



Great Eagle Holdings  
Investor Presentation 3Q14



## Highlights of 1H 2014 Performance

### *Acquisitions and other business expansion*

1. In May 2014, the Group announced that it has re-entered Hong Kong's luxury residential development market with the winning of the tender of a prime site in Pak Shek Kok, Tai Po.
2. In July 2014, the Group completed the acquisition of a 265-key hotel in Washington, D.C., USA for US\$72 million, which implies a valuation of US\$0.27 million per key, the hotel will be rebranded to one of our Langham brands.
3. In April 2014, the Group expanded its asset-light business by setting up a U.S. real estate fund. The Group will be the key asset manager of the fund, and will receive asset management fee income based on the size and performance of the fund.

### *Results*

1. As for the first half of 2014, revenue base on core business of the Group reached HK\$2,696 million, and 1.4% lower than that in the same period last year. The decline was primarily due to a drop in revenue from the Hotels Division.
2. Despite a drop in revenue, operating income from core business rose 0.9% year-on-year to HK\$1,102 million in the first half. The growth in operating income as compared to a decline in revenue was primarily due to increased contributions from distribution income and management income.
3. While the increase in operating income was very modest, a significant increase in interest income on the Group's enlarged cash base arose from the spinoff last year, as well as bookings of realized gains on the Group's securities portfolio, boosted core profit after tax, which rose 23.7% year-on-year to HK\$965 million for the first half.
4. The Group booked an interest income of HK\$171 million during the first half of 2014, compared with HK\$16 million booked in the same period last year, as well as booking of HK\$44 million of realized gains on the Group's securities portfolio.
5. However, interest expense also climbed during the first half, which was predominantly due to additional interest expense incurred in relation to acquisitions made in the second half of 2013. Losses for a joint venture also deepened during the first half.



## 2014 Interim Results

		<b>1H 2014</b>	<b>1H 2013</b>	<b>Change</b>	
		HK\$'000	HK\$'000	HK\$'000	%
<b>Gross Revenue</b>					
Rental Income	- HK	<b>95,588</b>	<b>90,066</b>	5,522	6.1%
	- Overseas	<b>109,128</b>	<b>54,201</b>	54,927	101.3%
	- Building mgt fee inc	<b>12,416</b>	<b>11,199</b>	1,217	10.9%
Hotel Income	- HK	-	<b>656,275</b>	n.a.	n.a.
	- Overseas	<b>1,512,258</b>	<b>1,210,015</b>	302,243	25.0%
	- Others	<b>83,647</b>	<b>44,385</b>	39,262	88.5%
Income from Champion REIT*		<b>521,005</b>	<b>472,685</b>	48,320	10.2%
Income from Langham Hosp. Investments*		<b>148,360</b>	<b>21,180</b>	n.a.	n.a.
Other Operations		<b>213,189</b>	<b>174,044</b>	39,145	22.5%
		<b><u>2,695,591</u></b>	<b><u>2,734,050</u></b>	<b><u>(38,459)</u></b>	<b>-1.4%</b>

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



## 2014 Interim Results

	<b>1H 2014</b>	<b>1H 2013</b>	<b>Change</b>	
	HK\$'000	HK\$'000	HK\$'000	%
<b>Net Operating Income</b>				
Net Rental Income - HK	<b>76,813</b>	<b>67,919</b>	8,894	13.1%
- Overseas	<b>57,502</b>	<b>24,503</b>	32,999	134.7%
Hotel Income - HK	-	<b>254,752</b>	n.a.	n.a.
- Overseas	<b>139,799</b>	<b>166,215</b>	(26,416)	-15.9%
- Others	<b>63,078</b>	<b>21,919</b>	41,159	187.8%
Income from Champion REIT*				
- Asset management	<b>110,486</b>	<b>103,020</b>	7,466	7.2%
- Dividend income	<b>363,188</b>	<b>331,700</b>	31,488	9.5%
- Agency commission	<b>47,331</b>	<b>37,965</b>	9,366	24.7%
Income from Langham Hosp. Investments*				
- Dividend income	<b>148,360</b>	<b>21,180</b>	n.a.	n.a.
Other Operations	<b>94,899</b>	<b>62,820</b>	32,079	51.1%
<b>Income before expenses</b>	<b>1,101,456</b>	<b>1,091,993</b>	9,463	0.9%
<b>Other income</b>	<b>47,323</b>	<b>2,864</b>	44,459	1552.3%
<b>Depreciation and amortisation</b>	<b>(71,109)</b>	<b>(63,601)</b>	(7,508)	11.8%
<b>Administrative and other expenses</b>	<b>(145,520)</b>	<b>(147,793)</b>	2,273	-1.5%

