



**INTERIM REPORT**  
中期報告 2016

Stock code 股份代號 : 1270



**LANGHAM**  
HOSPITALITY INVESTMENTS



# LANGHAM HOSPITALITY INVESTMENTS

## CORPORATE PROFILE

Langham Hospitality Investments has been established primarily to own and invest in a portfolio of hotels, with an initial focus on completed hotels in Asia. The initial asset portfolio comprises of:

- The Langham, Hong Kong;
- Cordis, Hong Kong; and
- Eaton, Hong Kong.

The Langham and Cordis are both High Tariff A hotels and Eaton is a High Tariff B hotel under the classification set out by Hong Kong Tourism Board, with High Tariff A being the highest category and High Tariff B being the second highest category. Each of the Hotels is located on the Kowloon peninsula in Hong Kong, a vibrant commercial and leisure hub which offers a variety of activities ranging from shopping, food and beverage, and entertainment to cultural attractions. The Hotels are also located near well connected transportation hubs in Hong Kong allowing guests to enjoy access to other leisure and business districts in Hong Kong.

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# CORPORATE INFORMATION

## TRUST

### **Langham Hospitality Investments**

*(a fixed single investment trust constituted pursuant to the Trust Deed under the laws of Hong Kong)*

## COMPANY

### **Langham Hospitality Investments Limited**

*(incorporated in the Cayman Islands with limited liability)*

## TRUSTEE-MANAGER

### **LHIL Manager Limited**

*(as Trustee-Manager of the Trust)*

## COMPANY AND TRUSTEE-MANAGER BOARDS OF DIRECTORS

### **Non-executive Directors**

LO Ka Shui *(Chairman)*

LO Bo Lun, Katherine

(LO Chun Him, Alexander as her alternate)

### **Executive Director**

IP Yuk Keung, Albert *(Chief Executive Officer)*

### **Independent Non-executive Directors**

LIN Syaru, Shirley

SO Yiu Wah, Eric

WONG Kwai Lam

## COMPANY AND TRUSTEE-MANAGER AUDIT COMMITTEES

WONG Kwai Lam *(Chairman)*

LIN Syaru, Shirley

SO Yiu Wah, Eric

## COMPANY REMUNERATION COMMITTEE

SO Yiu Wah, Eric *(Chairman)*

LO Ka Shui

LIN Syaru, Shirley

WONG Kwai Lam

## COMPANY NOMINATION COMMITTEE

LIN Syaru, Shirley *(Chairman)*

LO Ka Shui

LO Bo Lun, Katherine

(LO Chun Him, Alexander as her alternate)

SO Yiu Wah, Eric

WONG Kwai Lam

## COMPANY SECRETARY

WONG Mei Ling, Marina

## AUDITOR

Deloitte Touche Tohmatsu

# Corporate Information

## LEGAL ADVISORS

Conyers Dill & Pearman (Cayman) Limited  
Mayer Brown JSM

## PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited  
Citibank, N.A.  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

## COMPANY REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## COMPANY PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2702, 27th Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2186 2500  
Fax: (852) 2186 9867

## COMPANY PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## COMPANY HONG KONG BRANCH SHARE REGISTRAR AND SHARE STAPLED UNITS REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

## WEBSITE

[www.langhamhospitality.com](http://www.langhamhospitality.com)

## INVESTORS ENQUIRIES

For enquiries from investors or Holders of Share Stapled Units, please email to [enquiry@langhamhospitality.com](mailto:enquiry@langhamhospitality.com)

## HKEX STOCK CODE

1270

# DISTRIBUTION NOTICE AND KEY DATES

## INTERIM DISTRIBUTION

The Trustee-Manager Board has declared an interim distribution of HK11.7 cents per Share Stapled Unit (2015: HK11.7 cents) for the six-month period ended 30 June 2016, payable on 5 October 2016 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 15 September 2016, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed.

The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the Auditor of the Trust has reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per Share Stapled Unit and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unitholders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.

## CLOSURE OF REGISTERS

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Monday, 12 September 2016 to Thursday, 15 September 2016, both days inclusive, during which period no transfer of Share Stapled Units will be registered.

In order to qualify for the 2016 interim distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 9 September 2016.

## KEY DATES

Events	Dates
2016 Interim Results Announcement	15 August 2016
Ex-distribution Date	8 September 2016
Closure of Registers	12 September 2016 – 15 September 2016 <i>(both days inclusive)</i>
Record Date for 2016 Interim Distribution	15 September 2016
Payment of 2016 Interim Distribution of HK11.7 cents per Share Stapled Unit	5 October 2016

# FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	1H2016	1H2015	Change
Total Rental Income	<b>322.3</b>	323.2	-0.3%
Net Property Income	<b>270.4</b>	265.9	+1.7%
Profit attributable to Holders of Share Stapled Units	<b>263.9</b>	80.7	+227.0%
Profit attributable to Holders of Share Stapled Units excluding a Change in Fair Value of Investment Properties	<b>163.3</b>	165.7	-1.4%
Distributable Income	<b>228.1</b>	226.4	+0.8%
Distributions per Share Stapled Unit before Distribution Waiver	<b>HK11.1 cents</b>	HK11.1 cents	
Distributions per Share Stapled Unit after Distribution Waiver	<b>HK11.7 cents</b>	HK11.7 cents	

	As at 30 Jun 2016	As at 31 Dec 2015
Gross Value of Hotel Portfolio (in HK\$ million)	<b>18,495</b>	18,381
Net Asset Value per Share Stapled Unit	<b>HK\$5.70</b>	HK\$5.72
Gearing Ratio	<b>36.1%</b>	36.2%

# CHAIRMAN'S STATEMENT

As compared with the first half of 2015, when overnight visitor arrivals to Hong Kong declined markedly in part due to the adverse effect of a strong Hong Kong dollar, the negative impact seems to have lessened for visitor arrivals from most of the key markets except Mainland China during the first half of 2016.

Excluding arrivals from Mainland China, overnight visitor arrivals to Hong Kong from other countries rose 7.4% year-on-year in the first half of 2016, as compared with a decline of 3.7% in the first half of 2015. The growth was led by increases in overnight tourist arrivals from other Asian countries, followed by growth in arrivals from major long haul markets such as North America and Europe. However, as overnight arrivals from Mainland China, the largest market for Hong Kong, still dropped by 6.7% in the first half of 2016, this has resulted in a decline of 2.1% in overall overnight visitor arrivals to Hong Kong in the first half of 2016.

