



Great Eagle Holdings

Investor Presentation 3Q12



Highlights of 2012 Interim Results

1. Core profit for the Group increased 11% year-on-year to HK\$835 million in the first half of 2012
2. The key driver behind the increase in core profit was higher distributions from our investment in Champion REIT, which rose by HK\$32 mn year-on-year in the first half of 2012, followed by improved performance at the Hotels division, where operating income increased by HK\$17 million year-on-year
3. The increase in distributions from Champion REIT was due to higher average occupancy at Citibank Plaza, together with retail sales growth at Langham Place mall
4. The biggest revenue contributors to the Hotel division were the three hotels in Hong Kong, Which benefitted from rising arrivals from Mainland China. The Hong Kong hotels accounted for 40% of revenue but 64% of EBITDA of the global hotel portfolio in the first half of 2012
5. In addition to the increase in income from Champion REIT and the Hotels Division, increased net rental income at Great Eagle Centre and Eaton House serviced apartments of HK\$7 million, also helped lift core profit in the first half of 2012
6. Book value rose to HK\$55 per share, up from HK\$53.4 as at the end of December 2011
7. Net gearing dropped from 3% as at the end of December 2011 to 2% as at the end of June 2012
8. The Group has recently completed the acquisition of a 96-key hotel in Sydney, and has rebranded it as a Langham Hotel



2012 Interim Results

		1H 2012	1H 2011	Change	
		HK\$'000	HK\$'000	HK\$'000	%
Gross Revenue					
Rental Income	- HK	82,785	73,935	8,850	12.0%
	- Overseas	55,112	55,937	(825)	-1.5%
Hotel Income	- HK	763,083	677,277	85,806	12.7%
	- Overseas	1,114,922	1,113,170	1,752	0.2%
	- Others	27,552	33,811	(6,259)	-18.5%
Income from Champion REIT*		433,351	393,637	39,714	10.1%
Other Operations		176,763	149,522	27,241	18.2%
		<u>2,653,568</u>	<u>2,497,289</u>	<u>156,279</u>	6.3%

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



2012 Interim Results

	1H 2012	1H 2011	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Net Operating Income				
Net Rental Income - HK	74,279	66,724	7,555	11.3%
- Overseas	23,731	20,933	2,798	13.4%
Hotel Income - HK	281,957	243,219	38,738	15.9%
- Overseas	149,854	162,828	(12,974)	-8.0%
- Others	10,361	19,038	(8,677)	-45.6%
Income from Champion REIT				
- Asset management	99,620	91,786	7,834	8.5%
- Dividend income *	299,387	267,006	32,381	12.1%
- Agency commission	34,344	34,845	(501)	-1.4%
Other Operations	55,245	48,960	6,285	12.8%
Income before expenses	1,028,778	955,339	73,439	7.7%
Other income	5,331	9,354	(4,023)	-43.0%
Depreciation and amortisation	(54,341)	(53,091)	(1,250)	2.4%
Administrative expenses	(105,276)	(111,904)	6,628	-5.9%

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



2012 Interim Results

	<u>1H 2012</u>	<u>1H 2011</u>	<u>Change</u>	
	HK\$'000	HK\$'000	HK\$'000	%
Net finance costs				
Finance cost	(50,816)	(49,961)	(855)	1.7%
Interest income	89,930	77,687	12,243	15.8%
	39,114	27,726	11,388	41.1%
Share of results of associates	11,597	7,178	4,419	61.6%
Share of results of a jointly controlled entity	(5,138)	(4,174)	(964)	
Profit before taxation	920,065	830,428	89,637	10.8%
Income taxes	(84,805)	(78,132)	(6,673)	8.5%
Net Profit	835,260	752,296	82,964	11.0%
Less: Non-controlling interest *	255	-	255	
Profit Attributable to Shareholders	835,005	752,296	82,709	11.0%
Basic earnings per share	\$ 1.32	\$ 1.19		

* 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 Interim Results – Income from Champion breakdown

Income from Champion REIT

	1H 2012	1H 2011	Change	
	HK\$'000	HK\$'000	HK\$'000	%
Dividend received	299,387	267,006	32,381	12.1%
Asset management income	99,620	91,786	7,834	8.5%
Agency commission income & Property management income	34,344	34,845	(501)	-1.4%
	<u>433,351</u>	<u>393,637</u>	<u>39,714</u>	<u>10.1%</u>



Analysis on change on core income

	1H 2012 \$'000
Change in profit from core business after tax	+ HK\$ mn 82,964
Arise from:	
Increase in Income from Champion REIT	39,714
Increase in hotel income	17,087
Decrease in net interest expenses	11,388
Increase in rental income	10,353
Others	7,640
Decrease in share of result from associates and JCE (excluding Champion REIT)	3,455
Net increase in income and deferred tax provision (excluding deferred tax on fair value changes)	(6,673)
Change in profit from core business after tax	82,964