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



## 2014 Interim Results

	<b>1H 2014</b>	<b>1H 2013</b>	<b>Change</b>	
	HK\$'000	HK\$'000	HK\$'000	%
<b>Net finance costs</b>				
Finance cost	(81,495)	(60,838)	(20,657)	34.0%
Interest income	171,412	16,469	154,943	940.8%
	89,917	(44,369)	134,286	-302.7%
<b>Share of results of associates</b>	10,427	11,081	(654)	-5.9%
<b>Share of results of a jointly controlled entity</b>	(19,039)	(9,560)	(9,479)	
<b>Profit before taxation</b>	1,013,455	840,615	172,840	20.6%
<b>Income taxes</b>	(46,772)	(59,773)	13,001	-21.8%
<b>Net Profit</b>	966,683	780,841	185,841	23.8%
<b>Less: Non-controlling interest</b>	1,228	635	593	
<b>Profit Attributable to Shareholders</b>	965,455	780,207	185,248	23.7%
<b>Basic earnings per share</b>	\$ 1.47	\$ 1.22		



## 2014 Interim Results – Income from Champion breakdown

### Income from Champion REIT

	<b>1H 2014</b>	<b>1H 2013</b>	<b>Change</b>	
	HK\$'000	HK\$'000	HK\$'000	%
Dividend received	<b>363,188</b>	<b>331,700</b>	31,488	9.5%
Asset management income	<b>110,486</b>	<b>103,020</b>	7,466	7.2%
Agency commission income & Property management income	<b>47,331</b>	<b>37,965</b>	9,366	24.7%
	<b><u>521,005</u></b>	<b><u>472,685</u></b>	<b><u>48,320</u></b>	<b><u>10.2%</u></b>



## Analysis on change on core income

1H 2014  
\$'000

Change in profit from core business after tax	+ HK\$ mn	185,248
Arise from:		
Increase in net interest income		134,286
Dividend income from LHI		127,180
Increase in Income from Champion REIT		48,320
Increase in Other income		44,459
Increase in net rental income		41,893
Increase in other operating income		32,079
Increase in losses of a joint venture		(9,479)
Decrease in Hotel EBITDA		(240,009)
Others		6,519
<b>Change in profit from core business after tax</b>		<b>185,248</b>



## Discount to NAV

Financials

## NAV based on statutory accounting principles (June 2014)

	HK\$m	HK\$/psf	HK\$/shr	% of Total
Investment properties	7,992	6,380	12.2	18%
Appraised valuation by independent valuer				
Hotels (including The Langham Chicago)	9,435	2.2 / room	14.4	21%
All valued at cost less depreciation				
Dalian development project (on cost incurred)	595		0.9	1%
Pak Shek Kok Development project (on cost incurred)	2,412		3.7	5%
	HK\$m	HK\$/psf	HK\$/shr	
Statutory accounting treatments for Champion REIT and LHI				
Investment in Champion REIT:				
60.83% share of Champion's Net Assets	27,365		41.7	60%
Investment in Langham Hospitality Investments (LHI):				
Net liabilities from three HK hotels (calculated as book cost of the hotels less debt drawn on listing date of HK\$6.8bn)	(1,288)		(2.0)	-3%
	26,077		39.8	57%
Other net liabilities	(976)		(1.49)	-2%
<b>Total</b>	<b>45,535</b>		<b>69.44</b>	<b>100%</b>
Net (debt)/cash or preceived cash equivalent	4,891		7.46	n/a
<b>Great Eagle's NAV</b>	<b>50,426</b>		<b>76.90</b>	

