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Great Eagle Holdings
Investor Presentation 1Q13



Highlights of 2012 Results

1. Core profit for the Group increased 6.8% year-on-year to HK\$1,802 million in 2012
2. The key driver behind the increase in core profit was higher income from Champion REIT, followed by improved performance at the Hotels division and higher net rental income contribution from investment properties
3. Of the increase in Income from Champion REIT, dividend distributions from Champion REIT increased HK\$112 million year-on-year to HK\$687 million and the increase was due to the Group's increased stake in Champion REIT after converting its entire holdings of convertible bonds into units on August 20, 2012
4. There was an increase in EBITDA of HK\$23 million from the Hotels Division. Although the growth in EBITDA was much slower than its revenue, given lower profit margins for the overseas hotels and to a lesser extent, rebranding cost incurred
5. In contrast, despite the modest HK\$6 million year-on-year growth in gross rental income of the investment properties, net rental income increased HK\$21 million year-on-year in 2012 due to lower expenses incurred
6. Book value rose to HK\$58.5 per share as at the end of December 2012, up from HK\$53.4 as at the end of December 2011. Net gearing dropped from 3% as at the end of December 2011 to 1% as at the end of December 2012
7. The Group has completed the acquisition of a 96-key hotel in Sydney, and has rebranded it as a Langham on the date of completion, the Group also announced it has entered into a binding agreement to purchase a luxury hotel in New York
8. On January 24, 2013, the Group announced its intention to spin-off a stake of not more than 49% in our three hotels in Hong Kong, although the plan is subject to certain conditions and it may or may not take place as currently planned



2012 Final Results

		2012	2011	Change	
		HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue					
Rental Income	- HK	192,868	177,172	15,696	8.9%
	- Overseas	108,267	118,103	(9,836)	-8.3%
Hotel Income	- HK	1,619,957	1,481,739	138,218	9.3%
	- Overseas	2,417,559	2,357,068	60,491	2.6%
	- Others including mgt fee	57,210	64,691	(7,481)	-11.6%
Income from Champion REIT*		959,307	838,442	120,865	14.4%
Other Operations		324,669	283,269	41,400	14.6%
		<u>5,679,837</u>	<u>5,320,484</u>	<u>359,353</u>	6.8%

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



2012 Final Results

	<u>2012</u>	<u>2011</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Operating Income				
Net Rental Income - HK	154,232	129,406	24,826	19.2%
- Overseas	42,192	46,388	(4,196)	-9.0%
Hotel Income - HK	642,692	562,662	80,030	14.2%
- Overseas	378,913	429,562	(50,649)	-11.8%
- Others including mgt fee	24,168	30,829	(6,661)	-21.6%
Income from Champion REIT*	959,307	838,442	120,865	14.4%
Other Operations	100,526	101,156	(630)	-0.6%
Income before expenses	2,302,030	2,138,445	163,585	7.6%
Other income	16,663	6,445	10,218	158.5%
Depreciation and amortisation	(134,885)	(124,036)	(10,849)	8.7%
Administrative expenses	(236,669)	(222,569)	(14,100)	6.3%
Other expenses	(825)	(20,694)	19,869	-96.0%

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



2012 Final Results

	<u>2012</u>	<u>2011</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(107,638)	(100,027)	(7,611)	7.6%
Interest income	125,437	167,874	(42,437)	-25.3%
	17,799	67,847	(50,048)	-73.8%
Share of results of associates	39,061	19,540	19,522	99.9%
Share of results of JCE	(9,899)	(9,032)	(867)	9.6%
Profit before taxation	1,993,275	1,855,945	137,330	7.4%
Income taxes	(190,363)	(168,851)	(21,512)	12.7%
Net Profit	1,802,912	1,687,094	115,818	6.9%
Non-controlling interest*	(836)	-	(836)	
Profit Attributable to Shareholders	1,802,076	1,687,094	114,983	6.8%
Basic earnings per share	\$ 2.86	\$ 2.67		

* The inclusion of Non-controlling interest from 2012 is due to the implementation of a Management Sharing Scheme by one of our subsidiary companies.



2012 Final Results – Income from Champion breakdown

Income from Champion REIT

	<u>2012</u>	<u>2011</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Asset management income	199,896	187,474	12,422	6.6%
Dividend received	686,510	574,148	112,362	19.6%
Agency commission income & Property management income	72,901	76,820	(3,919)	-5.1%
	<u>959,307</u>	<u>838,442</u>	<u>120,865</u>	<u>14.4%</u>



Analysis on change on core income

	2012
	\$'000
Change in profit from core business after tax	<u>114,983</u>
Arise from:	
Increase in Income from Champion REIT	120,865
Increase in EBITDA from the Hotels Division	22,721
Increase in net rental income	20,630
Increase in share of results of associates	19,521
Decrease in net interest income	(50,048)
Net increase in income and deferred tax provision	(21,512)
Others	2,805
Change in profit from core business after tax	<u><u>114,983</u></u>



Discount to NAV

Book NAV (Dec 2012)

	HK\$m	HK\$/psf	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	5,975	6,652	9.46	16%
Hotels Valued at cost less depreciation	HK\$m 9,819	HK\$/room 1.9	15.55	26%
Dalian development project	649		1.03	2%
Chicago hotel redevelopment project	1,232		1.95	3%
Champion REIT's underlying properties	HK\$m	HK\$/psf	HK\$/shr	
3.282bn units in the Champion REIT at an average price of HK\$4.112 per unit	13,494		21.37	36%
Share of results	6,631		10.50	18%
Total investment in Champion REIT	20,125		31.87	54%
Other net liabilities	(650)		(1.03)	-2%
Total	37,150		58.83	100%
Net (debt)/cash	(211)		(0.33)	n/a
Great Eagle's NAV	36,939		58.50	