Discount to NAV

Financials

Book NAV (June 2012)

	HK\$m	HK\$/psf	HK\$/shr	% of Total
Investment properties	5,711	6,338	9.04	16%
Appraised valuation by independent valuer				
Hotels	HK\$m	HK\$/room		
Valued at cost less depreciation	9,423	1.8	14.92	27%
Dalian development project	642		1.02	2%
Chicago hotel redevelopment project	697		1.10	2%
Champion REIT's underlying properties	HK\$m	HK\$/psf	HK\$/shr	
2.579bn units in the Champion REIT at HK\$4.251 per unit	10,962		17.36	31%
Share of results	5,391		8.54	15%
Total investment in Champion REIT	16,353		25.90	46%
Other assets (majority is for the CBs)	2,606		4.13	7%
Total	35,432		56.11	100%
Net (debt)/cash	(686)		(1.09)	n/a
Great Eagle's NAV	34,746		55.02	

Discount to NAV based on share price of HK\$ 20.30

-63%

Note: valuation on investment properties include owner-occupied portion

Based on valuation for the underlying properties of Champion REIT

	HK\$m	HK\$/psf	HK\$/shr	% of Total
Investment properties	5,711	6,338	9.04	14%
Appraised valuation by independent valuer				
Hotels	HK\$m	HK\$/room		
Valued at cost less depreciation	9,423	1.8	14.92	24%
Dalian development project	642		1.02	2%
Chicago hotel redevelopment project	697		1.10	2%
Champion REIT's underlying properties	HK\$m	HK\$/psf	HK\$/shr	
Citibank Plaza Office	35,267	23,487		
Citibank Plaza Retail	407	7,051		
Langham Place Office	6,648	9,458		
Langham Place Retail	12,546	21,270		
Carparks and other assets	932			
Gross asset value at Champion	55,800			
Less Debt	(16,298)			
Net Asset	39,502			
51.85% stake attributable to GE	20,482		32.44	52%
Other assets (majority is for the CBs)	2,606		4.13	7%
Total	39,561		62.65	100%
Net (debt)/cash	(686)		(1.09)	n/a
Great Eagle's NAV	38,875		61.56	

Discount to NAV based on share price of HK\$ 20.30

-67%



Valuation – Investment properties

Financials

As at the end of June , 2012

Hong Kong investment properties

	GFA (Sqft)	Valuation HK\$/psf	Change from end of Dec 2011
Great Eagle Centre			
Office	193,271	14,239	5.1%
Retail	55,944	8,240	6.7%
3rd floor	20,959	6,775	11.8%
Carparks (nos/unit price)	296	601,351	-
Signage (gross value in HK\$mn)		204	-

Eaton House

Wanchai Gap Road	34,915	7,848	5.4%
Village Road	23,350	8,308	2.6%
Blue Pool Road	33,700	10,267	1.2%

Convention Plaza apartments

5,817	15,608	4.0%
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Overseas investment properties

US office properties	544,898	1,961	7.0%
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Langham Hotels International