Discount to NAV based on share price of HK\$ 29

-62%

Note: valuation on investment properties include owner-occupied portion

## NAV based on net assets of Champion REIT and LHI (June 2014)

	HK\$m	HK\$/psf	HK\$/shr	% of Total
Investment properties	7,992	6,380	12.2	15%
Appraised valuation by independent valuer				
Hotels (including The Langham Chicago)	9,435	2.2 / room	14.4	18%
All valued at cost less depreciation				
Dalian development project (on cost incurred)	595		0.9	1%
Pak Shek Kok Development project	2,412		3.7	5%
	HK\$m	HK\$/psf	HK\$/shr	
Share of net assets of Champion REIT and LHI				
Investment in Champion REIT:				
60.83% share of Champion's Net Assets	27,365		41.7	52%
Investment in Langham Hospitality Investments (LHI):				
57.95% share of LHI's Net Assets	6,116		9.3	12%
	33,481		51.1	63%
Other net liabilities	(976)		(1.49)	-2%
<b>Total</b>	<b>52,939</b>		<b>80.73</b>	<b>100%</b>
Net (debt)/cash or preceived cash equivalent	4,891		7.46	n/a
<b>Great Eagle's NAV</b>	<b>57,830</b>		<b>88.19</b>	

Discount to NAV based on share price of HK\$ 29

-67%



## Financial position

### (A) Base on statutory financial positions

(HK\$ Million)	Book Carrying Value	Net Cash (Debt)	Net Equity	Loan to Value	Gearing	EBITDA	Net interest expense	Interest Cover
<b>Hong Kong/ PRC Assets</b>	55,373	(13,839)	41,534	25.0%	33.3%	1,334	101	13.2
<b>Overseas Assets</b>	11,690	(2,798)	8,892	23.9%	31.5%	259	56	4.6
<b>Group Total</b>	67,063	(16,637)	50,426	24.8%	33.0%	1,593	157	10.1

### (B) Base on core financial positions <sup>(a)</sup>

	Book Carrying Value	Net Cash (Debt)	Net Equity	Loan to Value <sup>(b)</sup>	Gearing <sup>(b)</sup>	Core EBITDA	Net interest (income) / expense	Interest Cover <sup>(c)</sup>
<b>Hong Kong/ PRC Assets</b>	43,122	5,816	48,938	n/a	n/a	745	(146)	n/a
<b>Overseas Assets</b>	11,690	(2,798)	8,892	23.9%	31.5%	259	56	4.6
<b>Group Total</b>	54,812	3,018 <sup>(d)</sup>	57,830	n/a	n/a	1,003	(90)	n/a

Notes:

- (a) Core financial positions is arrived at sharing the net assets of Champion REIT and Langham. Core EBITDA and net interest expenses are arrived at the Group's profit from core business, and in particular based on dividend entitlement from the two listed subsidiaries.
- (b) Not applicable since it is in a net cash position.
- (c) Not applicable since it is in a net interest income position.
- (d) Including other liquid investments such investments in bonds and equities, but excluding HK\$ 1,873 million of investments not classified as cash and cash equivalent.



