



# **Langham Hospitality Investments And Langham Hospitality Investments Limited**

**1Q 2018**

# A quality hotel portfolio located in Hong Kong's CBDs

## Developments underway to strengthen Hong Kong as a leading tourism destination

- International trade / finance hub and popular shopping / tourist destination
- More tourism and infrastructure projects are under development

## Actively Managed Brands

- Internationally recognised
- Increasing global presence of Langham branded hotels
- Active manager with an “owner-manager” mentality

## Strategic Locations

- Prime locations on the Kowloon peninsula
- Major infrastructure and commercial centres under development
- Restricted new supply in core business districts

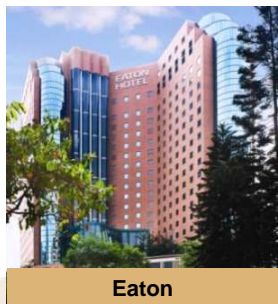
**LANGHAM**  
HOSPITALITY INVESTMENTS

- Our objective is to provide stable distributions with the potential for sustainable long term growth of such distributions and enhancement in the value of the hotel portfolio
- Accomplished through the lease structure, active asset management and ROFR from Great Eagle



# Our Hotels are Strategically Located on the Kowloon Peninsula in Hong Kong

## Kowloon Peninsula, Hong Kong



## Prime Shopping Destinations

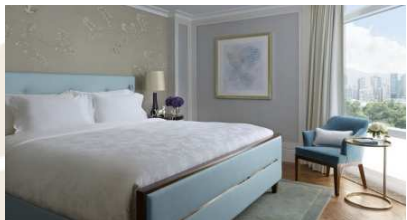


- Close proximity of key tourist and shopping belts, existing and expanding commercial districts and future infrastructure
- Easily accessible via major roads, MTR stations, the Hong Kong International Airport and rail to mainland China



# THE LANGHAM

HONG KONG





# CORDIS

HONG KONG  
AT LANGHAM PLACE







# High Quality Portfolio

## High Quality Langham Branded Hotels



### The Langham

Location	: Tsim Sha Tsui, Kowloon
Year of commencement	: 1994
HKTB rating	: High Tariff A Hotel
GFA ('000 sq.ft.)	: 375
Number of rooms	: 498
Facilities	: 5 restaurants, 1 ballroom, 4 meeting rooms, Jacuzzi, health club, fitness centre



### Cordis Hotel

Location	: Mong Kok, Kowloon
Year of commencement	: 2004
HKTB rating	: High Tariff A Hotel
GFA ('000 sq.ft.)	: 580
Number of rooms	: 668
Facilities	: 4 restaurants, 1 ballroom, 3 meeting rooms, Chuan Spa, fitness centre



### Eaton Hotel

Location	: Yau Ma Tei, Kowloon
Year of commencement	: 1990
HKTB rating	: High Tariff B Hotel
GFA ('000 sq.ft.)	: 339
Number of rooms	: 465
Facilities	: All undergoing renovation

## Selected Awards



Forbes 5-Star Award



Three-star Michelin award for T'ang Court



Best City Hotel – Hong Kong Award by  
TTG Travel Awards



"Top 25 Hotels in China" by TripAdvisor  
Travellers' Choice



One-star Michelin award for Ming Court



Condé Nast Gold List

Spa Traveller Awards



One-star Michelin award for Yat Tung Heen



Best Eco Hotel in Hong Kong  
by HotelClub Hotel Awards (Hong Kong)



Capital Entrepreneur Green Enterprise  
Awards by Capital Entrepreneur



Three high quality Langham branded hotels with a combined 1,631 rooms strategically located on the Kowloon peninsula, Hong Kong

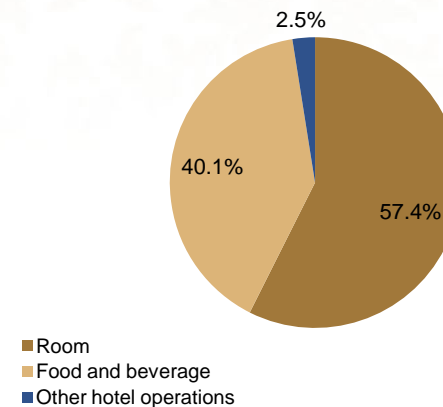


# ... and have a Balanced Mix of Room and Non-room Revenue

## Wide Range of Non-room Revenue Sources

- ✓ Range of award-winning facilities and services
  - Food and beverage
  - Banquet services
  - Meeting and conference facilities
  - Spa facilities
- ✓ Relatively stable even during the global financial crisis
- ✓ Strong demand from non-hotel customers
- ✓ Well positioned to benefit from Hong Kong's growing MICE market