Great Eagle
Holdings Limited



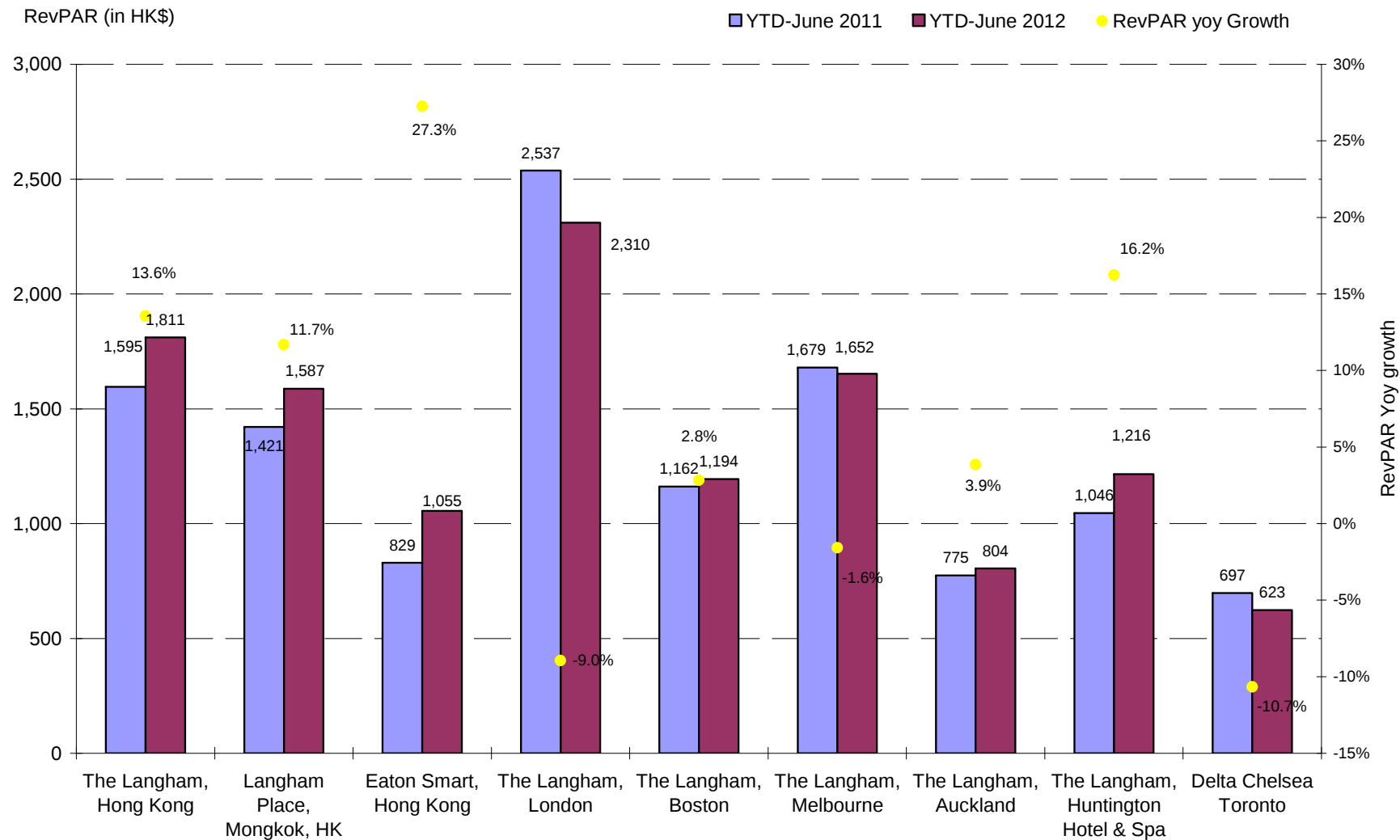
Hotel portfolio – 2012 Interim Results Operational Statistics

Owned Hotels

	Occupancy			Average Room Rate (local currency)			RevPar (local currency)		
	YTD-June 2012	YTD-June 2011	Change	YTD-June 2012	YTD-June 2011	Change	YTD-June 2012	YTD-June 2011	Change
The Langham, Hong Kong	81.6%	76.4%	5.2%	\$2,221	\$2,088	6.4%	\$1,811	\$1,595	13.6%
Langham Place, Mongkok, HK	85.8%	82.6%	3.2%	\$1,850	\$1,720	7.6%	\$1,587	\$1,421	11.7%
Eaton Smart, Hong Kong	92.5%	82.4%	10.1%	\$1,141	\$1,006	13.4%	\$1,055	\$829	27.3%
The Langham, Xintiandi, Shanghai (33.3% owned)	52.3%	47.6%	4.7%	¥ 1,597	¥ 1,587	0.7%	¥ 835	¥ 755	10.6%
The Langham, London	71.3%	74.0%	-2.7%	£264	£273	-3.0%	£189	\$202	-6.6%
The Langham, Boston	64.3%	66.2%	-1.9%	\$239	\$225	6.2%	\$154	\$149	3.1%
The Langham, Melbourne	78.9%	78.5%	0.4%	\$262	\$266	-1.7%	\$207	\$209	-0.9%
The Langham, Auckland	69.4%	69.2%	0.1%	\$186	\$185	0.6%	\$129	\$128	0.8%
The Langham, Huntington Pasadena	74.6%	62.7%	11.9%	\$210	\$214	-1.9%	\$157	\$134	16.6%
Delta Chelsea Toronto	67.4%	70.1%	-2.7%	\$120	\$125	-4.1%	\$81	\$88	-7.8%



Hotel portfolio – 2012 Interim RevPAR performance





Hotel portfolio – 2012 Interim Operational statistics

	Room revenue growth YTD-June 2012	F&B revenue growth YTD-June 2012
The Langham, Hong Kong	14.2%	10.7%
Langham Place, Mongkok, HK	13.1%	6.7%
Eaton Smart, Hong Kong	28.5%	8.6%
The Langham, London	-5.9%	4.9%
The Langham, Boston	3.7%	-7.3%
The Langham, Melbourne	-1.8%	9.3%
The Langham, Auckland	1.4%	11.1%
The Langham, Huntington Pasadena	17.2%	17.2%
Delta Chelsea Toronto	-7.2%	-4.8%