## Valuation – Investment properties

Financials

As at the end of June 2014

**Hong Kong investment properties**

	GFA (Sqft)	Valuation HK\$/psf	Change from end of Dec 2013
Great Eagle Centre			
Office	193,271	15,310	0.2%
Retail	55,944	8,853	0.0%
3rd floor	20,959	7,615	0.2%
Carparks (nos/unit price)	296	625,000	-
Signage (gross value in HK\$m)		239	-1.2%

## Eaton House

Wanchai Gap Road	34,915	8,907	5.4%
Village Road	23,350	8,522	-
Blue Pool Road	33,700	10,504	-

## Convention Plaza apartments

5,817	16,283	-
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**Overseas investment properties**

US office properties	962,406	3,112	8.4%
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# Development project

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## 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: Presale on Phase 1 the  
apartments started in  
September 2013





## Hong Kong Luxury Residential Development Project

Location:	Fo Yin Road, Pak Shek Kok, Tai Po, New Territories (TPTL No. 214)
Site:	208,820 sq. ft.
G.F.A.:	Residential 730,870 sq.ft.
Status:	Land premium of HK\$2.412 bn (AV of HK\$3,300 psf) has been paid.  Total investment cost expected to be HK\$7 bn.



Rough sketch only, not to scale

# Langham Hotels International

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## Hotel portfolio – 1H 2014 Operational Statistics

### Wholly-owned Hotels

	Occupancy			Average Room Rate (local currency)			RevPar (local currency)		
	YTD-June 2014	YTD-June 2013	Change	YTD-June 2014	YTD-June 2013	Change	YTD-June 2014	YTD-June 2013	Change
The Langham, Hong Kong	88.0%	85.4%	2.7%	\$2,291	\$2,254	1.7%	\$2,017	\$1,924	4.9%
Langham Place, Mongkok, HK	92.5%	87.7%	4.8%	\$1,871	\$1,846	1.4%	\$1,731	\$1,619	7.0%
Eaton Hong Kong	95.7%	93.3%	2.4%	\$1,178	\$1,159	1.6%	\$1,127	\$1,082	4.2%
The Langham, Xintiandi, Shanghai (33.3% owned)	65.6%	55.3%	10.3%	¥ 1,664	¥ 1,729	-3.8%	¥ 1,092	¥ 957	14.1%
The Langham, London	78.5%	76.0%	2.4%	£260	£267	-2.7%	\$204	\$203	0.4%
The Langham, Boston	77.6%	66.9%	10.8%	\$243	\$243	0.0%	\$188	\$162	16.1%
The Langham, Melbourne	86.0%	85.6%	0.4%	\$282	\$273	3.1%	\$242	\$234	3.5%
The Langham, Sydney	84.7%	82.9%	1.8%	\$297	\$281	5.7%	\$252	\$233	8.0%
The Langham, Auckland	80.9%	72.5%	8.3%	\$175	\$184	-5.0%	\$141	\$133	5.9%
The Langham, Huntington Pasadena	79.0%	72.1%	6.9%	\$242	\$228	6.1%	\$191	\$164	16.3%
Eaton Chelsea Toronto	65.9%	69.1%	-3.2%	\$126	\$122	3.2%	\$83	\$85	-1.6%
The Langham Chicago	51.7%	n.a.	n.a.	\$301	n.a.	n.a.	\$155	n.a.	n.a.
Langham Place, Fifth Avenue	78.8%	n.a.	n.a.	\$487	n.a.	n.a.	\$383	n.a.	n.a.



## Hotel portfolio – Currency impact

	<u>Jun-14</u>	<u>Jun-13</u>	yoy change	Variance in profit contribution (in HK\$ mn)
GBP	12.9460	11.9811	8.1%	4.1
CAD	7.0748	7.6403	-7.4%	(1.1)
AUD	7.0935	7.8728	-9.9%	(5.0)
USD	7.7559	7.7594	0.0%	(0.0)
NZD	6.5847	6.4224	2.5%	0.4
Total				- HK\$ 1.5 mn



## Hotel portfolio – EBITDA contribution

### Owned Hotels

#### **Hong Kong**

(The Langham, Hong Kong, Langham Place, Hong Kong and Eaton, Hong Kong from Jan 01 - May 29, 2013)

1H 2014 in HK\$'mn	1H 2013 in HK\$'mn	Change
-	\$254.8	n.a.