With regard to the relative performance of the Trust Group's individual hotels, it was a mixed one during the first half of 2016.

For The Langham, Hong Kong, a modest 2.9% year-on-year RevPAR decline was far better than the 6.4% year-on-year RevPAR decline witnessed for its respective High Tariff A market during the same period, as the Hotel managed to increase its market share of arrivals from Mainland China, which helped drive occupancy for the Hotel. For Cordis, Hong Kong, a year-on-year RevPAR decline of 9.7% (compared poorly to the 6.4% year-on-year RevPAR decline for its respective High Tariff A market) was in large part due to negative impact from the protests which broke out in Mongkok during the Chinese New Year, and as a result RevPAR for the Hotel dropped by 18% year-on-year during February and March 2016. For Eaton, Hong Kong, a 6.1% of year-on-year RevPAR decline was slightly worse than that of 5.3% for its respective High Tariff B hotel segment, as intense room rate competition still prevailed in its particular market.

Despite a 5.9% year-on-year decline in RevPAR for the portfolio as a whole, the drop in room revenue was only 1.9% for the first half of 2016, thanks to the increased number of rooms which contributed more revenue after the completion of the renovations in second half of 2015. With steady food and beverage ("F&B") business, which were mostly derived from local patronages, overall hotel revenue dropped only by 1.2% in the first half period, while the drop in operating profit before global marketing fee was even smaller at a mere 0.7%, which reflected proactive effort of the Hotel Manager in reining in operating costs.

Performance of the portfolio only impacted variable rental income received by the Trust Group, while total gross rental income, which included fixed rental and improved retail shop rental, only dropped by 0.3% in the first half of 2016 to HK\$322.3 million. However, with the booking of a HK\$100.6 million increase in fair value of properties, net profit rose by 227.0% to HK\$263.9 million. Distributable income, which was adjusted by non-cash items, including netting of the impact of the fair value increase, rose by 0.8% to HK\$228.1 million.

Distribution per Share Stapled Unit after and before the impact of distribution waiver was HK11.7 cents and HK11.1 cents respectively for the first half of 2016. Annualised yield based on HK11.7 cents for the first half period and the closing price of HK\$2.73 per Share Stapled Unit on 30 June 2016 was 8.6%.

## Chairman's Statement

As at 30 June 2016, valuation of the hotel portfolio was HK\$18,495 million as appraised by an independent professional valuer, and the valuation was 0.6% higher than the valuation of the hotel portfolio as at the end of 2015. The Trust Group had bank loans of HK\$6,800 million and the Net Asset Value ("NAV") of the Trust Group amounted to HK\$11,729 million or HK\$5.70 per Share Stapled Unit as at the end of June 2016. The slight drop in NAV per Share Stapled Unit as compared to that as at the end of December 2015 was due to increased number of Share Stapled Units issued. Gearing ratio was 36.1% as at the end of June 2016 as compared to 36.2% as at the end of December 2015. Based on the Trust and the Company's closing price of HK\$2.73 per Share Stapled Unit on 30 June 2016, this represented a discount of 52.1% to the Trust Group's NAV.

### OUTLOOK

After a prolonged period of room rate declines in Hong Kong's hotel market, room rates in Hong Kong have become more competitive amongst other global gateway cities. There are also signs indicating that Hong Kong's RevPAR might be close to bottoming out as the rate of RevPAR decline narrowed markedly in the first half of 2016 as compared with that witnessed in the first and second half of 2015.

Apart from operational enhancement initiatives, asset enhancement also plays a critical role for the long term success and positioning of our Hotels. This has been well demonstrated in the case of The Langham, Hong Kong, which has outperformed its respective market after the renovations. The renovation plan for Eaton, Hong Kong, which includes refurbishment of the lobby, ballroom and meeting space to embrace a more engaging concept with more well-used communal spaces, will commence in the middle of 2017.

We are still optimistic about the potential and strength of the hotel industry in Hong Kong. While the level of completion of new hotels remains manageable at 3.3% p.a. from 2016 to 2019, demand for Hong Kong's hotel rooms will likely be maintained as Hong Kong is still one of the most sought-after travel destinations in the world. Furthermore, Hong Kong government's investments in new tourism and infrastructure projects such as the Hong Kong-Zhuhai-Macau bridge and extension of Mainland China's high-speed rail network to Hong Kong will serve to support tourist visitations to Hong Kong in the long term. However, we will remain vigilant and cost conscious for the near term, as the world economies remain fragile and uncertain in general.



**Lo Ka Shui**  
*Chairman*

# CEO'S REVIEW

As the Hotels of the Trust Group are leased to the Master Lessee, an indirect wholly-owned subsidiary of Great Eagle, the Trust Group receives rent in the form of a pre-determined fixed base rent (pro-rata at HK\$225 million per annum) and a variable rent calculated at 70% of the Hotels' aggregate gross operating profit before deduction of the global marketing fees. In addition to the fixed base and variable rental income from the Master Lessee, the Trust Group also receives rental income directly from the three retail shops located at Eaton, Hong Kong, which are leased to independent third parties.

Reflecting a decline in the Hotels' aggregate gross operating profit before deduction of the global marketing fees for the six months ended 30 June 2016, variable rental income from the Master Lessee declined by 0.7% year-on-year to HK\$207.4 million. However, there was a slight increase in fixed rental income in the first half of 2016 by 0.3% year-on-year to HK\$111.9 million given the inclusion of one more calendar day in the first half of 2016, as 2016 was a leap year. Despite the small contribution to overall rental income, there was an 11.1% increase in rental income received directly from the retail shops at Eaton, Hong Kong, as there was an one-off compensation income from a tenant. Total rental income received by the Trust Group was HK\$322.3 million in the reporting period, representing a year-on-year decline of 0.3%.

(in HK\$ million)	1H 2016	1H 2015	Change
Variable rental income	<b>207.4</b>	208.9	-0.7%
Base rental income	<b>111.9</b>	111.6	+0.3%
Rental income from retail shops	<b>3.0</b>	2.7	+11.1%
<b>Total rental income to the Trust Group</b>	<b>322.3</b>	<b>323.2</b>	<b>-0.3%</b>

As the Trust Group owns the Hotels and leases them out for rental income, the operating expenses incurred by the Trust Group are predominantly service fees and hotel properties' related expenses.