Hotel portfolio – Currency impact

	<u>Jun-12</u>	<u>Jun-11</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	12.2527	12.5747	-2.6%	(1.3)
CAD	7.7145	7.9638	-3.1%	(0.9)
AUD	8.0035	8.0364	-0.4%	(0.2)
USD	7.7614	7.7837	-0.3%	(0.0)
NZD	6.2338	6.0518	3.0%	0.4
Total				- HK\$ 2.0 mn



Hotel portfolio – Profit contribution

	in Local Currency			in HK\$	
	1H 2012 in mn	1H 2011 in mn	Change	1H 2012 in mn	Contribution to hotel profits
<u>Owned Hotels</u>					
<u>Hong Kong</u>					
The Langham, Hong Kong	\$105.3	\$93.0	13.2%	\$105.3	24%
Langham Place, Mongkok, HK	\$122.0	\$108.5	12.5%	\$122.0	28%
Eaton Smart, Hong Kong	\$54.7	\$41.7	31.1%	\$54.7	13%
Subtotal Hong Kong Hotels	\$282.0	\$243.2	15.9%	\$282.0	65%
<u>Europe</u>					
The Langham, London	£4.1	£5.5	-24.3%	\$50.6	12%
Subtotal European Hotels				\$50.6	12%
<u>North America</u>					
The Langham, Boston	US\$0.6	US\$0.6	-10.0%	\$4.5	1%
The Langham, Huntington Hotel & Spa	US\$0.9	(\$0.6)	n.a.	\$7.2	2%
Delta Chelsea Toronto	C\$3.6	C\$4.8	-24.3%	\$27.9	6%
Subtotal North American Hotels				\$39.6	9%
<u>Australasia</u>					
The Langham, Melbourne	A\$5.7	A\$5.1	11.0%	\$45.4	11%
The Langham, Auckland	N\$2.3	N\$2.5	-8.7%	\$14.3	3%
Subtotal Australasian Hotels				\$59.7	14%
<u>Total in HK\$ mn</u>	\$431.8	\$406.0	6.3%	\$431.8	100%



The Langham, London

- Performance of the London hotel was fairly stable in the first quarter of 2012
- But demand for rooms began trending downward in the second quarter amid increasing economic uncertainties in the European region
- Fears over transport issues and accommodation pricing in the build-up to the Olympics also contributed to a decline in business visitors
- Revenue from food and beverage rose 5% year-on-year in the first half

	1H 2011	1H 2012	Change
Rooms Available	377	378	+ 1
RevPAR	£202	£189	-6.6%
Room Rate	£273	£264	-3.0%
Occupancy Rate	74.0%	71.3%	-2.7 ppt





The Langham, Melbourne

- As demand from corporate travellers decelerated with the onset of the global financial crisis, the Hotel switched its focus to lower yielding leisure travelers
- As a result it managed to maintain occupancy for the first half of 2012
- Revenue from food and beverage rose 9% year-on-year during the first half, on the back of stronger catering demand from corporate meetings and events

	1H 2011	1H 2012	Change
Rooms Available	381	376	- 5
RevPAR	\$209	\$207	-1.2%
Room Rate	\$266	\$262	-1.7%
Occupancy Rate	78.5%	78.9%	0.4 ppt





The Langham, Auckland

- Demand from the corporate segment was weak over the first half of 2012
- The Hotel managed to keep up its occupancy by targeting the retail segment.
- Average occupancy was 69.4% in the first half of 2012, while the average room rates were marginally higher at NZ\$186 in the first half of 2012
- Revenue from food and beverage rose 11% year-on-year, and was driven by higher revenue at the newly renovated restaurant, and improved catering demand through large corporate events

	1H 2011	1H 2012	Change
Rooms Available	411	411	-
RevPAR	\$128	\$129	0.8%
Room Rate	\$185	\$186	0.6%
Occupancy Rate	69.2%	69.4%	0.1 ppt





The Langham, Hong Kong



	1H 2011	1H 2012	Change
Rooms Available	495	495	-
RevPAR	\$1,595	\$1,811	13.6%
Room Rate	\$2,088	\$2,221	6.4%
Occupancy Rate	76.4%	81.6%	5.2 ppt

- Langham Hong Kong enjoyed continued growth in individual leisure tourist arrivals from Mainland China and other Asia-Pacific regions in the first half
- Revenue from F&B rose 11% y-o-y in the first half, the growth was mainly driven by the improved banquet business, especially from wedding functions in the refurbished Ballroom



