



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

**3Q 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

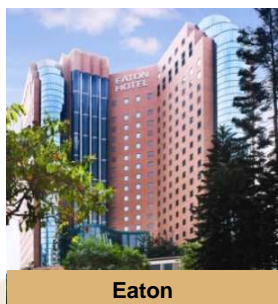
**LANGHAM**  
HOSPITALITY INVESTMENTS

- 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

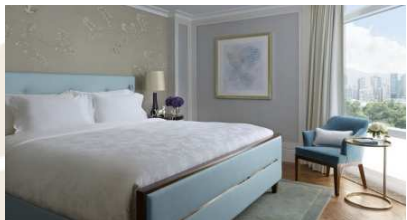


- Close proximity of key tourist and shopping belts, existing and expanding commercial districts and future infrastructure
- Easily accessible via major roads, MTR stations, the Hong Kong International Airport and rail to mainland China



# 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

## Selected Awards



- Forbes 5-Star Award
- 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
- Michelin award for Ming Court
- Condé Nast Gold List
- Spa Traveller Awards



- 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



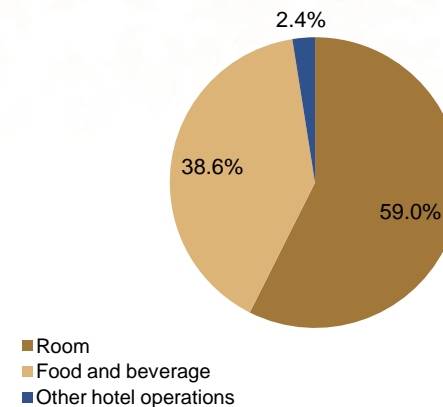
Three high quality Langham branded hotels with a combined 1,631 rooms strategically located on the Kowloon peninsula, Hong Kong

# ... 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

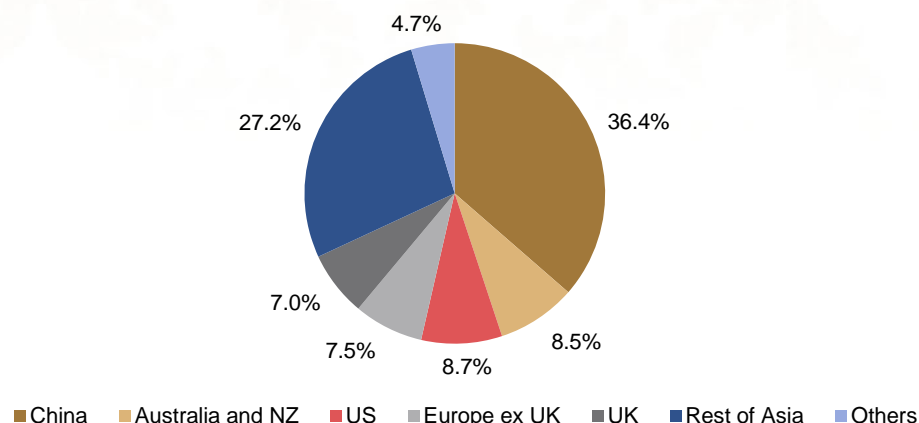
Note:

1. For six months ended 30 June 2018

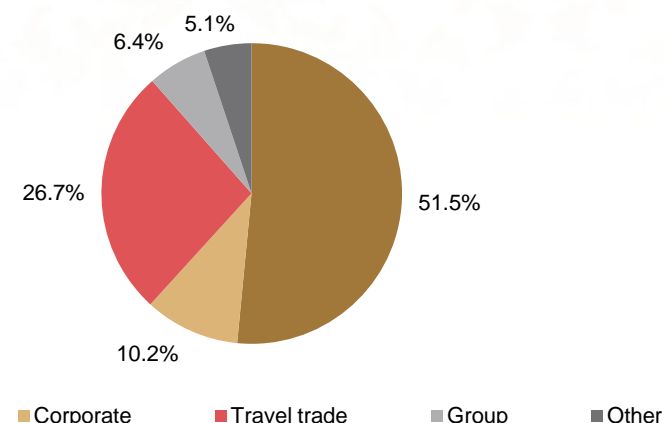


# During 1H 2018, our Customers are Diversified in Terms of both Geography and Customer Segment...

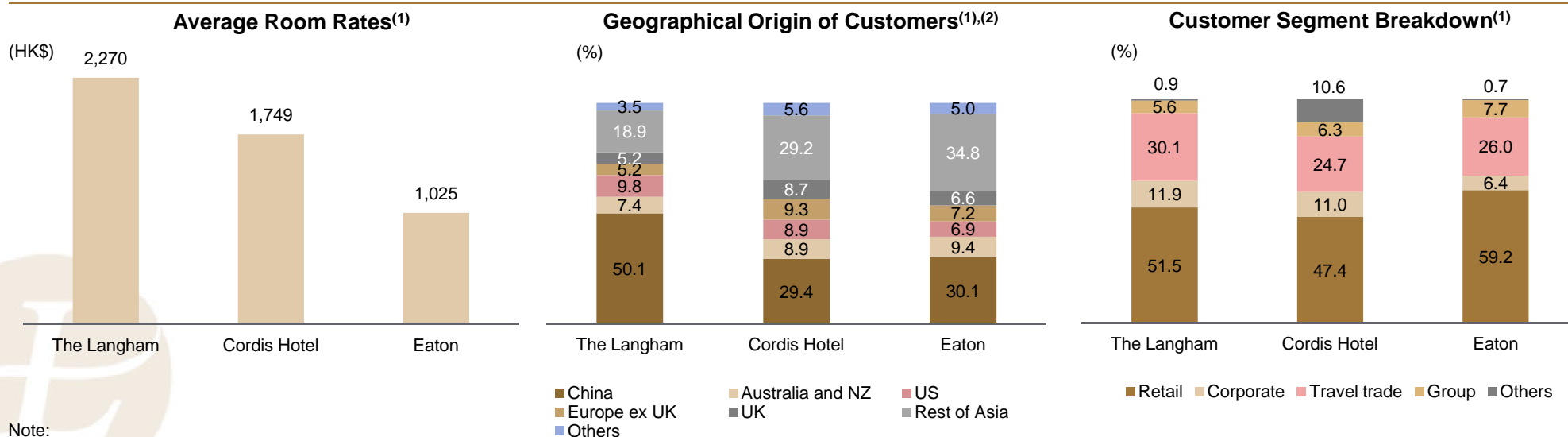
**Diversified Geographical Origin of Customers<sup>(1),(2)</sup>**



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



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



Note:

- For six months ended 30 June 2018
- 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



- (Being repositioned to better capture its targeted group of travellers. After completion of the renovation, hotel will include a food hall and co-working office space)



## Description of the Hotel Manager

- Langham Hotels International Limited is a wholly-owned subsidiary of Great Eagle
- A global hotel company with more than 30 properties located in major cities over four continents
- A modern and innovative hospitality approach to provide the highest level of hotel management
- 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

**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



## 2018 Interim Results



# Highlights of 2018 Interim Results

## Robust RevPAR growth in 1H 2018

- RevPAR for the Trust Group's hotels rose by 14.9%.
- Room revenue rose by 9.0%, F&B dropped by 6.6%.
- Total Hotel revenue rose by 2.2% and GOP dropped by 2.4%.

## Profit excluding exceptional items dropped by 12.4%

- Total rental income under IFRS 15 dropped by 2.4%.
- Profit *excluding* exceptional items\* dropped by 12.4%.
- Distributable income dropped by 9.8% to HK\$189.0 million.

## Distribution per share stapled unit dropped by 12.6%

From 2018 onward, all of Great Eagle's Share Stapled Units held will be entitled to distribution. Distribution per share stapled unit was HK 9.0 cents for the first half of 2018, down 12.6% when compared with a distribution after the impact of distribution waiver.