Service fees are comprised of: (i) hotel management fee, (ii) licence fee and (iii) global marketing fee paid to the hotel management companies. Hotel management fee is comprised of a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee on 5% of adjusted gross operating profit of the Hotels. Licence fee is calculated based on 1% of total revenue of the Hotels, and global marketing fee is calculated at 2% of total room revenue of the Hotels. It should be noted that when calculating distributable income, global marketing fee is paid in cash, while hotel management fee and licence fee are paid in the form of Share Stapled Units until the end of 2017. Thereafter, the Hotel Manager can elect the hotel management and licence fees to be paid in the form of Share Stapled Units, cash or a combination of both.

## CEO's Review

In the first half of 2016, as there was a modest decline in the performance of the hotel portfolio, it has resulted in a small decrease in total service fees payable to the hotel management companies, which dropped by 1.2% year-on-year to HK\$39.6 million.

(in HK\$ million)	1H 2016	1H 2015	Change
Hotel management fee	<b>24.4</b>	24.6	-0.8%
Licence fee	<b>7.3</b>	7.4	-1.4%
Global marketing fee	<b>7.9</b>	8.1	-2.5%
<b>Total service fees</b>	<b>39.6</b>	<b>40.1</b>	<b>-1.2%</b>

Hotel properties' related expenses dropped by 28.5% year-on-year to HK\$12.3 million for the first half of 2016, driven mainly by the absence of rental expense incurred by Cordis, Hong Kong. As part of cost-rationalisation exercise, instead of renting additional office space from external party to house its back office staff, the Hotel had converted the Tokoro restaurant for office use. The savings in office rental more than compensated for net income generated from the restaurant. As the Hotel terminated its office lease in December 2015, the absence of rental expense incurred in the first half of 2016 led to the increase in net property income of the Trust Group, which rose by 1.7% year-on-year to HK\$270.4 million in the first half of 2016.

(in HK\$ million)	1H 2016	1H 2015	Change
<b>Total rental income</b>	<b>322.3</b>	<b>323.2</b>	<b>-0.3%</b>
Hotel properties' related expenses	<b>(12.3)</b>	(17.2)	-28.5%
Service fees (hotel management fee, licence fee and global marketing fee)	<b>(39.6)</b>	(40.1)	-1.2%
<b>Net property income</b>	<b>270.4</b>	<b>265.9</b>	<b>+1.7%</b>

During the first half of 2016, the Trust Group recorded an interest income of HK\$0.9 million, which represented a year-on-year drop of 87.8%. The high level of interest income in last year's first half results was mostly derived from the Trust Group's Renminbi deposits, which bore a high interest rate at over 3% per annum compared to average 0.7% per annum for Hong Kong dollar deposits. However, since Renminbi experienced a rapid depreciation in August last year, the Trust Group had converted all its Renminbi back to Hong Kong dollars in September 2015. To a lesser extent, substantially lower deposits in the first half of 2016 also contributed to the decline in interest income, as most funds were used for planned renovations in the second half of 2015.

## CEO's Review

Finance cost was reduced by 3.0% to HK\$63.8 million in the first half of 2016. The decline partially reflected the savings after the Trust Group successfully refinanced the three-year loan with a principal of HK\$6,800 million that matured in May 2016. The new loan matures in four years and bears a lower interest rate of HIBOR plus 0.98% per annum, which is lower than the HIBOR plus 1.2% per annum for the previous one. Amortization of upfront fee charged on the new loan is also lower, however this does not impact distributable income, as it is a non cash item. In order to enhance financial flexibility, the Trust Group also obtained an additional HK\$400 million revolving facility, which carries the same interest rate as the new loan.

The new loan had drawn a remarkably high level of commitment by a total of seventeen reputable and diverse banks, which underscores the superior quality of the hotel portfolio, its proven performance in challenging times and recognition of our Hotels' brands. When taking into account of the lower interest rate spread (0.98% per annum) and lower amortization of upfront fee, which is based on 0.25% per annum on the loan size, the all-in cost of 1.23% per annum on the new loan marked significant savings compared with the all-in cost of 1.7% per annum on the previous loan. Furthermore, the extended maturity to four years effectively eliminates refinancing risks for the Trust Group in next four years.

A key factor which significantly lifted net profit was the increase in fair value of investment properties, which amounted to HK\$100.6 million in the first half period, but this was a non-cash item and was deducted from the calculation of distributable income. Profit attributable to Holders of Share Stapled Units rose 227.0% to HK\$263.9 million in the first half of 2016, and if we strip out the impact of the fair value change, profit attributable to Holders of Share Stapled Units would have been HK\$163.3 million in the first half of 2016, representing a small decline of 1.4% year-on-year.

(in HK\$ million)	1H 2016	1H 2015	Change
<b>Net property income</b>	<b>270.4</b>	<b>265.9</b>	<b>+1.7%</b>
Interest income	0.9	7.4	-87.8%
Other income	–	0.1	n.a.
Net exchange loss	–	(1.0)	n.a.
Increase/(Decrease) in fair value of investment properties	100.6	(85.0)	+218.4%
Finance cost	(63.8)	(65.8)	-3.0%
Trust and other expenses	(7.4)	(5.2)	+42.3%
<b>Profit before tax</b>	<b>300.7</b>	<b>116.4</b>	<b>+158.3%</b>
Income tax expense	(36.8)	(35.7)	+3.1%
<b>Profit attributable to Holders of Share Stapled Units</b>	<b>263.9</b>	<b>80.7</b>	<b>+227.0%</b>
<b>Profit attributable to Holders of Share Stapled Units excluding a change in fair value of investment properties</b>	<b>163.3</b>	<b>165.7</b>	<b>-1.4%</b>

To derive the Trust Group's distributable income, net profit was adjusted for non-cash items. Items deducted from net profit were: (i) increase in fair value of investment properties, and (ii) cash contribution to the furniture, fixtures and equipment reserve calculated based on 1.5% of total revenue of the Hotels. On the other hand, non-cash items added back to profit included: (i) hotel management and licence fees paid in Share Stapled Units, (ii) amortisation of upfront loan fee, and (iii) deferred tax. Overall, distributable income of the Trust Group, based on a 100% distribution policy for the first half period, rose by 0.8% year-on-year to HK\$228.1 million in the first half of 2016.