Langham Place Hotel Hong Kong



	1H 2011	1H 2012	Change
Rooms Available	649	654	+ 5
RevPAR	\$1,421	\$1,587	11.7%
Room Rate	\$1,720	\$1,850	7.6%
Occupancy Rate	82.6%	85.8%	3.2 ppt

- For the six months ended June 2012, the Hotel achieved a higher average occupancy of 85.8% due to increased corporate and leisure travellers from China and North America
- Revenue from food and beverage for the first half rose 7% compared with the first half of 2011. The increase was supported by the steady banquet business from corporate meetings and events



Eaton Smart, Hong Kong

- In addition to increased demand for mid-priced rooms, the Hotel's successful marketing focus on China and other Southeast Asian countries resulted in a 18% year-on-year surge in total revenue in the first half of 2012
- Revenue from food and beverage rose 9% year-on-year from improved business at the restaurants, which offset a shortfall in catering functions and events
- The renovation of one-fifth of the guest rooms commenced in June 2012. The new rooms will help to increase the competitiveness of the hotel

	1H 2011	1H 2012	Change
Rooms Available	459	461	+ 2
RevPAR	\$829	\$1,055	27.3%
Room Rate	\$1,006	\$1,141	13.4%
Occupancy Rate	82.4%	92.5%	10.1 ppt





The Langham, Boston

- After a slow start to the year, the market in Boston picked up moderately in the second quarter because of several citywide conventions and the improved leisure business
- Revenue from food and beverage dropped 7% year-on-year in the first half, due to a slower pickup in the banquet segment and keen competition in the restaurant business.
- The renovation of the lobby and the lobby lounge is scheduled for completion in the third quarter of 2012

	1H 2011	1H 2012	Change
Rooms Available	318	318	-
RevPAR	\$149	\$154	3.1%
Room Rate	\$225	\$239	6.2%
Occupancy Rate	66.2%	64.3%	-1.9 ppt





The Langham, Huntington Hotel & Spa, Pasadena

- The Langham in Pasadena benefitted from the steady recovery in the Los Angeles hotel market
- However, as the Hotel accommodated more demand from the MICE markets, there was a slight dilution in average room rates
- With a year-on-year RevPAR increase of 16.6%, the Hotel turned EBITDA positive in the first half of 2012

	1H 2011	1H 2012	Change
Rooms Available	380	380	-
RevPAR	\$134	\$157	16.6%
Room Rate	\$214	\$210	-1.9%
Occupancy Rate	62.7%	74.6%	11.9 ppt





Delta Chelsea Hotel, Toronto

- Room rates at the Hotel were under pressure on the lack of citywide conventions in the city
- As the Hotel took on more lower-yielding corporate and leisure business, average room rates dropped to C\$120 in the first half of 2012
- Revenue from food and beverage dropped 5% year-on-year in the first half, due to reduced demand for catering, as well as lowered demand for room service

	1H 2011	1H 2012	Change
Rooms Available	1,590	1,590	-
RevPAR	\$88	\$81	-7.8%
Room Rate	\$125	\$120	-4.1%
Occupancy Rate	70.1%	67.4%	-2.7 ppt

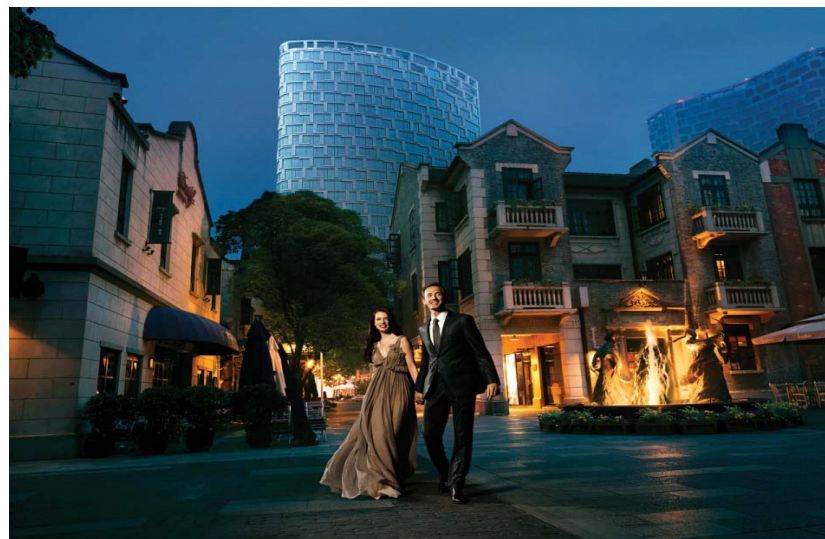




The Langham, Xintiandi (33.3% owned)