## Balanced Revenue Contribution<sup>(1)</sup>



## Award-winning Restaurants and Quality Conference spaces



### Michelin star-rated restaurants



Ming Court (One-star Michelin),  
Cordis Hotel



T'ang Court (Three-star Michelin),  
The Langham



Yat Tung Heen (One-star Michelin),  
Eaton Hotel

### Conference spaces



The majority of the Hotels' food and beverage revenue was derived from customers who were not staying at the Hotels

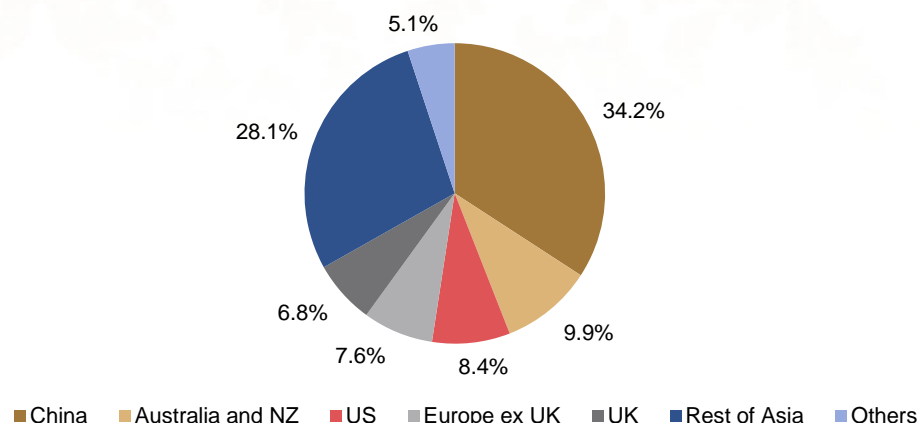
Note:

1. For the year ended 31 Dec 2017

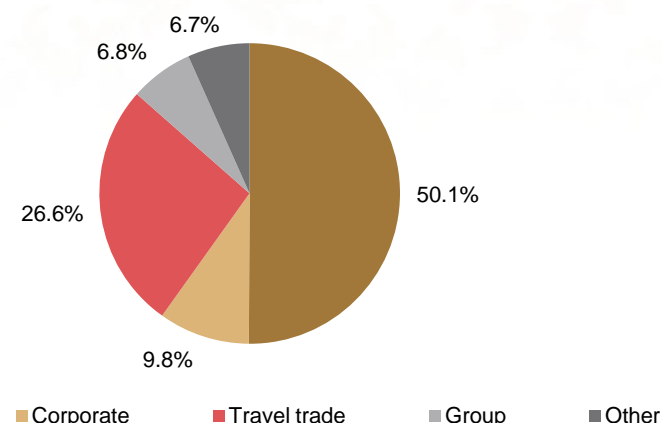


# During 2017, our Customers are Diversified in Terms of both Geography and Customer Segment...

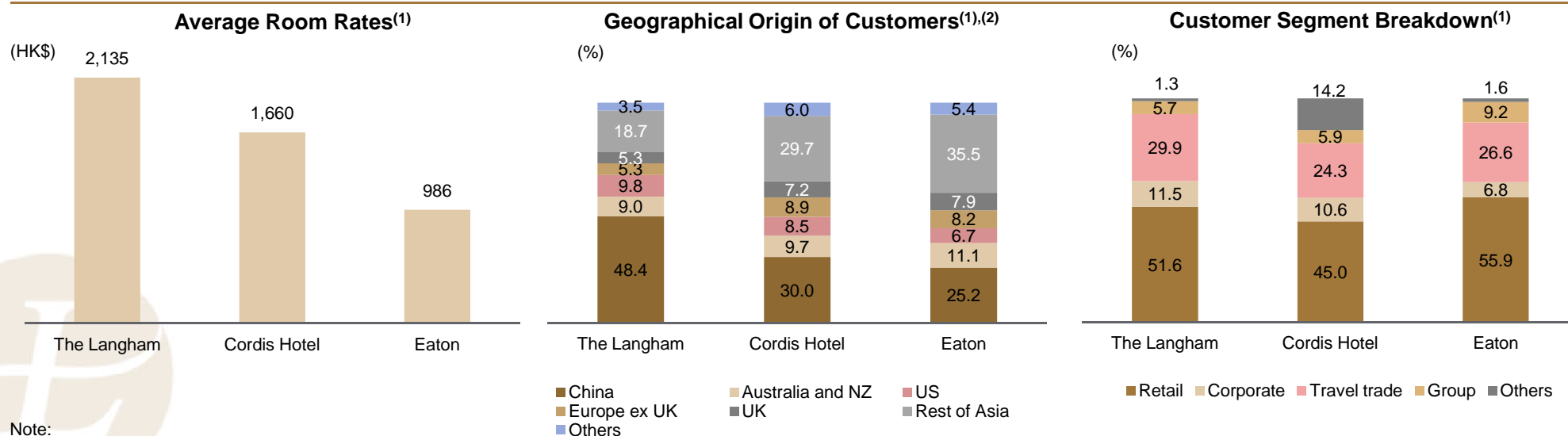
**Diversified Geographical Origin of Customers<sup>(1),(2)</sup>**



**Diversified Customer Segments<sup>(1)</sup>**



## Target Different Market Segments and Do Not Directly Compete with Each Other



Note:

1. For the For the year ended 31 Dec 2017

2. Based on self-reported data collected at the time of guest registration and have not been subject to audit or review by an independent third party. Such data excludes room revenue derived from airline crew and others from unidentified countries and other miscellaneous revenue and service charges

# Our Hotels are Managed under the Internationally Recognised Langham Brands by the Hotel Manager, Langham Hotels International Limited

## Our Unique Position

### THE LANGHAM HONG KONG

- Since 1865
- Unique style
- European heritage
- Classic charm
- Luxury bespoke service



### CORDIS HONG KONG AT LANGHAM PLACE

- Lifestyle setting
- Social hub
- Committed to nurturing cultural and community in the neighbourhood



### EATON HONG KONG

- (Undergoing renovation to include a food hall and co-working office space)
- Being repositioned to better capture its targeted group of travellers



## Description of the Hotel Manager

- Langham Hotels International Limited is a wholly-owned subsidiary of Great Eagle
- An operating track record of over 20 years
- One of the largest luxury hotel operators in Hong Kong
- Local expertise and experience
- Increasing exposure to other worldwide gateway cities

## Selected Awards of Hotels Managed by the Hotel Manager



**We believe strong brand recognition is one of the factors that has enabled the Hotels to command prices at the high end of their competitive market segments**










# The Langham Brands have a Presence across Four Continents

## Hotels in Hong Kong and China

	<b>The Langham, Hong Kong</b> Location: Hong Kong Total rooms: 498		<b>The Langham, Haikou</b> Location: China Total rooms: 249
	<b>Cordis Hotel</b> Location: Hong Kong Total rooms: 668		<b>Cordis Hongqiao, Shanghai</b> Location: China Total rooms: 396
	<b>Eaton, Hong Kong</b> Location: Hong Kong Total rooms: 465		
	<b>The Langham, Xintiandi, Shanghai</b> Location: China Total rooms: 357		
	<b>Cordis, Beijing Capital Airport</b> Location: China Total rooms: 372		
	<b>Langham Place Haining</b> Location: China Total rooms: 263		
	<b>The Langham, Shenzhen</b> Location: China Total rooms: 352		
	<b>Langham Place, Ningbo Culture Plaza</b> Location: China Total rooms: 143		
	<b>Langham Place, Xiamen</b> Location: China Total rooms: 327		
	<b>Langham Place, Guangzhou</b> Location: China Total rooms: 500		

## Hotels in Europe / America

	<b>Eaton Washington D.C.</b> Location: United States (under renovation)		<b>The Langham, London</b> Location: United Kingdom Total rooms: 380
			<b>Chelsea</b> Location: Canada Total rooms: 1,590
			<b>The Langham, Boston</b> Location: United States Total rooms: 317
			<b>The Langham, Pasadena</b> Location: United States Total rooms: 379
			<b>The Langham, Chicago</b> Location: United States Total rooms: 316
			<b>Langham Place Fifth Avenue, New York</b> Location: United States Total rooms: 234