## CEO's Review

(in HK\$ million)	1H 2016	1H 2015	Change
<b>Profit attributable to Holders of Share Stapled Units</b>	<b>263.9</b>	<b>80.7</b>	<b>+227.0%</b>
Add:			
Hotel management fee and Licence fee paid in Share Stapled Units	31.7	32.0	-0.9%
Amortization of upfront loan fee, a non-cash cost	15.6	17.0	-8.2%
Deferred tax	28.4	26.7	+6.4%
Decrease in fair value of investment properties	–	85.0	n.a.
Net exchange loss on Renminbi holdings	–	1.0	n.a.
Less:			
Realised exchange loss on Renminbi holdings	–	(4.9)	n.a.
Furniture, fixtures and equipment reserve	(10.9)	(11.1)	-1.8%
Increase in fair value of investment properties	(100.6)	–	n.a.
<b>Distributable income</b>	<b>228.1</b>	<b>226.4</b>	<b>+0.8%</b>

In calculating the distribution per Share Stapled Unit, it should be noted that the holding company of the Trust Group, the Great Eagle Group, has agreed to waive its entitlement to receive distributions payable in respect of its 100 million Share Stapled Units (representing approximately 4.9% of the issued Share Stapled Units of the Trust Group as at 30 June 2016) for the financial year 2016.

For the first six months ended 30 June 2016, distribution per Share Stapled Unit was HK11.1 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK11.7 cents. It should be noted that the number of distribution waiver units will be reduced to 50 million Share Stapled Units for the financial year 2017, and all of the holdings of Share Stapled Units of Great Eagle Group will be entitled to receive distribution payable from 2018 onward.

### Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2016	1H 2015	1H 2016	1H 2015	1H 2016	1H 2015	1H 2016	1H 2015
The Langham, Hong Kong	498	472	84.2%	81.8%	2,078	2,204	1,749	1,802
<i>year-on-year growth</i>			+2.4ppt		-5.7%		-2.9%	
Cordis, Hong Kong	650	619	85.4%	88.2%	1,610	1,725	1,374	1,522
<i>year-on-year growth</i>			-2.8ppt		-6.7%		-9.7%	
Eaton, Hong Kong	465	465	92.2%	86.2%	963	1,097	888	946
<i>year-on-year growth</i>			+6.0ppt		-12.2%		-6.1%	
Hotels portfolio	1,613	1,556	87.0%	85.7%	1,552	1,675	1,350	1,435
<i>year-on-year growth</i>			+1.3ppt		-7.3%		-5.9%	

## CEO's Review

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2016	1H 2015	1H 2016	1H 2015	1H 2016	1H 2015
High Tariff A	<b>81.0%</b>	82.0%	<b>2,149</b>	2,270	<b>1,741</b>	1,861
<i>year-on-year growth</i>	<i>-1.0ppt</i>		<i>-5.3%</i>		<i>-6.4%</i>	
High Tariff B	<b>87.0%</b>	86.0%	<b>999</b>	1,068	<b>869</b>	918
<i>year-on-year growth</i>	<i>+1.0ppt</i>		<i>-6.5%</i>		<i>-5.3%</i>	

For the portfolio as a whole, RevPAR amounted to HK\$1,350 for the first half of 2016, 5.9% lower than that achieved in the first half of 2015. The decline was led by a 7.3% decrease in average daily rates, although there was some recovery in occupancy for the portfolio, which rose by 1.3 percentage points to 87.0% during the first half of 2016. In addition, there were more available rooms during the first half of 2016, and after taking this into account, the decline in room revenue was only 1.9% year-on-year, and it accounted for 54.4% of total revenue of the hotel portfolio in the first half of 2016.

Where there was growth in F&B at The Langham, Hong Kong and Cordis, Hong Kong, the growth was more or less offset by reduced business at the Eaton hotel, and total F&B revenue for the portfolio as a whole only increased by 0.1% year-on-year in the first half of 2016 and accounted for 43.4% of total revenue of the hotel portfolio.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton, Hong Kong	Total
Rooms	158.6	162.7	75.1	396.4
Food & Beverages	108.3	135.6	72.2	316.1
Others	7.2	8.1	1.3	16.6
<b>Total revenue</b>	<b>274.1</b>	<b>306.4</b>	<b>148.6</b>	<b>729.1</b>

For the hotel portfolio as a whole, guests from Mainland China rose by 10.6% year-on-year in the first half of 2016. Furthermore, guests from other Asian countries, Australia, U.S. and Europe, had all increased in the first half of 2016. With the growth in visitors from Mainland China, this market accounted for 30.4% of total arrivals by geographical breakdown.

	Trust Group's Hotel Portfolio	Overnight Arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	+10.6%	-6.7%
% of overnight guests from Mainland China to total arrivals	30.4%	64.4%

# CEO's Review

## Performance of the individual hotels

For **The Langham, Hong Kong**, the Hotel benefitted from keen demand for its renovated rooms and witnessed growth of arrivals from most geographical regions, especially Mainland China. The Hotel only saw decline in arrivals from Europe, which was not a major contributor to the Hotel's overall room demand. However, Average Room Rate had dropped due to subdued overall market condition. F&B revenue for the Hotel rose by 1.6% as compared with the restated F&B revenue for the first half of 2015. The increase was driven by growth in business from T'ang Court, which has received the prestigious Michelin three-star rating for this year, and the growth at this restaurant had more than offset lower F&B revenue from banqueting business.

At **Cordis, Hong Kong**, business was negatively impacted during the Chinese New Year when there were violent breakouts in Mongkok, and RevPAR for the hotel dropped by 18% year-on-year during February and March 2016. Nonetheless, demand for rooms recovered and the Hotel witnessed growth in arrivals across most major markets since April. Arrivals from Mainland China were a major contributor to the overall growth in room demand in the second quarter of 2016. Overall for the first half of 2016, RevPAR was significantly lower. Despite a lack of revenue contribution from the Tokoro space that had been converted to office use last year, revenue from F&B still rose 3.2% year-on-year for the first six months of 2016. The increase was largely due to improved business at the all day dining restaurant, which underwent renovation and was closed for two months in the first half of last year.

**Eaton, Hong Kong** faced severe room rate competition from other hotels which relied heavily on arrivals from Mainland China. Accordingly, the Hotel shifted its focus to arrivals from other geographical regions in the first half of 2016. Hence, while there was a drop in arrivals from the Mainland China market during the first half, increases in arrivals from other Asian countries, Australia and Europe had more than offset decline in arrivals from Mainland China. Overall, the markedly lower room rate brought down RevPAR significantly. Revenue from F&B dropped by 7.3% year-on-year in the first six months of 2016 as a result of reduced business in the restaurants and a drop in banqueting business.