Discount to NAV based on share price of HK\$ 31.00

-47%

Based on valuation for the underlying properties of Champion REIT

	HK\$m	HK\$/psf	HK\$/shr	% of Total
Investment properties Appraised valuation by independent valuer	5,975	6,652	9.46	14%
Hotels Valued at cost less depreciation	HK\$m 9,819	HK\$/room 1.9	15.55	23%
Dalian development project	649		1.03	2%
Chicago hotel redevelopment project	1,232		1.95	3%
Champion REIT's underlying properties	HK\$m	HK\$/psf	HK\$/shr	
Citibank Plaza Office	35,484	23,631		
Citibank Plaza Retail	431	7,467		
Langham Place Office	7,184	10,220		
Langham Place Retail	14,138	23,969		
Carparks and other assets	1,060			
Gross asset value at Champion	58,297			
Less Debt	(14,045)			
Net Asset	44,252			
57.87% stake attributable to GE	25,609		40.55	60%
Other net liabilities	(650)		(1.03)	-2%
Total	42,634		67.51	100%
Net (debt)/cash	(211)		(0.33)	n/a
Great Eagle's NAV	42,423		67.18	

Discount to NAV based on share price of HK\$ 31.00

-54%

Note: valuation on investment properties include owner-occupied portion



Gearing

(HK\$ Million)	<u>Book Carrying Value</u>	<u>Net (Debt)/ cash</u>	<u>Net Equity</u>	<u>Loan to Value</u>	<u>Gearing</u>	<u>EBITDA</u>	<u>Net Int. Exp. (Inc)</u>	<u>Interest Cover</u>
Group Total	37,150	(211)	36,939 *	1%	1%	2,082 ^	(32)	NA

Hotels are valued at depreciated historical cost

* NAV = \$58.50 per share

^ EBITDA is base on distributions from Champion REIT



Valuation – Investment properties

Financials

As at the end of December, 2012

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Change from end of June 2012
Great Eagle Centre			
Office	193,271	15,119	6.2%
Retail	55,944	8,455	2.6%
3rd floor	20,959	7,348	8.5%
Carparks (nos/unit price)	296	611,486	1.7%
Signage (gross value in HK\$mn)		230	12.7%
Eaton House			
Wanchai Gap Road	34,915	8,019	2.2%
Village Road	23,350	8,522	2.6%
Blue Pool Road	33,700	10,504	2.3%
Convention Plaza apartments	5,817	16,283	4.3%
Overseas investment properties			
US office properties	544,898	1,995	1.7%

Development project





Dalian Mixed-use Development Project

Location: Donggang Area,
Renmin Road East,
ZhongShan District,
Dalian, PRC

Site: 28,600 sq.m.

G.F.A.:

Hotel	50,000 s.m.
Res	<u>236,000 s.m.</u>
Total	286,000 s.m.