#### **Europe**

UK (The Langham, London)

\$55.4	\$61.0	-9.3%
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#### **North America**

U.S. (The Langham, Boston, The Langham, Chicago, Langham Place Fifth Ave, NY and The Langham, Huntington Hotel & Spa) and Canada (Eaton Chelsea)

\$21.2	\$41.9	-49.4%
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#### **Australasia\***

Australia (The Langham, Melbourne and Sydney) and New Zealand (The Langham, Auckland)

\$63.2	\$63.4	-0.5%
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### Total

<b>\$139.8</b>	<b>\$421.1</b>	<b>-66.8%</b>
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### Total excluding the Hong Kong hotels

<b>\$139.8</b>	<b>\$166.3</b>	<b>-16.2%</b>
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Note:

\* Earnings for Australasia portfolio would have been positive before netting out the allocation of corporate overheads



## Langham Hotels International

Managed hotel owned by third parties

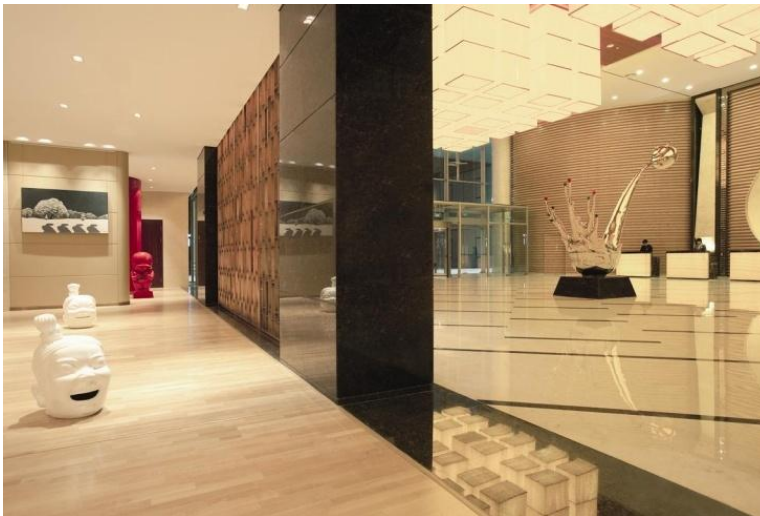
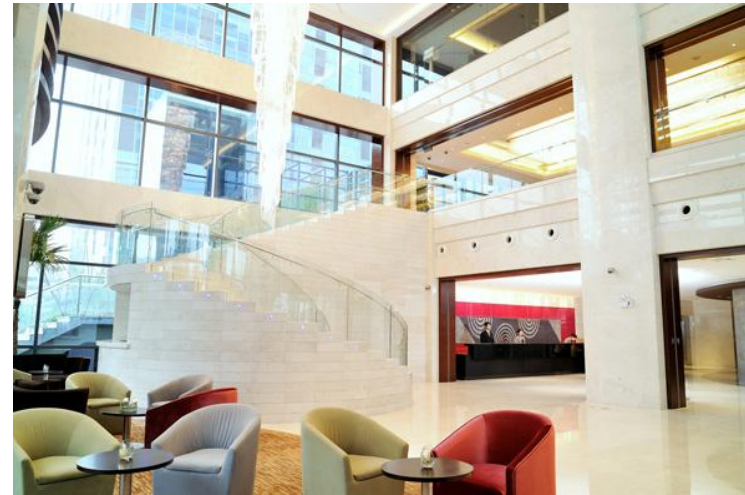