- The Hotel became fully operational with 358 rooms available from January 2012
- Given the increase in room inventory, the hotel managed to increase total revenue by 87% year-on-year in the first half of 2012
- However, due to the economic slowdown in China coupled with keen competition from the abundant supply of hotels in Shanghai, occupancy was 52.3% on an average inventory of 347 rooms in the first half

	1H 2011	1H 2012	Change
Rooms Available	190	347	+ 157
RevPAR	¥755	¥835	10.6%
Room Rate	¥1,587	¥1,597	0.7%
Occupancy Rate	47.6%	52.3%	4.7 ppt





Langham Hotels International

Managed hotel owned by third parties





Langham Yangtze Boutique Hotel

Shanghai

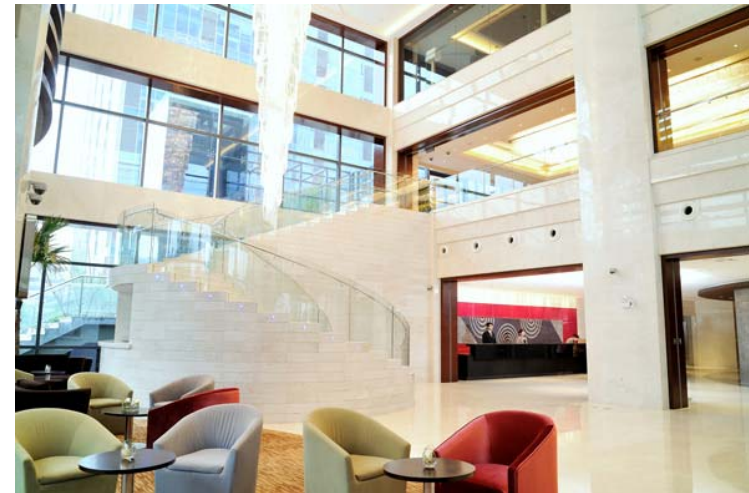
With 96 rooms

Opened in May 2009





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



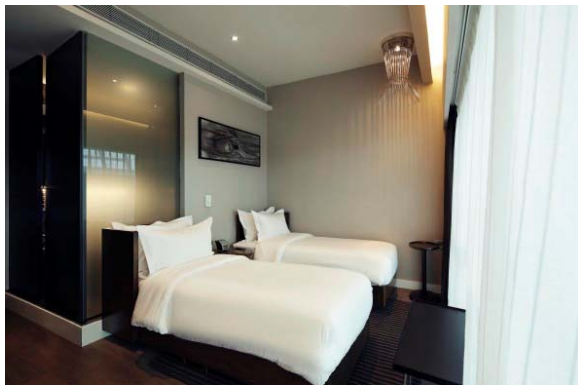


Langham Place, Beijing Capital Airport
With 376 guest rooms
Opened in September 2010





Eaton Smart, New Delhi International Hotel,
Indira Gandhi International Airport, New Delhi
With 97 rooms
Opened in June 2011





Shanghai Boutique Hotel - 88 Xintiandi

Shanghai

With 53 rooms





Owned Portfolio Expansion

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





Owned Portfolio Expansion



Location:	Downtown Chicago, second largest CBD in the U.S.
G.F.A.	Approx. 375,000 sq.ft.
Rooms	330 rooms
Status:	Full scale construction has commenced in the first quarter of 2012, and is scheduled for completion in the third quarter of 2013



Owned Portfolio Expansion



The property:	The Observatory hotel in Sydney was named one of The Best Hotels in the World in Condé Nast Traveller's Gold List 2011
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 on 8 th August 2012



Owned Portfolio Expansion



Extended our penetration to Sydney, the finance and media capital of Australia, and the leading tourism destination for international tourists

Within walking distance of the CBD, the hotel opened in 1993 as one of the top hotels in Sydney

It is also near The Rocks, which is a tourist precinct and historic area of Sydney's city centre

The addition of this trophy hotel will set the platform for grow our business in the Pacific region

**Managed Hotel Projects****In operations before 2009****Rooms**

The Langham, Hong Kong - 100% owned

500

Langham Place, Mongkok, HK - 100% owned

666

Eaton Hong Kong - 100% owned

465

The Langham, London - 100% owned

378

The Langham, Boston - 100% owned

325

The Langham, Melbourne - 100% owned

388

The Langham, Auckland - 100% owned

411

The Langham, Huntington Pasadena - 100% owned

380

Delta Chelsea Toronto - 100% owned

1,590

2009**Rooms****Status**

The Langham, Yangtze Boutique, 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 Sep 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 June 2011
88 Xintiandi Shanghai	53	Opened in Sep 2011
2012	Rooms	Status
The Langham, Shenzhen	348	Agreement
Eaton Luxe, Xinqiao, Shanghai	214	Agreement
Eaton Luxe, Xuzhou	340	Agreement