Status: Completion in two
phases from
2014/2015 onward



Langham Hotels International



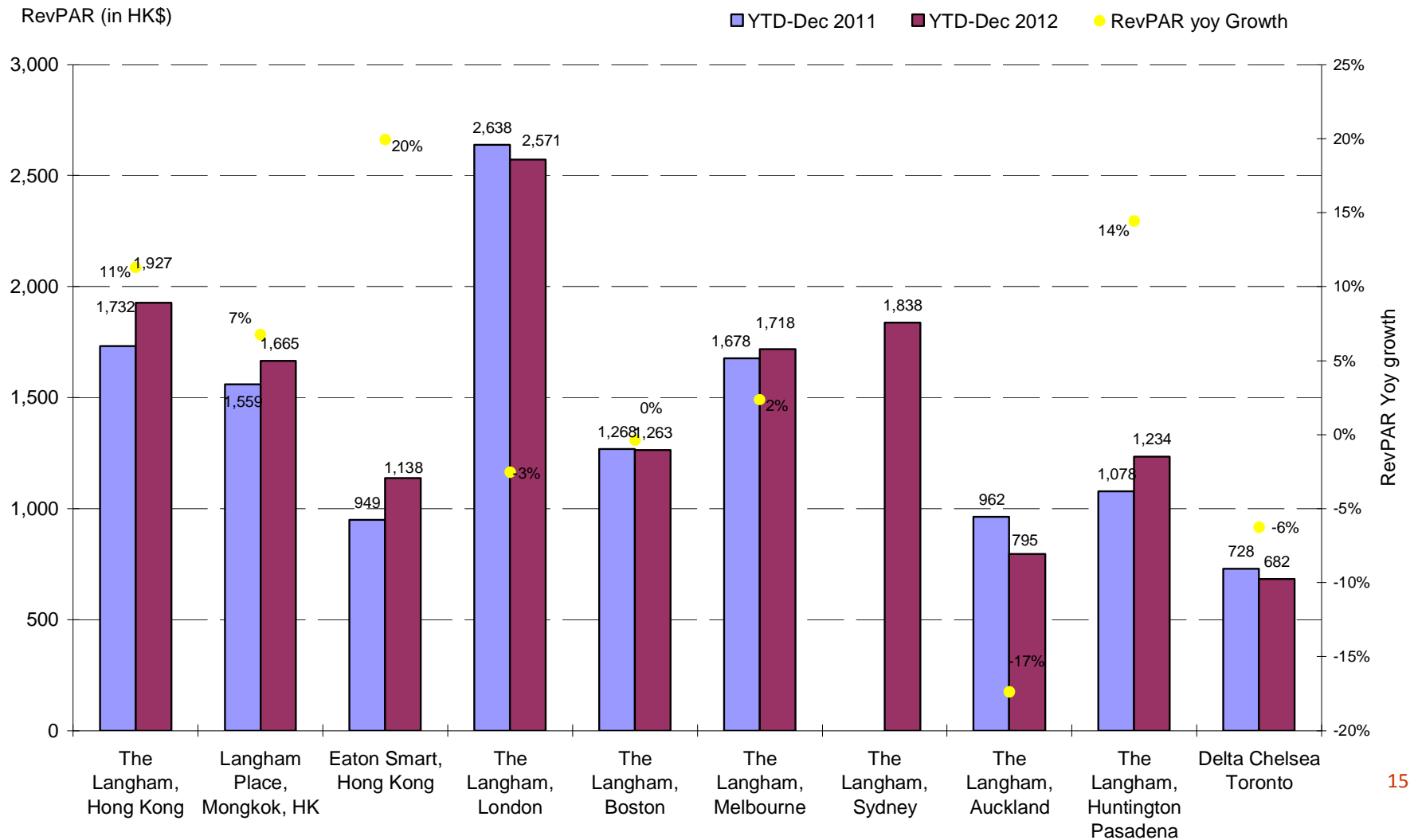


Hotel portfolio – 2012 Final Results Operational Statistics

	Occupancy			Average Room Rate (local currency)			RevPar (local currency)		
	YTD-Dec 2012	YTD-Dec 2011	Change (ppt)	YTD-Dec 2012	YTD-Dec 2011	Change	YTD-Dec 2012	YTD-Dec 2011	Change
<u>100% owned Hotels</u>									
The Langham, Hong Kong	86.1%	81.4%	4.7%	\$2,239	\$2,128	5.2%	\$1,927	\$1,732	11.3%
Langham Place, Mongkok, HK	89.2%	87.2%	2.0%	\$1,866	\$1,788	4.3%	\$1,665	\$1,559	6.8%
Eaton Smart, Hong Kong	94.9%	87.9%	7.0%	\$1,198	\$1,079	11.1%	\$1,138	\$949	19.9%
The Langham, Xintiandi, Shanghai (33.3% owned)	58.1%	51.4%	6.7%	¥ 1,551	¥ 1,574	-1.4%	¥ 901	¥ 808	11.4%
The Langham, London	76.3%	77.6%	-1.3%	£274	£271	1.0%	£209	£210	-0.7%
The Langham, Boston	67.1%	69.3%	-2.2%	\$242	\$234	3.5%	\$163	\$162	0.3%
The Langham, Melbourne	81.9%	78.3%	3.6%	\$261	\$266	-1.7%	\$214	\$208	2.8%
The Langham, Sydney	77.3%	n.a.	n.a.	\$296	n.a.	n.a.	\$229	n.a.	n.a.
The Langham, Auckland	70.1%	68.9%	1.2%	\$181	\$226	-20.0%	\$127	\$156	-18.6%
The Langham, Huntington Pasadena	72.7%	65.5%	7.2%	\$219	\$211	3.9%	\$159	\$138	15.2%
Delta Chelsea Toronto	70.4%	72.7%	-2.2%	\$125	\$127	-1.6%	\$88	\$92	-4.6%



Hotel portfolio – 2012 RevPAR performance





Hotel portfolio – 2012 Final Operational statistics

	Room revenue growth YTD-Dec 2012	F&B revenue growth YTD-Dec 2012
The Langham, Hong Kong	12%	11%
Langham Place, Mongkok, HK	8%	6%
Eaton Hong Kong	16%	6%
The Langham, London	0%	11%
The Langham, Boston	1%	-4%
The Langham, Melbourne	4%	10%
The Langham Sydney	n.a.	n.a.
The Langham, Auckland	-18%	5%
The Langham, Huntington Pasadena	16%	12%
Delta Chelsea Toronto	-4%	-7%



Hotel portfolio – Currency impact

	<u>2012</u>	<u>2011</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	12.3006	12.5336	-1.9%	(2.8)
CAD	7.7616	7.9026	-1.8%	(1.4)
AUD	8.0298	8.0664	-0.5%	(0.4)
USD	7.7575	7.8127	-0.7%	(0.2)
NZD	6.2811	6.1844	1.6%	0.5
Total				- HK\$ 4.3 mn



Hotel portfolio – Profit contribution

	in Local Currency			in HK\$	
	2012 in mn	2011 in mn	Change	2012 in mn	Contribution to hotel profits
<u>Owned Hotels</u>					
<u>Hong Kong</u>					
The Langham, Hong Kong	\$237.9	\$211.2	12.7%	\$237.9	23%
Langham Place, Mongkok, HK	\$280.3	\$249.9	12.2%	\$280.3	27%
Eaton Hong Kong	\$124.5	\$101.6	22.6%	\$124.5	12%
Subtotal Hong Kong Hotels	\$642.7	\$562.7	14.2%	\$642.7	63%
<u>United Kingdom</u>					
The Langham, London	£12.0	£12.6	-4.9%	\$147.5	14%
<u>United States</u>					
The Langham, Boston	\$1.4	\$2.3	-38.4%	\$11.1	1%
The Langham, Huntington Hotel & Spa	\$2.9	\$1.0	182.2%	\$22.2	2%
<u>Australia</u>					
The Langham, Melbourne	\$12.7	\$11.6	9.0%	\$101.8	10%
The Langham, Sydney*	(\$1.7)		n.a.	(\$13.7)	-1%
<u>New Zealand</u>					
The Langham, Auckland	\$5.5	\$10.1	-45.9%	\$34.3	3%
<u>Canada</u>					
Delta Chelsea Toronto	\$9.8	\$11.5	-15.4%	\$75.7	7%
<u>Total in HK\$ mn</u>	\$1,021.6	\$992.2	3.0%	\$1,021.6	100%

* Contribution from Aug 08 to Dec 31, 2012. EBITDA of the Langham, Sydney would have been positive after excluding an one-off rebranding expense incurred.