## FINANCIAL REVIEW

### Distributions

The distributable income of the Trust Group for the 2016 interim period was HK\$228,054,000, which represents 100% of total distributable income for current period (six months ended 30 June 2015: HK\$226,433,000 which represents 100% of total distributable income). It is the present policy of the Trust Group to distribute no less than 90% of total distributable income to its Share Stapled Unitholders.

Pursuant to the Distribution Entitlement Waiver Deed, LHIL Assets Holdings Limited, a wholly-owned subsidiary of the Great Eagle Group, has agreed to waive its entitlement to receive any distributions payable in respect of a certain portion of the Share Stapled Units held by it for the period from the date of listing to 31 December 2013 and each of the years ending 31 December 2014, 2015, 2016 and 2017.

The Distribution per Share Stapled Unit for current period was HK11.7 cents (six months ended 30 June 2015: HK11.7 cents) (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 100,000,000 Share Stapled Units for current period (six months ended 30 June 2015: 100,000,000 Share Stapled Units)). Based on the closing Share Stapled Unit price of HK\$2.73 as at 30 June 2016, the Distribution per Share Stapled Unit represents an annualized distribution yield of 8.6%.

### Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$11,729.2 million or HK\$5.70 per Share Stapled Unit as at 30 June 2016 (31 December 2015: HK\$11,682.0 million or HK\$5.72 per Share Stapled Unit) which represents a 108.8% premium to the closing Share Stapled Unit price of HK\$2.73 as at 30 June 2016.

## CEO's Review

### Debt Profile

On 30 May 2016, the Trust Group, through its subsidiary, entered into a four-year term and revolving loan facilities of HK\$7,200 million to fully refinance the outstanding principal of HK\$6,800 million term loan granted to the Trust Group in 2013. The new loan bears interest at a floating rate of HIBOR plus 0.98% per annum. Total outstanding borrowings of the Trust Group as at 30 June 2016 and 31 December 2015 were HK\$6,800 million. The Trust Group will closely monitor interest rate movements and may, depending on market conditions, consider hedging the interest rate exposure on part of the bank debt.

As at 30 June 2016, total gross assets of the Trust Group were HK\$18,810.9 million (31 December 2015: HK\$18,803.0 million). The gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 36.1% (31 December 2015: 36.2%).

### Cash Position

As at 30 June 2016, the Trust Group had a cash balance of HK\$250.4 million (31 December 2015: HK\$304.2 million) to satisfy the asset enhancement of the three hotels, primarily Eaton, Hong Kong, as well as the working capital and operating requirements. In addition, the Trust Group had unused revolving loan amounting to HK\$400 million as of 30 June 2016.

### Pledge of Assets

As at 30 June 2016, investment properties of the Trust Group with a fair value of HK\$18,495 million (31 December 2015: HK\$18,381 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure a HK\$7,200 million term and revolving loan facilities granted to the Trust Group.

### Commitments

At 30 June 2016, the Trust Group had authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$143,431,000 (31 December 2015: HK\$126,407,000), of which HK\$30,998,000 (31 December 2015: HK\$16,182,000) were contracted for.

Other than the above, the Trust Group did not have other significant commitments at the end of the reporting period.



**Ip Yuk Keung, Albert**

*Chief Executive Officer*

# BIOGRAPHICAL DETAILS OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, information of Directors of the Trust and the Company subsequent to the date of the 2015 Annual Report of the Trust and the Company are updated as follow:

## **Dr. LO Ka Shui**

*Chairman and Non-executive Director*

Dr. LO Ka Shui, aged 69, has been the Chairman and Non-executive Director of the Trustee-Manager and the Company since 2013. He is a Member of the Remuneration Committee and of the Nomination Committee of the Company, and is also a Director of the subsidiaries of the Company. He is the Chairman and Managing Director of Great Eagle Holdings Limited, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Champion Real Estate Investment Trust. He is an Independent Non-executive Director of City e-Solutions Limited, which is listed on the Main Board of the Stock Exchange. He was an Independent Non-executive Director of China Mobile Limited, Shanghai Industrial Holdings Limited and Phoenix Satellite Television Holdings Limited. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas. He is the father of Ms. Lo Bo Lun, Katherine and Mr. Lo Chun Him, Alexander. Ms. Lo Bo Lun, Katherine is a Non-executive Director of the Trustee-Manager and the Company and Mr. Lo Chun Him, Alexander is the alternate to Ms. Lo.

## **Ms. LO Bo Lun, Katherine**

*Non-executive Director*

Ms. LO Bo Lun, Katherine, aged 34, has been a Non-executive Director of the Trustee-Manager and the Company since 2013. She is a Member of the Company's Nomination Committee, a Director of the subsidiaries of the Company and of LHIL Assets Holdings Limited, a substantial Holder of Share Stapled Units of the Trust and the Company. She graduated from Yale University with a Bachelor of Arts with distinction in Sociocultural Anthropology, and subsequently earned her Master of Fine Arts Degree from the University of Southern California. She is a hospitality industry professional. She joined the hotel division of Great Eagle Group in 2011 and acted as Executive Director of Langham Hospitality Group Limited. In 2014, she was appointed President of Eaton Hotels. As President, she launches and oversees the global rebranding of a new generation of Eaton. She leads the global Eaton team to execute the new Eaton vision in concept, innovation, design, programming, branding, development, project openings, operations, marketing, public relations, and strategic partnerships. Ms. Lo is a daughter of Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, a substantial shareholder, the Chairman and Managing Director of Great Eagle Holdings Limited, and an elder sister of Mr. Lo Chun Him, Alexander.

## **Mr. LO Chun Him, Alexander**

*(as the alternate to Ms. LO Bo Lun, Katherine)*

Mr. LO Chun Him, Alexander, aged 31, has been the alternate to Ms. Lo Bo Lun, Katherine as Director of the Trustee-Manager and the Company and a Member of the Nomination Committee of the Company since May 2015 and he is also the alternate to Ms. Lo as Director of the subsidiaries of the Company. Mr. Lo is an Executive Director of Great Eagle Holdings Limited, which is listed on the Main Board of the Stock Exchange. Prior to joining the Great Eagle Group in 2010, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of The Real Estate Developers Association of Hong Kong and a member of the Management Committee of The Federation of Hong Kong Hotel Owners Limited. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Mr. Lo is a son of Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, and a younger brother of Ms. Lo Bo Lun, Katherine.

