne	47.4%	27.9%	19.5%	\$368	\$320	14.8%	\$174	\$89	95.3%
The Langham, Sydney	54.4%	41.8%	12.7%	\$564	\$519	8.5%	\$307	\$217	41.4%
Cordis, Auckland	21.1%	39.9%	-18.8%	\$239	\$217	9.7%	\$50	\$87	-41.9%

Mainland China

The Langham, Xintiandi, Shanghai	39.0%	68.2%	-29.1%	¥ 1,038	¥ 1,235	-16.0%	¥ 405	¥ 842	-51.9%
Cordis, Hongqiao	42.3%	62.8%	-20.5%	¥ 743	¥ 763	-2.7%	¥ 314	¥ 479	-34.4%



Hotel portfolio – 1H, 2022 Profit Contribution

<u>Owned Hotels</u>	1H 2022 in HK\$ mn	1H 2021 in HK\$ mn	Fav/(-) unfav	Contribution to hotel profit
Europe				
UK (The Langham, London)	61.6	(22.5)	n.m.	35%
North America				
U.S. (The Langham in Boston, Chicago, New York, Pasadena and Eaton Washington D.C.)	131.1	(161.8)	n.m.	74%
Canada (Chelsea)				
Australasia				
Australia (The Langham, Melbourne and Sydney)	(4.5)	(18.7)	75.9%	-2%
New Zealand (Cordis, Auckland)				
Mainland China				
Shanghai (Langham Xintiandi and Cordis, Hongqiao)	(11.7)	33.6	n.m.	-7%
Total	176.5	(169.4)	n.m.	100%



Outlook for the Group's results

- The Group remains cautious about the challenges ahead resulting from the combination of prevailing pandemic, growing inflationary pressure causing tightening of monetary policy and the rising geo-political tensions.
- The performance of our overseas hotels is anticipated to further improve with the reemergence of travelling demands from both leisure and corporate ends, whilst that of hotel properties in Hong Kong and mainland China would remain challenging due to the lingering impacts of the pandemic.
- The residential market of Hong Kong particularly the secondary sector has been showing signs of deterioration with the down trended pricing and this may gradually diffuse into the currently still strong first-hand market. The Group will closely monitor the market development and take appropriate and flexible strategies to mitigate the potential impact on the marketing of our ONTOLO and Ho Man Tin projects. We are, however, optimistic of the longer-term prospect of Hong Kong properties.
- The uncertainties of the timing for sustainable recovery of the local hospitality market continues to pose risk to the performance of LHI for the remainder of 2022.
- For Champion REIT, the REIT manager expects the economic environment to remain challenging with notable headwinds, which will pressure its rental income and distribution.
- Despite the rising uncertainties brought by the combination of ongoing pandemic, geo-political tensions, high inflation and widespread tightening of monetary policies, Great Eagle's financial position remains healthy enabling the Group to navigate through possible challenges brought by the pandemic and rising interest rates. With available banking facilities and Medium Term Note Programme, the Group will be able to have diverse and flexible funding channels to grasp potential opportunities.



Reconciliation to core earnings from reported

	Reported earnings 1H 2022 HK\$'000	Core earnings 1H 2022 HK\$'000	Core earnings 1H 2021 HK\$'000	
Gross Revenue				
Property sales	539,650	539,650	957,622	
Rental Income - HK	74,170	74,170	76,400	
Hotel Income - HK hotels revenue	417,019			- Core revenue ignores revenue of HK hotels after the spin off
- Overseas & China	1,545,541	1,545,541	676,186	
- Others	45,720	45,720	49,674	
Income from Champion REIT				
- Management fee income	168,825	168,825	185,619	- Ignore, core profit base on distributions - Add back distributions of Champion REIT
- Gross rental income	1,330,768			
- Distributions		430,758	478,525	
Income from LHI				
- Gross rental income	203,604			- Ignore, core profit base on distributions - Add back distributions of LHI, if any
- Distributions		-	-	
Income from U.S. Fund	21,033			- Ignore, core profit base on distributions
Other Operations	162,293	162,293	139,794	
Elimination of intra-group transactions	(417,637)			- Ignore intra-group elimination associated with CREIT, LHI and US Fund
Revenue	<u>4,090,986</u>	<u>2,966,957</u>	<u>2,563,820</u>	