The Langham, London

- Against financial uncertainties in the Eurozone, the hotel managed to grow total revenue by 3% in 2012.
- Nonetheless, the increase in corporate business during the Olympics event was offset by reduced demand for rooms for the remainder of 2012.
- The revenue from rooms in 2012 only remained at similar levels as those in 2011.
- Average occupancy came to 76.3% in 2012 (2011: 77.6%), while average room rate was £ 274 in 2012 (2011: £ 271).
- Revenue from food and beverage rose 11% increased catering business particularly during the Olympics event.

	2011	2012	Change
Rooms Available	378	379	+ 1
RevPAR	£210	£209	-0.7%
Room Rate	£271	£274	1.0%
Occupancy Rate	77.6%	76.3%	-1.3 ppt

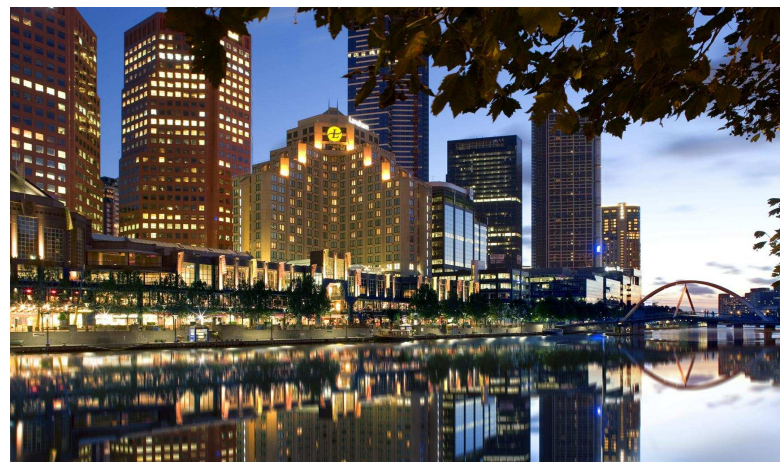




The Langham, Melbourne

- Given softer demand from corporate travellers in 2012, the hotel switched its focus to secure more weekend retail leisure travellers.
- Although that resulted in a slight drop in average room rate from A\$266 in 2011 to A\$261 in 2012.
- There was an increase in average occupancy from 78.3% in 2011 to 81.9% 2012.
- The renovation comprising 102 rooms will enable the hotel to offer an up-to-date product to compete for market share.
- Revenue from F&B was up 10% in 2012.

	2011	2012	Change
Rooms Available	370	374	+ 4
RevPAR	\$208	\$214	2.8%
Room Rate	\$266	\$261	-1.7%
Occupancy Rate	78.3%	81.9%	3.6 ppt





The Langham, Sydney

- The acquisition of the 96-key Observatory Hotel in downtown Sydney was completed and rebranded it as a Langham in August 2012.
- Over the reporting period of approximately five months, the hotel has gradually built market share and gained brand recognition.
- It had an average occupancy of 77.3%, while average room rate was A\$296.
- However, due to the booking a one-time rebranding cost, the hotel incurred a loss for the period, though EBITDA was positive.

	2012	Change
Rooms Available	95	n.a.
RevPAR	\$229	n.a.
Room Rate	\$296	n.a.
Occupancy Rate	77.3%	n.a.





The Langham, Auckland

- Revenue in 2012 fell from the high base of 2011, when the Rugby World Cup was held in New Zealand.
- Overall demand from the corporate segment was also weak in 2012.
- The hotel compensated for that with increased business from the retail leisure segment, which led to a stable average occupancy rate of 70.1% in 2012 (2011: 68.9% and 2010: 66%).
- However the average room rate of NZ\$181 in 2012 represented a decline of 20% from the high base of the previous year (2011: NZ\$226 and 2010: NZ\$174).
- Revenue from food and beverage rose 5% year-on-year in 2012.

	2011	2012	Change
Rooms Available	411	411	-
RevPAR	\$156	\$127	-18.6%
Room Rate	\$226	\$181	-20.0%
Occupancy Rate	68.9%	70.1%	1.2 ppt





The Langham, Hong Kong



	2011	2012	Change
Rooms Available	495	495	-
RevPAR	\$1,732	\$1,927	11.3%
Room Rate	\$2,128	\$2,239	5.2%
Occupancy Rate	81.4%	86.1%	4.7 ppt

- Langham Hong Kong enjoyed continued growth in individual leisure tourist arrivals from Mainland China and other Asia-Pacific regions.
- Revenue from F&B rose 11 y-o-y in 2012, the growth was mainly driven given growth in banquet business from wedding and corporate functions.



Langham Place Hotel Hong Kong



	2011	2012	Change
Rooms Available	649	653	+ 4
RevPAR	\$1,559	\$1,665	6.8%
Room Rate	\$1,788	\$1,866	4.3%
Occupancy Rate	87.2%	89.2%	2.0 ppt

- In 2012, the hotel witnessed an increase in corporate and leisure travellers from Mainland China and other countries in the Asia Pacific region, in particular, travellers from Australia, as well as growth in demand from the USA.
- Revenue from food and beverage rose 6% compared with that achieved in 2011.



Eaton Smart, Hong Kong

- The underlying trend for demand remained in place for the Eaton Hotel in 2012.
- There was not only increased demand from Mainland China and the Asia Pacific region but also from the U.S. and Europe.
- The performance was however impacted by renovation works on approximately one-fifth of its guest rooms (94 rooms) in the third quarter of 2012.
- Revenue from food and beverage rose 6% over that of 2011 due to increased corporate meetings and events.