## Biographical Details of Directors

### **Mr. IP Yuk Keung, Albert**

*Chief Executive Officer and Executive Director*

Mr. IP Yuk Keung, Albert, aged 64, has been the Executive Director and Chief Executive Officer of the Trustee-Manager and the Company since June 2014. He is also a Director of the subsidiaries of the Company. Mr. Ip is an international banking executive with over 30 years of experience in the United States, Asia and Hong Kong. He was a Real Estate Senior Credit Officer of Citibank since 1989, providing credit initial for approvals of real estate loans originated in Hong Kong and was also involved in financing the acquisition of various hotel assets internationally. He was North Asia Real Estate Head, Hong Kong Corporate Bank Head, Transaction Banking Head – Hong Kong and Asia Investment Finance Head (Global Wealth Management) of Citigroup. He was formerly a Managing Director of Citigroup and Managing Director of Investments in Merrill Lynch (Asia Pacific). Mr. Ip is a Non-executive Director of the Manager of the publicly listed trust, Champion Real Estate Investment Trust. He is also an Independent Non-executive Director of AEON Credit Service (Asia) Company Limited, Hopewell Highway Infrastructure Limited, Hopewell Holdings Limited, Lifestyle International Holdings Limited, New World China Land Limited, Power Assets Holdings Ltd. and TOM Group Limited, except for New World China Land Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of City University of Hong Kong, Hang Seng Management College and University of Macau. He is an Honorary Professor of Lingnan University and a Council Member of Hong Kong University of Science and Technology. He is also a Member of the International Advisory Committee at University of Macau, an Executive Fellow in Asia of Washington University in St. Louis and a Research Fellow of the Institute for Financial Economics of Singapore Management University. Mr. Ip holds a Bachelor of Science degree at Washington University in St. Louis (summa cum laude), and Master of Science degrees at Cornell University and Carnegie-Mellon University. He was an MBA lecturer at University of Pittsburgh, USA. Mr. Ip is an Honorary Fellow of Vocational Training Council and Vice Chairman of World Green Organisation Limited.

### **Dr. LIN Syaru, Shirley**

*Independent Non-executive Director*

Dr. LIN Syaru, Shirley, aged 48, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. She is the Chairman of the Company's Nomination Committee, a Member of the Company's Remuneration Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Since 2010, Dr. Lin has been a Member of the Founding Faculty of the Professional Master's Program in Global Political Economy at The Chinese University of Hong Kong. She retired as a Partner of Goldman Sachs, where she led the Principal Investment Area for Asia ex-Japan, managing investments in more than fifty companies across multiple industries in twelve countries. Prior to focusing on private equity and venture capital, Dr. Lin was involved in the privatisation of state-owned enterprises in China, Singapore and Taiwan. She had served on the boards of numerous private and public companies and is currently a Director of Goldman Sachs Asia Bank Limited and Mercuries Life Insurance Co., Ltd. which is publicly listed in Taiwan. She received her Master's Degree in International and Public Affairs with distinction and her Ph.D. in Politics and Public Administration from The University of Hong Kong and her A.B. from Harvard College, cum laude.

## Biographical Details of Directors

### **Mr. SO Yiu Wah, Eric**

*Independent Non-executive Director*

Mr. SO Yiu Wah, Eric, aged 72, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. He is the Chairman of the Company's Remuneration Committee, a Member of the Company's Nomination Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Mr. So has over 38 years of extensive experience of international hotel management. He had been the Executive Vice President of Langham Hotels International Limited responsible for finance, operations, business development and administration before his retirement in 2009. Prior to that, he held various senior management positions including Group and Regional Financial Controller in the hotel division of Great Eagle and in some other reputable international and Hong Kong hotel groups such as Le Meridien, Hilton and Regal.

### **Mr. WONG Kwai Lam**

*Independent Non-executive Director*

Mr. WONG Kwai Lam, aged 67, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. He is the Chairman of the Audit Committees of the Trustee-Manager and the Company, and a Member of each of the Company's Remuneration Committee and Nomination Committee. Mr. Wong is an Independent Non-executive Director, a Member of each of the Audit Committee and Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited, the Manager of publicly listed Prosperity Real Estate Investment Trust on the Main Board of the Stock Exchange. He is also an Independent Non-executive Director and a Member of each of the Remuneration and Appraisal Committee and Related-Party Transaction Control Committee of China Merchants Bank Co., Ltd., a company listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, an Independent Non-executive Director and a Member of each of the Remuneration Committee and Nomination Committee of K. Wah International Holdings Limited, a company listed on the Main Board of the Stock Exchange, and an Independent Non-executive Director of Hutchison Port Holdings Management Pte. Limited, as trustee-manager of Hutchison Port Holdings Trust, listed on the Stock Exchange of Singapore. Mr. Wong is currently the Chairman of IncitAdv Consultants Ltd., a Director of Opera Hong Kong Limited, a Vice Chairman of the Board of Trustees and a Member of the Investment Committee of the Board of Trustees of New Asia College of The Chinese University of Hong Kong. He is a Member of the Hospital Governing Committee of the Prince of Wales Hospital and a Director of the CUHK Medical Centre Limited. He was formerly a Member of the Advisory Committee and a Member of the Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a Member of the China Committee of the Hong Kong Trade Development Council.

Mr. Wong has over 30 years of experience in the commercial and investment banking industry. He worked with Merrill Lynch (Asia Pacific) Ltd. from May 1993 to August 2009 where he served as a Managing Director in the Asia Investment Banking Division since January 1995. He was appointed as a Senior Client Advisor to Merrill Lynch (Asia Pacific) Ltd. in September 2009 and served in that position for one year. Prior to that, Mr. Wong had been a Director in the Investment Banking Division of CS First Boston (Hong Kong) Ltd. and a Director and the Head of Primary Market in Standard Chartered Asia Limited.

Mr. Wong holds Bachelor of Arts Degree and Honorary Fellowship from The Chinese University of Hong Kong and a Ph. D from Leicester University, England.

# GOVERNANCE AND COMPLIANCE

Langham Hospitality Investments, LHIL Manager Limited and Langham Hospitality Investments Limited are committed to maintaining and developing high standards of corporate governance practices that are designed to enhance corporate image, create value for our Unitholders, minimize risk in fraudulent practices and address potential conflict of interest issues.

Sound corporate governance practices underpin the foundation for the Directors to perform and fulfill their respective roles and obligations effectively. Various policies and procedures are established and constituted the core elements of the governance framework of the Trust Group. The Trustee-Manager Board and the Company Board regularly review the policies and procedures on corporate governance as well as legal and regulatory compliance. Further enhancement will be made from time to time in light of the latest statutory regime and recommended best practices.