Eaton Luxe, Nanqiao, Shanghai

With 204 rooms

Opened in April 2010



Langham Place, Beijing Capital Airport

With 372 rooms

Opened in August 2010



Eaton Smart

New Delhi International Airport

With 93 rooms

Opened in June 2011



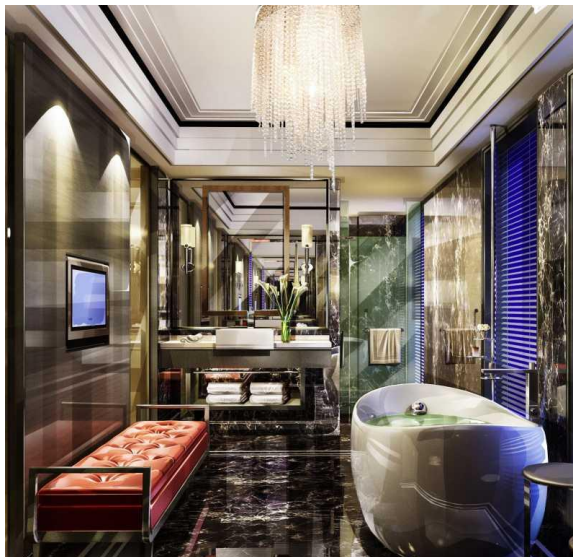
88 Xintiandi, Shanghai

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



Langham Place, Guangzhou

Guangzhou, China

With 500 rooms

Opened in 2013



Langham Place,

Ningbo Culture Plaza

With 143 rooms

Opened in 2014



Langham Place, Xiamen

Xiamen, China

With 327 rooms

Opened in 2014





## Hotel pipeline

2014	Rooms	Status
Langham Place, Haining	266	Agreement
2015	Rooms	Status
Langham Place, Datong	327	Agreement
Langham Place, Qingdao	194	Agreement
Eaton Luxe, Qingdao	538	Agreement
The Langham Dubai, Palm Jumerirah	323	Agreement
The Langham Haikou, Hainan	244	Agreement
2016	Rooms	Status
Langham Place, Changsha	300	Agreement
2017	Rooms	Status
The Langham, Dalian - 50% owned	361	Agreement
The Langham, Jakarta	210	Agreement

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

# Investment properties

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## 1H 2014 - Rental income breakdown

	Gross rental income		Growth	Net rental income		Growth
(in HK\$ mn)	1H 2014	1H 2013	(%)	1H 2014	1H 2013	(%)
Hong Kong Investment Properties						
Great Eagle Centre	69.8	69.6	0.3	59.8	56.7	5.3
Eaton House	24.7	19.4	27.1	16.3	10.3	57.2
Convention Plaza Apartments	1.1	1.1	2.7	0.8	0.8	(4.1)
Building Management income	12.4	11.2	10.9	-	-	n.a.
U.S. Investment Properties						
353 Sacramento	36.9	33.3	10.9	19.8	14.7	34.4
123 Mission Street	51.6	-	n.a.	27.5	-	n.a.
500 Ygnacio	12.7	11.3	12.3	6.1	4.7	30.8
2700 Ygnacio	7.9	9.6	(17.6)	4.0	5.1	(20.8)
<b>Total</b>	<b>217.1</b>	<b>155.5</b>	<b>39.7</b>	<b>134.3</b>	<b>92.4</b>	<b>45.3</b>



## Great Eagle Centre

- Office leasing activities had been slow for the Great Eagle Centre during the first six months of 2014. The slow activities were in part due to limited office sizes available at the Great Eagle Centre, where units available are all less than 2,000 square feet.
- Average passing rent for the leased office space at the Great Eagle Centre went from HK\$61.8 per sq. ft. as of June 2013 to HK\$63.8 per sq. ft. as of June 2014.
- Excluding the owner-occupied portion, office space leased to third parties actually dropped 5% as of June 2014, when compared with that as of June 2013.
- While the retail space accounted for a smaller portion of lettable floor area at Great Eagle Centre, it benefitted from positive rental reversion, which lifted retail average passing rent to HK\$96.2 per sq. ft as of June 2014 from HK\$83.1 per sq. ft as of June 2013.
- Overall, gross rental income for Great Eagle Centre increased 0.3% to HK\$69.8 million in the first half of 2014, while net rental income increased 5.3% to HK\$59.8 million.
- The higher growth achieved in net rental income was due to a higher cost base for comparison last year, as increased maintenance capital expenditure was incurred for the building during the first half of 2013.