	2011	2012	Change
Rooms Available	461	445	- 16
RevPAR	\$949	\$1,138	19.9%
Room Rate	\$1,079	\$1,198	11.1%
Occupancy Rate	87.9%	94.9%	7.0 ppt





The Langham, Boston

- Although hotel business gained some momentum in the second quarter of 2012 with increased activity in citywide conventions, business from the corporate segment started to slow down from the third quarter onwards.
- Revenue from rooms was stable in 2012, with the slowdown in corporate business offset by increased market share in the leisure segment.
- Revenue from food and beverage dropped 4% year-on-year, due to a reduction in covers from catering and at the Bond restaurant.

	2011	2012	Change
Rooms Available	318	318	-
RevPAR	\$162	\$163	0.3%
Room Rate	\$234	\$242	3.5%
Occupancy Rate	69.3%	67.1%	-2.2 ppt





The Langham, Huntington Hotel & Spa, Pasadena

- The turnaround at this hotel in Los Angeles continued in 2012, benefitting from a gradual improvement in the local market. The return of corporate group business helped underpin an increase in occupancy to 72.7% in 2012 (2011: 65.5%).
- Average room rate achieved increased 3.9% to US\$219 from US\$211 in 2011.
- Revenue from food and beverage also rose by 12% year-on-year with more corporate meetings and events. With a year-on-year RevPAR increase of 15.2%, EBITDA almost doubled in 2012.

	2011	2012	Change
Rooms Available	380	380	-
RevPAR	\$138	\$159	15.2%
Room Rate	\$211	\$219	3.9%
Occupancy Rate	65.5%	72.7%	7.2 ppt





Delta Chelsea Hotel, Toronto

- Both room rates and occupancy were under pressure for the hotel in 2012, given the stagnant lodging market and a lack of citywide conventions in Toronto.
- As the hotel secured more lower-yield leisure business, this has reduced average room rate for the hotel.
- Revenue from food and beverage dropped 7% year-on-year in 2012, due to reduced demand for caterings.
- We will assume the management of this hotel and will rebrand it from the second half of 2013.

	2011	2012	Change
Rooms Available	1,590	1,590	-
RevPAR	\$92	\$88	-4.6%
Room Rate	\$127	\$125	-1.6%
Occupancy Rate	72.7%	70.4%	-2.2 ppt





The Langham, Xintiandi

(33.3% owned)

- The hotel achieved healthy results with total revenue increasing by almost two-fold in 2012 from that of 2011, as it became fully operational with the majority of its rooms available from January 2012.
- Although intense competition in the local market resulted in a slight decline in average room rate
- Food and beverage showed a strong performance with good contribution from banquets and the restaurant. EBITDA of the hotel turned positive in 2012.

	2011	2012	Change
Rooms Available	211	350	+ 139
RevPAR	¥808	¥901	11.4%
Room Rate	¥1574	¥1551	-1.4%
Occupancy Rate	51.4%	58.1%	6.7 ppt





Langham Hotels International

Managed hotel owned by third parties





The Langham, Yangtze, Shanghai

With 96 rooms

Opened in May 2009



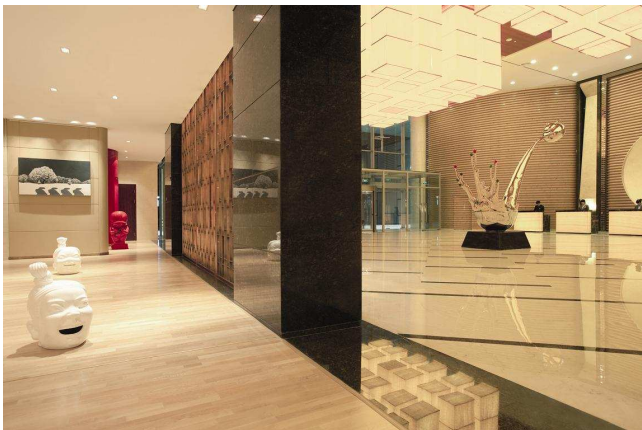


Eaton Luxe, Nanqiao, Shanghai
With 204 rooms
Opened in April 2010





Langham Place, Beijing Capital Airport
With 372 guest rooms
Opened in August 2010





Eaton Smart, New Delhi International Hotel,
Indira Gandhi International Airport, New Delhi
With 93 rooms
Opened in June 2011