 - Existing hotels  - Pipeline hotels

## Hotels in Australia / NZ

	<b>Cordis, Auckland</b> Location: New Zealand Total rooms: 411
	<b>The Langham, Melbourne</b> Location: Australia Total rooms: 388
	<b>The Langham, Sydney</b> Location: Australia Total rooms: 100

### Future pipeline<sup>(1)</sup>

Cordis Hangzhou	Langham Place Bali	Eaton, San Francisco	Langham Place, San Francisco
Langham Place, Datong	Langham Place Dubai	Langham Place Wade Park	Langham Place, Tokyo
Cordis Shanghai East Bund	Langham Place Lusail Doha	Langham Place Dalian	Cordis Ningbo
The Langham Bangkok	The Langham Jakarta	The Langham Jeddah	Eaton Seattle
The Langham Chongqing	The Langham Hefei	Langham Place Changsha	

- Currently manages a portfolio of 22 hotels comprising almost 9,000 rooms
- Pipeline of hotels to be opened in coming years<sup>(1)</sup>

Note:

1. Source: Great Eagle Holdings Company filings



**2017 Final Results**



# Highlights of Final Results 2017

## RevPAR recovered further in 2017

- RevPAR for the Trust Group's hotels rose by 3.1%.
- Room revenue rose by 3.5%, F&B dropped by 7.9%.
- Total Hotel revenue dropped by 1.3% and GOP dropped by 1.6%.

## Profit excluding exceptional items dropped by 10.5%

- Total rental income dropped by 1.7% to HK\$694.2 million.
- Profit *excluding* exceptional items\* dropped by 10.5%.
- Distributable income dropped by 12.8% to HK\$437.2 million.

## Distribution per share stapled unit dropped by 13.2%

- Before the impact of distribution waived, distribution per unit dropped by 13.2% to HK21.0 cents in 2017.
- And HK21.4 cents after the impact of distribution waived.
- As the number of units waiving its entitlement dropped in 2017.

## Outlook

- The appreciation of Renminbi against Hong Kong dollar bodes well for hotel room demand from visitors from Mainland China.
- However, continued renovation for Eaton, Hong Kong will result in lower F&B and room revenue for the hotel in the first half of 2018.

\* Items including fair value of investment properties and derivative financial instrument

# Hotels performance

## The Langham, Hong Kong

- Recorded a 3.3% increase in RevPAR in 2017.
- Witnessed a growth of 13.5% in arrivals from Mainland China, but arrivals from other major regions were relatively weak in 2017.

## Cordis, Hong Kong

- The growth in arrivals was in part due to a low base effect last year, when occupancy was negatively impacted by nearby protests during the Chinese New Year in 2016.
- RevPAR for the hotel increased by 5.0% in 2017.

## Eaton Hotel, Hong Kong

- Despite the renovations, the hotel witnessed only a 1.2 percentage points drop in occupancy in 2017.
- While average room rate dropped by 0.6% resulting in a 1.8% decline in RevPAR in 2017.

**LANGHAM**  
HOSPITALITY INVESTMENTS

- Revenue from F&B dropped by 7.9% in 2017.
- Which was attributable to a decline in F&B revenue at Eaton where renovation works were carried out throughout the second half of 2017.



# 2017 Final results

## Hotels operating performance for 2017

	Average Daily Rooms Available		Occupancy		Average Room Rate		RevPAR	
	2017	2016	2017	2016	2017	2016	2017	2016
The Langham, Hong Kong	498	498	88.8%	87.7%	2,135	2,092	1,895	1,834
Cordis, Hong Kong	663	653	93.9%	89.8%	1,660	1,653	1,559	1,485
Eaton, Hong Kong	465	465	94.4%	95.6%	986	992	931	948
Y-o-y growth in 2017	Occupancy		Average Room Rate		RevPAR		Food and Beverages	
	(in % pts)							
The Langham, Hong Kong	+1.1		+2.1%		+3.3%		+4.0%	
Cordis, Hong Kong	+4.1		+0.4%		+5.0%		+2.8%	
Eaton, Hong Kong	-1.2		-0.6%		-1.8%		- 46.8%	
<b>Respective markets</b>								
High Tariff A Hotels	+ 2.0		-4.3%		-2.0%			
High Tariff B Hotels	+1.0		+3.3%		+4.5%			