## US Investment properties

As mentioned at the beginning of the Management Discussion and Analysis, the Group is in the process of setting up a U.S. real estate fund.

The Group will be the key asset manager of the fund, and will receive asset management fee income based on the size and performance of the fund.

The initial size of the U.S. fund comprised of the agreed net asset value of the seeded office properties to be transferred by the Group, which serves as its invested capital, and a committed capital of US\$150 million from a leading Mainland China asset management company.

After transferring the 500 Ygnacio property to the fund in late August, the Group will further transfer two other U.S. office properties when all contingent conditions such as lenders consent have been met for the other two properties.

Compared with the three properties that will be transferred to the fund, namely, 500 Ygnacio, 353 Sacramento Street and 123 Mission Street, the only remaining 2700 Ygnacio property possesses relatively less up-side potential upon leases renewal.

Therefore, it was decided that 2700 Ygnacio is not appropriate for the fund.



## Investment in the Champion REIT (2778.HK) & Langham Hospitality Investments (1270.HK)

Note that our core profit is based on dividend from Champion REIT and LHI in respective of the same financial period.

For Champion REIT, rental growth at Langham Place should continue to be strong in the second half of 2014. However, rental income from Citibank Plaza is expected to weaken in the fourth quarter of 2014. Moreover, as there were new bank loans arranged in May, higher interest costs were incurred. With a higher effective tax rate in the second half of 2014, this will act to reduce the distribution for the same period. Hence, DPU for the second half of 2014 may be lower than that for the same period of 2013.

For LHI, in the second half of 2014, distributions and hotel management incomes from LHI will primarily depend on RevPAR growth for the Hong Kong hotels in the reminder of the year. For the three hotels owned by LHI, they have all witnessed an increase in RevPAR in the first six weeks of the second half of 2014.



## Reconciliation to core earnings from reported

	1H 2014 HK\$ 000	1H 2013 HK\$ 000	
<b>Profit for the period before consolidating results of CREIT and LHI</b>	<b>313,150</b>	<b>370,405</b>	
Fair value changes on investment properties	(245,946)	(96,504)	- Ignored in core earnings calculation
1. Depreciation – Hotel Buildings and Amortization of prepaid lease payment	92,400	109,218	See depreciation in core earnings calculations
2. Depreciation of hotel building and fair value change on investment property of an associate	9,663	10,449	See results of associates in core earnings calculation
3. Attributable distributions from Champion REIT	363,188	331,700	See revenue and operating profit in core earnings calculation
4. Attributable distributions from Langham Hosp. Investments (LHI)	148,360	21,180	See revenue and operating profit in core earnings calculation
5. Related deferred tax provision relation to fair value change of Investment properties	91,982	33,515	See taxes in core earnings calculation
6. Unrealised exchange loss on holding foreign currency	152,294	-	See Administration and other expenses
7. Realised gain on linked notes and other financial instruments	40,364	243	See interest income
<b>CORE EARNINGS AFTER TAX</b>	<b>965,455</b>	<b>780,206</b>	