## STRUCTURE OF THE TRUST GROUP

Langham Hospitality Investments is constituted by laws of Hong Kong governing the Trust Deed dated 8 May 2013 entered into between the Trustee-Manager and the Company as a fixed single investment trust, meaning that the Trust may only invest in the securities and other interests in a single entity, being the Company.

The Trustee-Manager is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Great Eagle. In its capacity as trustee-manager of the Trust, the Trustee-Manager has a limited role only in the administration of the Trust and is not involved in the management of the operations of the Group.

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability. It is the holding company of the hospitality business carried on by the Group and currently owns and controls the Hotels indirectly through its subsidiaries.

### **Capital Structure of the Trust and the Company**

Share Stapled Units are jointly issued by the Trust and the Company and each Share Stapled Unit is comprised of the following three components which, subject to the provisions in the Trust Deed, can only be dealt with together and cannot be traded individually:

- (a) a Unit in the Trust;
- (b) a beneficial interest in a specifically identified Ordinary Share in the Company held by the Trustee-Manager, which is "linked" to the Unit; and
- (c) a specifically identified Preference Share in the Company which is "stapled" to the Unit.

As the components of the Share Stapled Units, all of the Units, the Ordinary Shares and the Preference Shares in issue are listed on the Stock Exchange. However, for so long as the Share Stapled Units are listed on the Stock Exchange, trading on the Stock Exchange will only take place in the form of Share Stapled Units and there is only a single price quotation on the Stock Exchange for a Share Stapled Unit. No price is quoted for the individual components of a Share Stapled Unit.

# Governance and Compliance

## **Business Relationship with Great Eagle**

Apart from the parent-subsiary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two groups. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules. Details of the transactions which are subject to disclosure and reporting requirements in interim report are summarized under the sub-section headed "Connected Transactions and/or Continuing Connected Transactions Subject to Disclosure Requirements" on pages 23 to 25 of this Interim Report.

These business relationships and the fact that some of the Directors and senior management members also hold directorships and/or roles in the Great Eagle Group might give rise to potential conflicts of interests between the Group and the Great Eagle Group. The Trustee-Manager Board and the Company Board believe that the potential conflicts can be sufficiently reduced as follows:

- the Group focuses on optimizing the performance of the three existing hotel properties, adopting a growth strategy of investing in completed standalone hotels in Asia. The Great Eagle Group, on the other hand, focuses on further capitalizing on its resources and expertise in developing its hotel management services operations and brand building.
- the Group is among the major contributors to the performance of the Great Eagle Group, any reliance that the Group may have on the Great Eagle Group in relation to its performance and growth will be mutually complementary.
- the Great Eagle Group has granted to the Company a Deed of Right of First Refusal pursuant to which the Group will have the first right to participate and to acquire completed stand-alone hotels in Asia (excluding Australia and New Zealand) should Great Eagle Group wish to sell or have the opportunity to invest in these hotels.
- Various corporate governance measures are established seeking to address any potential conflicts of interest thereby safeguarding the interests of independent Unitholders. Details of which are set out in the latter section headed "Corporate Governance Measures to Address Potential Conflicts of Interest".

## GOVERNANCE COMPLIANCE & PRACTICE

### **Compliance with Corporate Governance Code**

Pursuant to the Trust Deed, each of the Trustee-Manager and the Company must co-operate with each other to ensure that each party complies with the Listing Rules and other relevant rules and regulations.

During the six-month period ended 30 June 2016, the Trust (via the Trustee-Manager) and the Company had complied with all applicable code provisions and, where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code. The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust nor the Trustee-Manager, and the Trustee-Manager does not have any employee.

## Governance and Compliance

### **Corporate Governance Measures to Address Potential Conflicts of Interest**

Given the unique nature of the Group's business structure and its close relationship with the Great Eagle Group as discussed above, various corporate governance measures have been established to seek to address any potential conflicts of interest and competition between the two groups so as to safeguard the interests of independent Unitholders:

- any conflicted Directors must abstain from voting and will not be counted in the quorum of the relevant Board meeting in the event of any conflict issues;
- pursuant to Article 90 of the articles of association of the Trustee-Manager, a Director of the Trustee-Manager must give priority to the interest of all the Unitholders as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Unitholders as a whole and that of the Trustee-Manager;
- potential connected transactions between the Great Eagle Group and the Group and the existing continuing connected transactions are reviewed and reported annually by the Independent Non-executive Directors and auditors of the Company; and
- where the Trustee-Manager Board and the Company Board are required to determine matters under the Great Eagle ROFR Deed, such matters will be referred to the Independent Non-executive Directors and/or to those Directors who do not have a material interest in the matter. Specific corporate governance measures have also been put in place in respect of the operation of the Great Eagle ROFR Deed: (i) as part of the Trustee-Manager's and the Company's respective internal control systems, each has maintained a register of all opportunities/transactions arising from the implementation of the Great Eagle ROFR Deed; (ii) as part of its internal plan, each of the Trustee-Manager and the Company through the internal audit function reviews the implementation of the Great Eagle ROFR Deed each year; (iii) the Audit Committee of the Company reviews the implementation of the Great Eagle ROFR Deed to ascertain that the terms of the Great Eagle ROFR Deed have been complied with. The review includes an examination of supporting documents and such other information deemed necessary by the Audit Committee; and (iv) the Independent Non-executive Directors review on an annual basis compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and disclose in the annual report of the Trust and the Company their findings on the compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and any decision made by the Group regarding any exercise of the right of first refusal and the basis of such decision subject to not breaching any of the Group's or Great Eagle's contractual or legal obligations.

The Audit Committees of the Trustee-Manager and the Company shall be responsible for overseeing the implementation of the above measures.

The Trustee-Manager with the Company (on the one hand) and Great Eagle (on the other hand) have boards of directors that function independently of each other. Notwithstanding that Dr. Lo Ka Shui, Ms. Lo Bo Lun, Katherine and Mr. Lo Chun Him, Alexander, Directors of the Trustee-Manager and the Company, are also directors of the Great Eagle Group, given adequate corporate governance measures are in place, the four remaining members of the Trustee-Manager Board and the Company Board would have sufficient expertise to manage the Trust Group in the event that Dr. Lo, Ms. Lo and Mr. Lo are required to abstain from voting on matters relating to the Great Eagle Group.