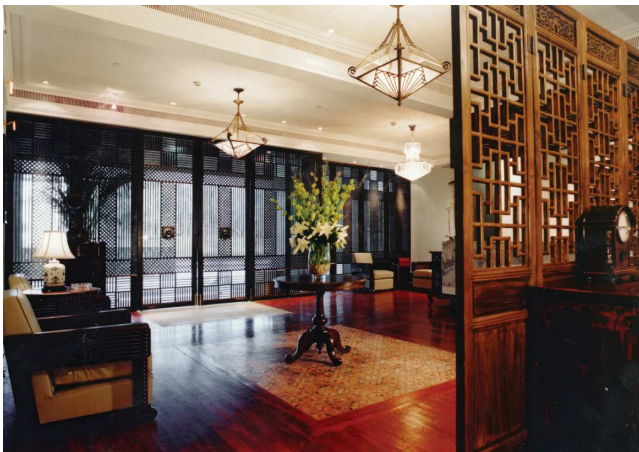




88 Xintiandi, Shanghai

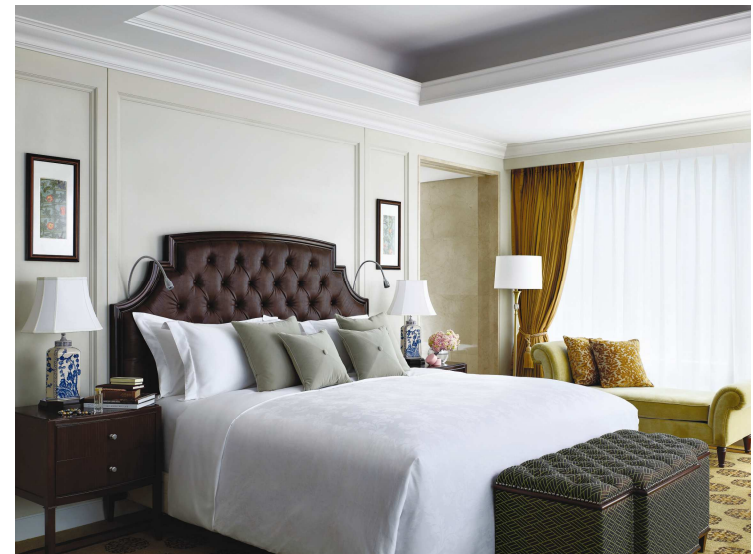
With 53 rooms

Opened in September 2011





The Langham, Shenzhen
Guangzhou, China
With 352 rooms
Opened in October 2012

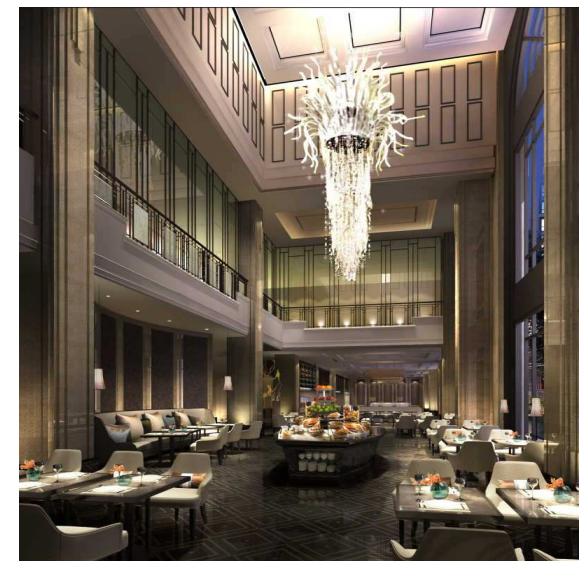
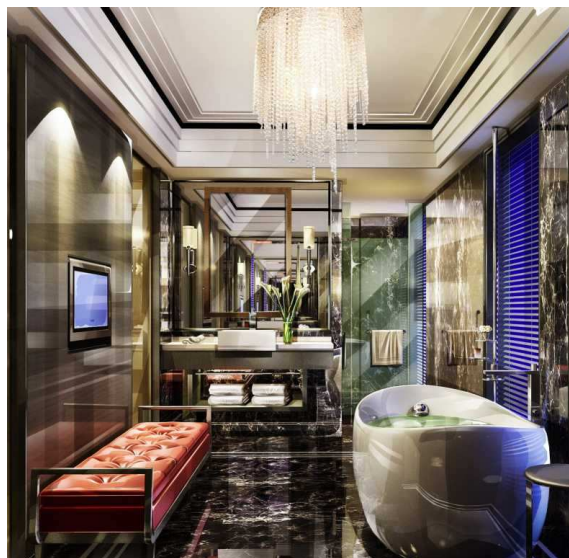




Eaton Luxe, Xinqiao, Shanghai

With 214 rooms

Opened in November 2012





Owned Portfolio Expansion

The Langham, Xintiandi, Shanghai

Interest:	33.3%
Location:	Xintiandi, Luwan District, Shanghai, PRC
G.F.A.	Approx. 52,000 sq.m.
Rooms	357 rooms
Status:	The hotel opened in October 2010





Owned Portfolio Expansion

The Langham, Chicago



Interest:	100%
Location:	Downtown Chicago
G.F.A.	Approx. 375,000 sq.ft.
Rooms	330 rooms
Expected opening	3Q 2013



Owned Portfolio Expansion

The Langham, Sydney



Interest:	100%
Location:	Situated in the heart of Sydney CBD, close by The Rocks with easy access to Sydney Harbour Bridge and Opera House
Rooms	96 rooms
Status	The acquisition was completed in August 2012



Owned Portfolio Expansion Langham Place, New York



The property:

The building was completed in September 2010. The Hotel with 214 rooms is located in the lower half of the 60-story building

Location:

On Fifth Avenue between 36th and 37th Streets

Status:

The Group has announced on January 15, 2013 that the closing will not take place as originally scheduled as some of the closing conditions have not yet been satisfied. Further announcement will be made as soon as a date for a rescheduled closing has been fixed.