## Reconciliation to core earnings from reported

		Reported earnings 1H 2014 HK\$'000	Core earnings 1H 2014 HK\$'000	Core earnings 1H 2013 HK\$'000	
Gross Revenue					
Rental Income	- HK	95,588	95,588	90,066	
	- Overseas	109,128	109,128	54,201	
	- Building mgt fee inc	12,416	12,416	11,199	
Hotel Income	- HK hotels revenue	816,115	-	656,275	- Core revenue ignores revenue of HK hotels after the spin off
	- Overseas	1,512,258	1,512,258	1,210,015	
	- Others	83,647	83,647	44,385	
Income from Champion REIT					
	- Management fee income	157,817	157,817	140,985	
	- Gross rental income	1,155,002			- Ignore, core profit base on distributions
	- Distributions		363,188	331,700	- Add back distributions, item 3 of adjustments
Income from Langham Hosp. Investments*					
	- Gross rental income	368,287			- Ignore, core profit base on distributions
	- Distributions		148,360	21,180	- Add back distributions, item 4 of adjustments
Other Operations		213,189	213,189	174,044	
Elimination of intra-group transactions		(574,239)			- Ignore intra-group elimination associated with CREIT and LHI
Revenue		<u>3,949,207</u>	<u>2,695,591</u>	<u>2,734,050</u>	



## Reconciliation to core earnings from reported

	Reported earnings 1H 2014 HK\$'000	Core earnings 1H 2014 HK\$'000	Core earnings 1H 2013 HK\$'000	
Net Operating Income				
Net Rental Income - HK	76,813	76,813	67,919	
- Overseas	57,502	57,502	24,503	
Hotel Income - HK hotels		-	254,752	
- Net rental income from LHI	311,275			- Ignore net rental income, core profit base on distributions
- Overseas	139,799	139,799	166,215	- Core profit is after intra-group elimination
- Others	63,078	63,078	21,919	base on distributions
Income from Champion REIT				
- Management fee income		157,817	140,985	
- Net rental income	954,455			- Ignore net rental income, core profit base on distributions
- Distributions		363,188	331,700	- Add back distributions, item 3 of adjustments
Income from Langham Hosp. Investments*				
- Distributions		148,360	21,180	- Add back distributions, item 4 of adjustments
Other Operations	100,665	94,899	62,820	- Core profit for other operations is after impact of intra-group elimination
Operating profit	1,703,587	1,101,456	1,091,993	



## Reconciliation to core earnings from reported

	Reported earnings 1H 2014 HK\$'000	Core earnings 1H 2014 HK\$'000	Core earnings 1H 2013 HK\$'000	
Operating profit before Dep. and Amortisation	1,703,587	1,101,456	1,091,993	
Depreciation and amortisation	(240,473)	(71,109)	(63,601)	- Exclude depreciation of CREIT and LHI, add back depreciation, relating to hotel land and buildings, item 1 of adjustments
Fair value changes on investment properties	(143,768)			- Ignored in core earnings calculation
Fair value changes on derivative financial instruments	182			- Ignored in core earnings calculation
Fair value changes of financial assets designated at FVTPL	(117)			- Ignored in core earnings calculation
Other income (excluding interest income)	47,323	47,323	2,864	
Administrative expenses and other expenses	(324,107)	(145,520)	(147,793)	- Exclude admin. expense relating to CREIT and LHI, and see item 6 from adjustment items



## Reconciliation to core earnings from reported

	Reported earnings 1H 2014 HK\$'000	Core earnings 1H 2014 HK\$'000	Core earnings 1H 2013 HK\$'000	
Net finance costs				
Finance cost	(302,709)	(81,495)	(60,838)	- Exclude interest expense relating to CREIT and LHI
Interest income (Classified as "Other income" on income statement)	145,601 (157,108)	171,412 89,917	16,469 (44,369)	- Exclude interest income relating to CREIT and LHI, add item 7 of adjustments.
Share of results of associates	764	10,427	11,081	- Add adjustment item 2
Share of results of a jointly controlled entity	(19,039)	(19,039)	(9,560)	
Profit before tax	867,244	1,013,455	840,615	
Income taxes	(284,723)	(46,772)	(59,773)	- Exclude taxes of CREIT and LHI, and add item 5 from adjustments
Net Profit	582,521	966,683	780,842	
Less: Non-controlling interest	109,718	1,228	635	- Exclude non-controlling interest relating to CREIT and LHI
Profit Attributable to Shareholders	472,803	965,455	780,207	
Basic earnings per share	\$ 0.72	\$ 1.47	\$ 1.22	