2013	Rooms	Status
Langham Place, EDZ, Guangzhou	313	Agreement
Langham Place, Pazhou Convention City, Guangzhou	500	Agreement
Langham Place, Ningbo	144	Agreement
Langham Place, Xiamen	310	Agreement
The Langham, Chicago - 100% owned	320	Agreement
Eaton Luxe Shajing, Shenzhen	200	Agreement
2014	Rooms	Status
The Langham Haikou, Hainan	240	Agreement
Eaton Luxe, Nirwana, Bali	178	Agreement
Langham Place, Phayathai, Bangkok	200	Agreement
The Langham, Nirwana, Bali	168	Agreement
2016	Rooms	Status
The Langham, Dalian - 50% owned	360	Agreement

Investment properties





2012 Interim Results - Rental income breakdown

	Gross rental income		Growth	Net rental income		Growth
(in HK\$ mn)	1H 2012	1H 2011	(%)	1H 2012	1H 2011	(%)
Hong Kong Investment Properties						
Great Eagle Centre	60.4	53.9	12.0	58.6	53.2	10.2
Eaton House	21.2	19.0	11.4	14.7	12.8	15.1
Convention Plaza Apartments	1.2	1.0	23.5	0.9	0.7	31.4
Others	0.02	0.04	(48.6)	0.01	0.02	(70.8)
U.S. Investment Properties						
353 Sacramento	32.9	35.6	(7.6)	14.0	12.5	11.6
500 Ygnacio	11.8	11.6	1.9	4.1	4.9	(15.2)
2700 Ygnacio	10.5	8.8	19.0	5.6	3.5	58.9
Total	137.9	129.9	6.2	98.0	87.7	11.8



Great Eagle Centre

- The office market in the Wanchai North district has displayed resilience in the first half of 2012.
- Rents achieved at Great Eagle Centre continued to move above HK\$60's in many cases in the first half of 2012.
- Average passing rent increased by 12.9% from HK\$48.9 per sq. ft. at as the end of December 2011 to HK\$55.2 per sq. ft. as of June 2012.
- Though occupancy for the office portion lowered slightly to 94.5% as at the end of June 2012, from 96.8% as at the end of December 2011.
- Majority of the vacant office spaces have since been taken up.
- The low level of vacancy at the Great Eagle Centre will help it to maintain rental rates going forward.



Eaton Serviced Apartments

On a portfolio basis, achieved rental per occupied square foot for 2011 increased 4.1% year-on-year to HK\$42.9 per square foot, and occupancy for our serviced apartments increased from 70.2% in the first half of 2011 to 75.6% in the first half of 2012.

Blue Pool Road, rentable area 37,236 Sq Ft

- Occupancy dropped 0.1ppt to 68.4%,
- Rental per occupied sq ft dropped by 1.3% yoy to HK\$43.5

Village Road, rentable area 23,350 Sq Ft

- Occupancy increased 10.8ppt to 77.5%,
- Rental per occupied sq ft increased by 10.8% yoy to HK\$39.7

Wanchai Gap Road, rentable area 33,207 Sq Ft

- Occupancy rose increased 5.9ppt to 79.9%,
- Rental per occupied sq ft increased by 6.9% yoy to HK\$44.5



US Investment properties

The California commercial portfolio had a slight decline in gross rental income of 1.5% in the first half of 2012 as compared with the same period in 2011, net rental income, on the other hand, rose 13.4% on lower tenant expenses incurred.

353 Sacramento, San Francisco

- Average passing rent reached US\$36.7 psf in the first half of 2012, from US\$39.3 psf over the first half of 2011.
- Occupancy rate stood at 91% as at the end of June 2012 (as at Dec 2011: 96%).

500 Ygnacio, California

- Average passing rent reached US\$37.4 psf in the first half of 2012, from US\$38.7 psf over the first half of 2011.
- Occupancy rate increased to 95% as at the end of June 2012 (as at Dec 2011: 84%).

2700 Ygnacio, California

- Average passing rent reached US\$27.7 psf in the first half of 2012, from US\$27.3 psf over the first half of 2011.
- Occupancy rate stood at 95% as at the end of June 2012 (as at Dec 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- All leases expiring in 2012 have been rolled over but as leases are renewed ahead of time, new contracts with generally higher rents covering 18% of the floor area have yet to come into effect in the first half. Revenue should also be higher in the second half when turnover rents are usually higher because of seasonality. Thus we should continue to see growth in rental income at the Mall in the second half

Langham Place Office Tower - Expect continued high levels of occupancy for the Office Tower. While there exists a gap between passing and market rents that can be closed over time, there is minimal space expiring for the rest of 2012 and rental income from the office portion of Langham Place is expected to remain relatively steady in the second half of the year