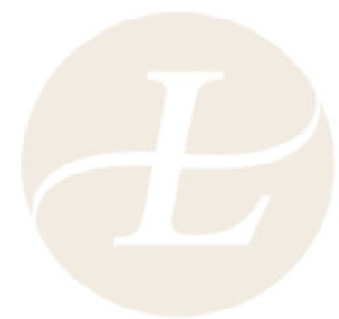
Note:

1. The Langham and Cordis are classified as Tariff A hotels, whereas the Eaton is classified as a Tariff B hotel.

## 2017 Final Results

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	2017	2016	
	(HK\$ mn)	(HK\$ mn)	Change
Fixed Rental Income	225.0	225.0	-
Variable Rental Income	468.3	475.7	- 1.6%
Rental Income from retail shops	0.9	5.7	- 84.2%
<b>Gross Rental Income</b>	<b>694.2</b>	<b>706.4</b>	<b>- 1.7%</b>
Property operating expenses	(26.9)	(25.7)	+ 4.7%
Services Fees (Including hotel management fee)	(86.6)	(87.0)	- 0.5%
<b>Net Property Income</b>	<b>580.7</b>	<b>593.7</b>	<b>- 2.2%</b>



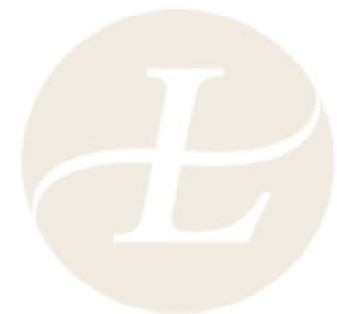


## 2017 Final Results

	2017	2016	
	(HK\$ mn)	(HK\$ mn)	Change
<b>Net Property Income</b>	<b>580.7</b>	<b>593.7</b>	- 2.2%
Increase/(Decrease) in fair value of investment properties	808.4	(3.6)	n.m.
Increase in fair value of derivative financial instruments	(3.6)	31.8	n.m.
Trust and other expenses	(11.1)	(12.7)	- 12.6%
<b>Net finance cost</b>			
Finance cost	(153.4)	(118.2)	+29.8%
Interest income	1.8	1.6	+12.5%
Other income	0.5	0.3	+66.7%
<b>Profit before tax</b>	<b>1,223.3</b>	<b>492.9</b>	+148.2%
<b>Income tax</b>	<b>(77.3)</b>	<b>(83.3)</b>	- 7.2%
<b>Profit attributable to holders of Share Stapled Units</b>	<b>1,146.0</b>	<b>409.6</b>	+179.8%
<b>Profit excluding Fair Value change of Investment Properties and derivative financial instrument</b>	<b>341.2</b>	<b>381.4</b>	-10.5%

## 2017 Final Results

Adjustment to Distributable Income:	2017	2016	
	(HK\$ mn)	(HK\$ mn)	Change
Profit attributable to holders of share stapled units for the period	<b>1,146.0</b>	<b>409.6</b>	+179.8%
Hotel management fee and licence fee paid in share stapled units	69.0	70.0	- 1.4%
Amortisation of debt upfront fee	18.0	24.6	- 26.8%
Deferred tax	32.0	48.7	- 34.3%
Cash contribution to FF&E reserve	(23.0)	(23.3)	+1.3%
Change in fair value of investment properties	(808.4)	3.6	n.m.
Increase in fair value of derivative financial ins.	3.6	(31.8)	n.m.
<b>Distributable income to Share Stapled Unitholders</b>	<b>437.2</b>	<b>501.4</b>	-12.8%
<b>Distribution per unit (HK\$) - after distribution waiver</b>	<b>0.214</b>	<b>0.255</b>	-16.1%
<b>Distribution per unit (HK\$) - before distribution waiver</b>	<b>0.210</b>	<b>0.242</b>	-13.2%





# Balance sheet

## Healthy financial position

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- The hotel properties were revalued at HK\$19,373 million. Net Asset Value attributable to share stapled unit holders was HK\$5.94 per unit.
- As at 31 Dec 2017, the Trust Group's gearing was comfortable at 34.7%, compared with 36.1% as at the end of 2016.
- With an adequate interest coverage ratio of around 4 times.