Reconciliation to core earnings from reported

	Reported earnings 1H 2022 HK\$'000	Core earnings 1H 2022 HK\$'000	Core earnings 1H 2021 HK\$'000	
Net Operating Income				
Operating income from property sales	263,445	263,445	424,277	
Net Rental Income - HK	48,967	48,967	54,254	
Hotel Income				
- Overseas and China	176,476	176,476	(169,376)	
- Others	(44,606)	(44,606)	(101,222)	
Income from Champion REIT				
- Management fee income	168,825	168,825	185,619	
- Net rental income	917,666			- Ignore net rental income, core profit base on distributions
- Distributions		430,758	478,525	- Add back distributions of Champion REIT
Income from LHI				
- Net rental income	171,922			- Ignore income of the HK hotels, base on distributions
- Distributions		-	-	- Add back distributions of LHI, if any
Operating income from U.S. Fund	9,662			- Ignore operating income of US Fund, core profit base on distributions
Other Operations	69,371	69,371	54,377	
Elimination of intra-group transactions	(26,273)			
Operating profit	1,755,455	1,113,236	926,454	



Reconciliation to core earnings from reported

	Reported earnings 1H 2022 HK\$'000	Core earnings 1H 2022 HK\$'000	Core earnings 1H 2021 HK\$'000	
Operating profit before Dep. and Amortisation	1,755,455	1,113,236	926,454	
Depreciation and amortisation	(446,200)	(175,338)	(158,895)	- Exclude depreciation of CREIT, LHI and US Fund, add back depreciation relating to hotel land and buildings
Fair value changes on investment properties	(548,930)			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments	286,264			- Ignored in core earnings calculation
Fair value changes of financial assets designated at FVTPL	(83,502)			- Ignored in core earnings calculation
Other income (excluding interest income)	3,885	4,253	5,119	- Ignore other income of CREIT, LHI and the US Fund
Administrative expenses and other expenses	(264,925)	(270,040)	(191,255)	
Administrative and selling expenses		(234,690)	(191,255)	- Exclude admin. expense of CREIT, LHI and US Fund
Allowance for credit loss on notes receivables	(36,441)	(18,000)	-	- Exclude credit loss provision made in CREIT
Investment written off		(17,350)	-	- Investment written off directly charge to reserve



Reconciliation to core earnings from reported

	Reported earnings 1H 2022 HK\$'000	Core earnings 1H 2022 HK\$'000	Core earnings 1H 2021 HK\$'000	
Net finance costs				
Finance cost	(349,259)	(95,057)	(77,013)	- Exclude interest expense of CREIT, LHI and US Fund
Interest income (Classified as "Other income" on income statement)	29,894 (319,365)	18,669 (76,388)	46,729 (30,284)	- Exclude interest income of CREIT, LHI, US Fund
Share of results of associates	(7,711)	(7,711)	3,598	
Share of results of joint ventures	40,155	1,829	(5,966)	- Exclude share of results of JV of Champion REIT
Profit before tax	378,685	589,841	548,771	
Income taxes	(211,594)	(77,155)	(13,786)	- Exclude taxes of CREIT, LHI and US Fund
Net Profit	167,091	512,686	534,985	
Less: Non-controlling interest	(43,227)	278	(102)	- Exclude non-controlling interest of CREIT, LHI and US Fund
Profit Attributable to Shareholders	123,864	512,964	534,883	
Basic earnings per share	\$0.17	\$0.70	\$0.74	