Summary of managed hotels

2009	Rooms	Status
The Langham, Yangtze, Shanghai	96	Opened in May 2009
2010	Rooms	Status
Eaton Luxe, Nanqiao Shanghai	204	Opened in Apr 2010
Langham Place, Beijing Capital Airport	372	Opened in Aug 2010
The Langham, Xintiandi, Shanghai - 33.3% owned	357	Opened in Oct 2010
2011	Rooms	Status
Eaton Smart, New Delhi International Hotel	93	Opened in Jun 2011
88 Xintiandi, Shanghai	53	Opened in Sep 2011
2012	Rooms	Status
The Langham, Shenzhen	352	Opened Oct 2012
Eaton Luxe, Xinqiao, Shanghai	214	Opened Nov 2012



Hotel pipeline

2013	Rooms	Status
Langham Place, EDZ, Guangzhou	320	Agreement
Eaton Luxe, Qingdao	500	Agreement
Langham Place, Pazhou Convention City, Guangzhou	500	Agreement
Langham Place, Ningbo	120	Agreement
The Langham, New York - 100% owned	214	Subject to acquisition
The Langham, Chicago - 100% owned	320	Agreement
2014	Rooms	Status
The Langham Haikou, Hainan	240	Agreement
Eaton Luxe, Nirwana, Bali	178	Agreement
Eaton Luxe Shajing, Shenzhen	200	Agreement
2015	Rooms	Status
Langham Place, Xiamen	300	Agreement
Langham Place, Datong	300	Agreement
Langham Place, Qingdao	280	Agreement
2016	Rooms	Status
The Langham, Dalian - 50% owned	360	Agreement

Hotel pipeline does not include management contracts under Technical Service Agreement (TSA)

Investment properties





2012 Final Results - Rental income breakdown

(in HK\$ mn)	Gross rental income			Net rental income		
	2012	2011	Growth (%)	2012	2011	Growth (%)
Hong Kong Investment Properties						
Great Eagle Centre	127.7	110.5	15.6	123.8	96.5	28.3
Eaton House	40.9	40.1	2.0	28.5	26.5	7.3
Convention Plaza Apartments	2.5	2.2	14.3	2.0	1.7	18.1
Others	21.7	24.4	(10.9)	-	4.7	n.a.
U.S. Investment Properties						
353 Sacramento	63.1	73.7	(14.3)	23.2	26.8	(13.3)
500 Ygnacio	24.3	25.1	(3.4)	8.4	10.9	(22.7)
2700 Ygnacio	20.8	19.3	8.2	10.6	8.7	21.1
Total	301.1	295.3	2.0	196.4	175.8	11.7



Great Eagle Centre

- Sustained demand for office space in the Wanchai North district, which has few tenants from the banking sector, has kept the occupancy of Great Eagle Centre at a high level throughout 2012.
- Rents achieved at Great Eagle Centre continued to move above HK\$60's in many cases in 2012.
- Average passing rent increased by 20.4% from HK\$48.9 per sq. ft. at as the end of December 2011 to HK\$58.9 per sq. ft. as at the end of 2012.
- Occupancy for the office portion increased to 97.6% as at the end of December 2012 from 96.8% as at the end of December 2011.
- Gross rental income for Great Eagle Centre increased 15.6% to HK\$127.7 million in 2012 (2011: HK\$110.5 million), while net rental income rose 28.3% to HK\$123.8 million in 2012 (2011: HK\$96.5 million) due to the absence of some non-recurring expenditures.



Eaton Serviced Apartments

On a portfolio basis, achieved rental per occupied square foot for 2012 was flat compared with that achieved in 2011 at HK\$41.7 per square foot, and occupancy for our serviced apartments increased from 72.8% in 2011 to 77.8% in 2012.

Renovation works on approximately 60% of the room inventory at Wanchai Gap Road (44 rooms) from October of 2012 to the end of 2012 has resulted in lower rental income for the Wanchai property. Nevertheless, the decline was offset by higher rental income at the Village Road and Blue Pool Road properties.

Blue Pool Road, rentable area 37,236 Sq Ft

- Occupancy increased 4.8ppt to 73.3%,
- Rental per occupied sq ft dropped by 3.4% yoy to HK\$42.2

Village Road, rentable area 23,350 Sq Ft

- Occupancy increased 8.2ppt to 80.9%,
- Rental per occupied sq ft increased by 6.2% yoy to HK\$40.0

Wanchai Gap Road, rentable area 29,719 Sq Ft (2011: 33,207 Sq Ft)

- Occupancy rose increased 2.8ppt to 79.2%,
- Rental per occupied sq ft declined by 1.7% yoy to HK\$42.5



US Investment properties

As the average passing rents in place of our San Francisco office properties are still at levels above spot rents, coupled with a lack of lease renewals, there is still negative rental reversion for the portfolio as whole. Gross rental income was also impacted by down time associated with the departure of a tenants at 353 Sacramento Street during the 4th Quarter of 2012.

353 Sacramento, San Francisco

- Average passing rent reached US\$35.8 psf in December 2012, from US\$37.5 psf in December 2011.
- Occupancy rate stood at 83% as at the end of December 2012 (as at December 2011: 96%).

500 Ygnacio, California

- Average passing rent reached US\$33.8 psf in December 2012 , from US\$38.8 psf in December 2011.
- Occupancy rate increased to 97% as at the end of December 2012 (as at December 2011 : 84%).

2700 Ygnacio, California

- Average passing rent reached US\$27.2 psf in December 2012 , from US\$27.3 psf in December 2011.
- Occupancy rate stood at 95% as at the end of December 2012 (as at December 2011 : 96%).



Investment in the Champion REIT (2778.HK)

Note that subsequent to the reclassification of our investment in Champion REIT as an associate company from 23rd July 2010, our core profit will still be based on declared dividend from Champion REIT in respective of the same financial period.

Outlook for the REIT's properties:

The Langham Place Mall- In view of the increasing number of tourists coming to the Mall, more and more international fashion brands are also setting up shops in Langham Place. They tend to command higher sales per sq. ft. and therefore should help lift rental values in the future.

Langham Place Office Tower - The low supply of Grade-A office space in Kowloon should continue in 2013. With renewed growth in the Chinese economy, the demand for office space on the Kowloon Peninsula should remain strong.