Citibank Plaza- For the rest of 2012, though less than 6% of the floor area in Citibank Plaza will see their leases expire over the rest of the year. However, there will be continued flexibility with leasing terms to upkeep occupancy in an increasingly competitive market



Reconciliation to core earnings from reported

	1H 2012 HK\$ 000	1H 2011 HK\$ 000	
Net Profit	1,329,698	2,770,638	
Adjustment items:			
Fair value changes on investment properties	(228,556)	(599,762)	Ignored in core earnings calculation
Fair value changes on derivative financial instruments	(41,823)	169,751	Ignored in core earnings calculation
Fair value changes on financial assets carried at fair value through profit and loss	-	1,637	Ignored in core earnings calculation
1. Dividend income from Champion REIT	299,387	267,006	See Income from Champion REIT under NOI
2. Depreciation – Hotel Buildings	95,166	96,786	See Depreciation and amortisation in core earnings calculation
3. Inflated interest income under accounting treatment for bonds held	(12,717)	(11,395)	See interest income in core earnings calculation
4. Amortization of prepaid lease payment	22,382	22,382	See Depreciation and amortisation
5. Reversal of Share of result of Champion REIT	(656,772)	(1,998,684)	See share of results of associates
6. Net of related deferred tax provision from revaluation of investment properties	28,240	33,937	See Income taxes in core earnings calculation
7. Reversal of dividend received from Champion REIT			
CORE EARNINGS AFTER TAX	835,005	752,296	



Reconciliation to core earnings from reported

	Reported earnings 1H 2012 HK\$'000	Core earnings 1H 2012 HK\$'000	Core earnings 1H 2011 HK\$'000	
Gross Revenue				
Rental Income - HK	82,785	82,785	73,935	
- Overseas	55,112	55,112	55,937	
Hotel Income - HK	763,083	763,083	677,277	
- Overseas	1,114,922	1,114,922	1,113,170	
- Others	27,552	27,552	33,811	
Income from Champion REIT	133,964	433,351	393,637	+HK\$133.964mn, adj. item 1. HK\$299.387mn
Other Operations	176,763	176,763	149,522	
Revenue	<u>2,354,181</u>	<u>2,653,568</u>	<u>2,497,289</u>	
Net Operating Income				
Net Rental Income - HK	74,279	74,279	66,724	
- Overseas	23,731	23,731	20,933	
Hotel Income - HK	281,957	281,957	243,219	
- Overseas	149,854	149,854	162,828	
- Others	10,361	10,361	19,038	
Income from Champion REIT	133,964	433,351	393,637	+HK\$133.964mn, adj. item 1. HK\$299.387mn
Other Operations	55,245	55,245	48,960	
Operating profit before Dep. and Amortisation	729,391	1,028,778	955,339	



Reconciliation to core earnings from reported

	Reported earnings 1H 2012 HK\$'000	Core earnings 1H 2012 HK\$'000	Core earnings 1H 2011 HK\$'000	
Operating profit before Dep. and Amortisation	729,391	1,028,778	955,339	
Depreciation and amortisation	(171,889)	(54,341)	(53,091)	-HK\$171.889mn, adj. item 2.HK\$95.166mn and adj. item 4.HK\$22.382mn
Fair value changes on investment properties	228,556			Ignored in core earnings calculation
Fair value changes on derivative financial instruments	41,823			Ignored in core earnings calculation
Fair value changes on financial assets carried at fair value through profit and loss	-			Ignored in core earnings calculation
Other income (excluding interest income)	5,331	5,331	9,354	
Administrative expenses	(105,276)	(105,276)	(111,904)	



Reconciliation to core earnings from reported

	Reported earnings 1H 2012 HK\$'000	Core earnings 1H 2012 HK\$'000	Core earnings 1H 2011 HK\$'000	
Net finance costs				
Finance cost	(50,816)	(50,816)	(49,961)	
Interest income (Classified as "Other income" on income statement)	102,647	89,930	77,687	+HK\$102.647mn, adj. item 3. HK\$12.717mn
	51,831	39,114	27,726	
Share of results of associates	668,369	11,597	7,178	+ HK\$668.369mn, adj item 5. HK\$656.772mn
Share of results of a jointly controlled entity	(5,138)	(5,138)	(4,174)	
Profit before tax	1,442,998	920,065	830,428	
Income taxes	(113,045)	(84,805)	(78,132)	-HK\$113.045mn, adj. item 4. HK\$28.240mn
Net Profit	1,329,953	835,260	752,296	
Less: Non-controlling interest	255	255	-	
Profit Attributable to Shareholders	1,329,698	835,005	752,296	
Basic earnings per share	\$ 2.11	\$ 1.32	\$ 1.19	