## Outlook

- Continued growth of arrivals from Mainland China bodes well for RevPAR growth in the near term.
- However, in the near term, earnings of the hotel portfolio will still be affected during the renovation at Eaton as new facilities are ramped up for operation.

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

# 2018 Interim Results

## Hotels operating performance for 1H 2018

	Average Daily Rooms Available		Occupancy		Average Room Rate		RevPAR	
	1H 2018	1H 2017	1H 2018	1H 2017	1H 2018	1H 2017	1H 2018	1H 2017
The Langham, Hong Kong	498	498	90.6%	85.6%	2,270	2,086	2,057	1,787
Cordis, Hong Kong	666	661	95.2%	91.6%	1,749	1,590	1,666	1,456
Eaton, Hong Kong	376	465	90.3%	96.9%	1,025	945	925	915
Y-o-y growth in 1H 2017	Occupancy		Average Room Rate		RevPAR		Food and Beverages	
	(in % pts)							
The Langham, Hong Kong	+5.0		+8.8%		+15.1%		+3.7%	
Cordis, Hong Kong	+3.6		+10.0%		+14.4%		+6.1%	
Eaton, Hong Kong	-6.6		+8.5%		+1.1%		- 53.1%	
<b>Respective markets</b>								
High Tariff A Hotels	+5.0		+4.5%		+10.7%			
High Tariff B Hotels	+3.0		+11.7%		+15.6%			
All Hotels	+4.0		+8.1%		+13.0%			

Note:

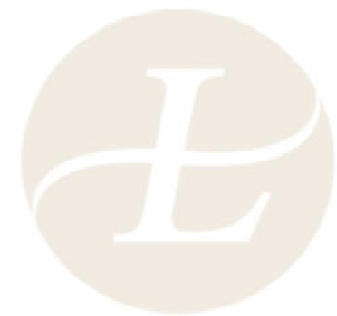
The Langham and Cordis are classified as Tariff A hotels, whereas the Eaton is classified as a Tariff B hotel.



## 2018 Interim Results

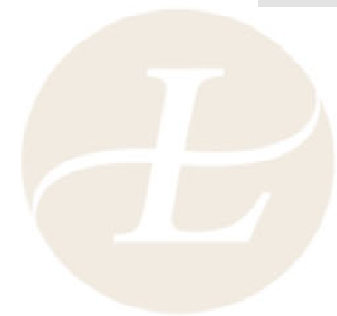
	1H 2018	1H 2017	
	(HK\$ mn)	(HK\$ mn)	Change
Fixed Rental Income	111.6	111.6	-
Variable Rental Income	215.0	220.3	-2.4%
Rental Income from retail shops	0.0	0.9	n.a.
<b>Total Rental Income</b>	<b>326.6</b>	<b>322.3</b>	<b>-1.9%</b>
Services Fees (Including hotel management fee)	(42.0)	(41.3)	+1.7%
<b>Total Rental Income for the Trust Group under IFRS 15*</b>	<b>284.6</b>	<b>291.6</b>	<b>-2.4%</b>
Property operating expenses	(13.6)	(12.9)	+4.8%
<b>Net Property Income</b>	<b>271.1</b>	<b>278.6</b>	<b>-2.7%</b>

\* In 2018, the Trust Group has applied International Financial Reporting Standard 15 ("IFRS 15"), which requires service fees to be netted off from Total Rental Income. While the application of IFRS 15 has resulted in a change in the presentation of Total Rental Income, it does not impact the Group's Net Property Income.