## Refinanced a loan with better terms

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- A loan of HK\$6,800 million was successfully refinanced in May 2016 with a lower all-in cost of 1.23% (previous loan was 1.7%).
- Furthermore, the extended maturity to four years effectively eliminates refinancing risks for the Trust Group until 2020.
- In addition, a revolving credit facility of up to HK\$400 million has been obtained.

## Timely treasury management

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- ✓ The Trust Group has effectively fixed the interest rate of HK\$3,500 million of our bank loans.
- ✓ Via entering into interest rate swap contracts at an average interest rate of 1.52%.
- ✓ Continue to monitor interest rates and explore possibility of entering into more interest rate swaps.

# Going forward, we have an i) Acquisition Growth Strategy,.....

## The Great Eagle ROFR – Initial Focus in Asia

- Completed standalone hotel in Asia which GE proposes to sell<sup>(1)</sup>
- Completed hotels in Asia which GE is offered opportunity to buy<sup>(1)</sup>
- Uncompleted hotels upon completion in Asia<sup>(2)</sup>
- Completed hotels to be branded under the Langham brands or other Eaton brands<sup>(1)</sup>

## LHI Strengths as an Acquirer

- ✓ Owner-operator
- ✓ Senior management's track record in acquisition and development
- ✓ Attractive initial core Hong Kong portfolio

### Acquisition criteria:

(a) Total return enhancing; (b) Initial focus on hotels in Asia; (c) Strong fundamentals, organic growth and asset enhancement potential

## Great Eagle's Remaining Global Portfolio<sup>(3)</sup>



The Langham, London



The Langham, Boston



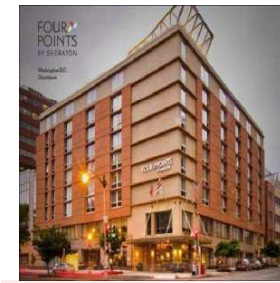
The Langham, Melbourne



The Langham, Sydney



Cordis, Auckland



Washington D.C. hotel



The Langham, Pasadena



The Langham, Xintiandi



Chelsea Hotel, Toronto



Langham Place, New York



The Langham, Chicago



Cordis, Hongqiao

### Pipeline hotels:

- ✓ The Langham, Tokyo<sup>(3)</sup>
- ✓ Two Hotels in San Francisco<sup>(3)</sup>
- ✓ Eaton Seattle<sup>(3)</sup>
- ✓ A hotel in Dalian<sup>(3)</sup>

### Note:

1. Which the Great Eagle Group owns an over 30% interest and that is being managed/proposed to be managed under the Langham Brands or Other Eaton Brands
2. Any uncompleted, stand-alone hotel development project in Asia to be operated under the Langham Brands or Other Eaton Brands on completion and any completed hotel to be segregated from the multi-purpose development of which it forms a part, and in which the Great Eagle Group owns an over 30% interest, provided that completion or segregation, as applicable, occurs prior to the expiry of the Great Eagle ROFR
3. To be opened over 2018-2021.



....as well as an ii) Active Asset Management Strategy to grow distributions for our share stapled unitholders

### **The Langham, Hong Kong**

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- ✓ All the rooms and majority of the F&B outlets at The Langham, Hong Kong have been refurbished in 2015.
- ✓ Renovations of T'ang Court and The Bostonian restaurant have been completed in 2016.
- ✓ Renovation of the Spa, health club and swimming pool completed in 2017.

### **Cordis, Hong Kong**

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- ✓ Rebranded to Cordis in August 2015.
- ✓ Renovation of all the standard rooms, spa and health club have been completed in 2016.
- ✓ Renovation of the suites completed in 2017.

### **Eaton, Hong Kong**

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- ✓ Renovations of the Hotel entrance, lobby, Chinese restaurant, ballroom and meeting place commenced from mid-2017.
- ✓ Renovation will include a social hub, co-working space and food hall targeting millennial travellers.
- ✓ Renovation will complete by phases by the end of 3Q 2018.

Thank You