Citibank Plaza- The operating environment will remain challenging at Citibank Plaza for the coming year as demand from banks would be weak. Although only 6.6% out of the 12% of the floor area in Citibank Plaza expiring in 2013 remain outstanding, thereby curtailing the downside to existing occupancy levels.



Classification of our investment in the Champion REIT (2778.HK)

In view of the application of the new accounting standard HKFRS 10 in year 2013, which governs disclosures of interests in other entities, the consideration on consolidating interest in other entities would be based on emphasis on “de facto control”.

As Great Eagle owns 58% of Champion REIT and is deemed to have control over the operations of Champion REIT, we have been advised by our auditors that the Group should consolidate Champion REIT as a subsidiary with effect from 1 January 2013.

Consequently, the results of the REIT will be consolidated into those of the Group. Instead of our current practice of valuing our investment in Champion REIT at cost and share of its results, our investment in Champion REIT will starting 2013 be based on the latter’s balance sheet.

The accounting change is expected to increase the net asset value of the Great Eagle Group. At the same time, the liabilities of the REIT will also be reflected in the balance sheet of Group.



Reconciliation to core earnings from reported

	<u>2012</u>	<u>2011</u>	
	HK\$ 000	HK\$ 000	
Net Profit	3,551,830	4,227,203	
Adjustment items:			
Fair value changes on investment properties	(435,021)	(678,688)	Ignored in core earnings calculation
Fair value changes on derivative financial instruments	(43,732)	614,856	Ignored in core earnings calculation
1. Depreciation – Hotel Buildings	192,961	193,281	See Depreciation and amortisation in core earnings calculation
2. Inflated interest income under accounting treatment for bonds held	(14,604)	(23,437)	See interest income in core earnings calculation
3. Amortization of prepaid lease payment	44,764	44,764	See Depreciation and amortisation
4. Net of related deferred tax provision from revaluation of investment properties	32,388	36,663	See Income taxes in core earnings calculation
5. Impairment loss on hotel property (net of deferred tax)	-	54,520	See Income taxes in core earnings calculation
6. Reversal of share of results of Champion REIT	(2,230,860)	(3,356,216)	See share of results of associates in core earnings calculation
7. Share of distribution of Champion REIT	686,510	574,148	See share of results of associates
8. Fair value change of investment in The Langham Xintiandi	17,840	-	See share of results of associates
CORE EARNINGS AFTER TAX	<u>1,802,076</u>	<u>1,687,094</u>	



Reconciliation to core earnings from reported

	Reported earnings 2012 <u>HK\$'000</u>	Core earnings 2012 <u>HK\$'000</u>	Core earnings 2011 <u>HK\$'000</u>	
Gross Revenue				
Rental Income				
- HK		192,868	177,172	
- Overseas		108,267	118,103	
Hotel Income				
- HK		1,619,957	1,481,739	
- Overseas		2,417,559	2,357,068	
- Others including mgt fee		57,210	64,691	
Income from Champion REIT	272,797	959,307	838,442	-HK\$272.797mn, adj. item 7. HK\$686.510mn
Other Operations		324,669	283,269	
Revenue	<u>4,993,327</u>	<u>5,679,837</u>	<u>5,320,484</u>	
Net Operating Income				
Net Rental Income				
- HK		154,232	129,406	
- Overseas		42,192	46,388	
Hotel Income				
- HK		642,692	562,662	
- Overseas		378,913	429,562	
- Others including mgt fee		24,168	30,829	
Income from Champion REIT	272,797	959,307	838,442	-HK\$272.797mn, adj. item 7. HK\$686.510mn
Other Operations		100,526	101,156	
Operating profit before Dep. and Amortisation	1,615,520	2,302,030	2,138,445	



Reconciliation to core earnings from reported

	Reported earnings 2012 <u>HK\$'000</u>	Core earnings 2012 <u>HK\$'000</u>	Core earnings 2011 <u>HK\$'000</u>	
Operating profit before Dep. and Amortisation	1,615,520	2,302,030	2,138,445	
Depreciation and amortisation	(372,610)	(134,885)	(124,036)	-HK\$372.610mn, adj. item 1.HK\$192.961mn and adj. item 3.HK\$44.764mn
Fair value changes on investment properties	435,021			Ignored in core earnings calculation
Fair value changes on derivative financial instruments	43,732			Ignored in core earnings calculation
Other income (excluding interest income)	16,663	16,663	6,445	
Administrative expenses	(236,669)	(236,669)	(222,569)	
Other expenses	(825)	(825)	(20,694)	



Reconciliation to core earnings from reported

	Reported earnings 2012 HK\$'000	Core earnings 2012 HK\$'000	Core earnings 2011 HK\$'000	
Net finance costs				
Finance cost	(107,638)	(107,638)	(100,027)	
Interest income (Classified as "Other income" on income statement)	140,041 32,403	125,437 17,799	167,874 67,847	+HK\$140.041mn, adj. item 2. HK\$14.604mn
Share of results of associates	2,252,081	39,061	19,540	+HK\$2,252.081mn, adj. item 6. HK\$2,230.860mn
Share of results of JCE	(9,899)	(9,899)	(9,032)	and adj. item 8. HK\$17.840mn
Profit before tax	<u>3,775,417</u>	<u>1,993,275</u>	<u>1,855,946</u>	
Income taxes	(222,751)	(190,363)	(168,851)	-HK\$222.751mn, adj. item 4. HK\$32.388mn
Net Profit	<u>3,552,666</u>	<u>1,802,912</u>	<u>1,687,095</u>	
Non-controlling interest*	<u>836</u>	<u>836</u>	<u>-</u>	
Profit Attributable to Shareholders	3,551,830	1,802,076	1,687,095	
Basic earnings per share	\$ 5.63	\$ 2.86	\$ 2.67	