## 2018 Interim Results

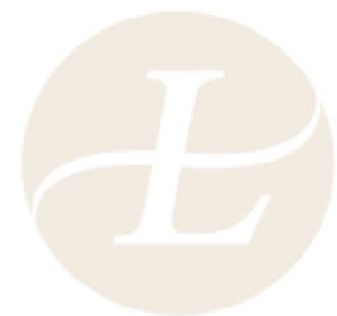
	1H 2018	1H 2017	
	(HK\$ mn)	(HK\$ mn)	Change
<b>Net Property Income</b>	<b>271.1</b>	<b>278.6</b>	-2.7%
Interest and other income	0.1	1.9	-94.7%
Increase in fair value of investment properties	498.8	295.8	+68.6%
Increase/(Decrease) in fair value of derivative financial instruments	36.5	(50.7)	n.a.
Trust and other expenses	(6.0)	(5.5)	+9.1%
Finance cost	(86.5)	(73.2)	+18.2%
<b>Profit before tax</b>	<b>714.0</b>	<b>446.9</b>	+59.8%
Income tax	(34.5)	(37.2)	-7.3%
<b>Profit attributable to holders of Share Stapled Units</b>	<b>679.5</b>	<b>409.7</b>	+65.9%
<b>Profit excluding Fair Value change of Investment Properties and derivative financial instruments</b>	<b>144.2</b>	<b>164.6</b>	-12.4%





## 2018 Interim Results

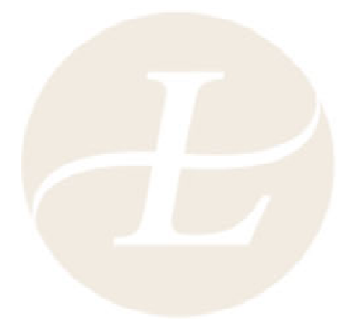
Adjustment to Distributable Income:	1H 2018	1H 2017	
	(HK\$ mn)	(HK\$ mn)	Change
Profit attributable to holders of share stapled units for the period	<b>679.5</b>	<b>409.7</b>	+65.9%
Hotel management fee and licence fee paid in share stapled units	33.0	33.0	-
Amortisation of debt upfront fee	9.0	9.0	-
Deferred tax	14.2	14.1	+0.7%
Cash contribution to FF&E reserve	(11.4)	(11.1)	-2.7%
Change in fair value of investment properties	(498.8)	(295.8)	+68.6%
Change in fair value of derivative financial ins.	(36.5)	50.7	n.a.
<b>Distributable income to Share Stapled Unitholders</b>	<b>189.0</b>	<b>209.6</b>	-9.8%
<b>Distribution per unit (HK\$) - after distribution waiver</b>	<b>0.09</b>	<b>0.103</b>	-12.6%
<b>Distribution per unit (HK\$) - before distribution waiver</b>	<b>0.09</b>	<b>0.101</b>	-10.9%



## 1H 2018 Finance cost

	1H 2018	1H 2017	
	(HK\$ mn)	(HK\$ mn)	Change
Interest expense on floating bank loan	(67.7)	(49.9)	+35.7%
Amortisation of loan upfront fee	(9.0)	(9.0)	-
Interest paid on fixed interest rate swap	(9.8)	(14.3)	-31.5%
<b>Total Finance cost</b>	<b>(86.5)</b>	<b>(73.2)</b>	<b>+18.2%</b>
Cash Finance cost	(77.5)	(64.2)	+20.6%
Cash Interest rate	2.25%	1.89%	

Loan with Floating vs. Fixed interest rate as at the end of June 2018			
HK\$2,900 million	Floating rate base on HIBOR+ all-in interest spread of 1.23% p.a.		
HK\$4,000 million	Fixed rate at 2.88% (using interest rate swaps at 1.65% p.a.)		
Total HK\$6,900 million loan outstanding			





# Balance sheet

## Healthy financial position

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- The hotel properties were revalued at HK\$20,000 million. Net Asset Value attributable to share stapled unit holders was HK\$6.15 per unit.
- As at 30 June 2018, the Trust Group's gearing was comfortable at 34.2%, compared with 34.7% as at the end of 2017.
- Interest coverage of around 3 times.

## Refinanced a loan with better terms

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- A loan of HK\$6,800 million was refinanced in May 2016 at a lower all-in cost of 1.23% (previous loan was at 1.7%).
- Maturity has been extended to four years which 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\$4,000 million of our bank loans.
- ✓ Via entering into interest rate swap contracts at an average interest rate of 1.65%.
- ✓ 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 at The Langham, Hong Kong have been refurbished by the end of 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 September 2018.

Thank You