# Governance and Compliance

## BOARD AND BOARD COMMITTEES

Notwithstanding the fact that the Directors of the Trustee-Manager and the Directors of the Company must always be the same individuals pursuant to the Trust Deed as mentioned above, the two respective Boards have their own distinct responsibilities. The Trustee-Manager Board is responsible for taking all reasonable steps to ensure that the Trustee-Manager discharges its duties under the Trust Deed, while the Company Board is responsible for setting out the overall strategies and business objectives of the Group and providing oversight of their implementation by the management team.

The Trustee-Manager Board and Company Board currently comprise two Non-executive Directors, being Dr. Lo Ka Shui (*Chairman*) and Ms. Lo Bo Lun, Katherine (Mr. Lo Chun Him, Alexander as her alternate); one Executive Director being Mr. Ip Yuk Keung, Albert (*Chief Executive Officer*); and three Independent Non-executive Directors, namely Dr. Lin Syaru, Shirley, Mr. So Yiu Wah, Eric and Mr. Wong Kwai Lam respectively.

Biographies of the Directors of the Trustee-Manager and the Company are set out in this Interim Report on pages 15 to 17.

To provide effective oversight, the Trustee-Manager Board has established the Audit Committee and the Company Board has established the Audit Committee, Remuneration Committee and Nomination Committee. Each of the Board Committees has its own terms of reference and reports its decisions and recommendations to the Board of Directors.

### **Audit Committees of the Trustee-Manager and the Company**

The role of the Audit Committee of the Trustee-Manager is to review the reports and proposals from management and make recommendations to the Trustee-Manager Board in respect of the financial reporting and other statutory obligations, risk management and internal control systems, and audit process of the Trust and the Trustee-Manager with a view to assisting the Trustee-Manager Board in fulfilling its duties in relation to risk management and internal control systems, and financial management. The role of the Audit Committee of the Company is basically the same as that of the Audit Committee of the Trustee-Manager, but with a focus on the Company. Pursuant to the Trust Deed, the membership of the Audit Committee of the Trustee-Manager must be the same as that of the Audit Committee of the Company. Both Audit Committees comprise three Independent Non-executive Directors, namely, Mr. Wong Kwai Lam (Committee Chairman), Dr. Lin Syaru, Shirley and Mr. So Yiu Wah, Eric.

### **Remuneration Committee of the Company**

The Remuneration Committee of the Company sets up formal and transparent procedures for setting policy on Executive Director's remuneration and for fixing the remuneration packages of all Directors and senior management and to ensure remuneration levels are sufficient to attract and retain Directors to run the Company successfully without paying more than necessary. The Remuneration Committee currently has four members (three of whom are Independent Non-executive Directors), namely, Mr. So Yiu Wah, Eric (Committee Chairman), Dr. Lo Ka Shui, Dr. Lin Syaru, Shirley and Mr. Wong Kwai Lam.

# Governance and Compliance

## **Nomination Committee of the Company**

The Nomination Committee of the Company is responsible for formulating policy and making recommendations to the Company Board on nomination, appointment or re-appointment of Directors and board succession. The Nomination Committee recommends candidates for nomination to the Company Board which approves the final choice of candidates. The Nomination Committee currently has five members (three of whom are Independent Non-executive Directors), namely, Dr. Lin Syaru, Shirley (Committee Chairman), Dr. Lo Ka Shui, Ms. Lo Bo Lun, Katherine (Mr. Lo Chun Him, Alexander as her alternate), Mr. So Yiu Wah, Eric and Mr. Wong Kwai Lam.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Trustee-Manager Board and the Company Board have developed the risk management and internal control systems to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure there are appropriate and effective risk management and internal control systems within the Trustee-Manager and the Company:

- (a) a good control environment including well defined organizational structure, limit of authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by the Trustee-Manager and the Company;
- (c) appropriate control activities including clear and written company policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives;
- (d) effective information platforms to facilitate internal and external information flow; and
- (e) structured internal audit function to perform independent appraisal of major operations on an ongoing basis.

With adoption of a risk-based approach, the Internal Audit Department takes the lead to evaluate the risk management and internal control systems of the Trustee-Manager and the Company by reviewing all their major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The Head of Internal Audit Department reports directly to the Audit Committees and the Chairman of the Trustee-Manager and the Company periodically. Results of the audit reviews in the form of audit reports will be submitted to the members of the Audit Committees for discussion at the Audit Committee meetings. The internal audit reports will also be followed up by the Internal Audit Department to ensure that findings previously identified have been properly resolved.

## Governance and Compliance

### CONNECTED TRANSACTIONS AND/OR CONTINUING CONNECTED TRANSACTIONS SUBJECT TO DISCLOSURE REQUIREMENTS

As disclosed in the listing prospectus dated 16 May 2013, continuing connected transactions set out below are subject to disclosure requirements in the interim reports and are granted with waivers by the Stock Exchange from strict compliance with, inter alia, the announcement and approval of independent Holders of Share Stapled Units. Further details and conditions of the waivers were disclosed in the said prospectus.

(HK\$'000)	Aggregate Transaction Amount for the six-month period ended 30 June 2016
(1) Master Lease Agreements <sup>(a)</sup>	
– Base Rent	111,885
– Variable Rent <sup>(b)</sup>	207,383
(2) Hotel Management Agreements <sup>(a)(b)(c)</sup>	
– Base Fee	10,937
– Incentive Fee	13,505
(3) Centralized Services and Marketing Agreements <sup>(a)(b)</sup>	
– Reimbursement of Costs	2,305
– Global Marketing Fees	7,928
– Reservation Fees	1,793
(4) Trademark Licence Agreements <sup>(a)(b)(c)</sup>	7,291

Notes:

- (a) Obtained waiver from the requirements of making announcement and/or obtaining independent Holders of Share Stapled Units' approval
- (b) Obtained waiver from the requirement to set a monetary cap
- (c) Obtained waiver from compliance with Rule 13.36(1)(a) of the Listing Rules and the fees payable for the period from and including the Listing Date to 31 December 2017 will be settled in the form of Share Stapled Units

## Governance and Compliance

1. **Master Lease Agreements** – three separate lease agreements each dated 10 May 2013 entered into between each of the Hotel Companies as the Lessors and GE (LHIL) Lessee Limited as the Master Lessee. The Master Lessee, being an indirect wholly-owned subsidiary of Great Eagle, which is a controlling Holder of Share Stapled Units of the Trust and the Company, is a connected person of the Company under the Listing Rules.

Pursuant to the Master Lease Agreements, each of the Lessors has agreed to lease the hotel owned by it (excluding three retail outlets at Eaton, Hong Kong) to the Master Lessee for a term of 14 years from and including 30 May 2013 (date of listing) and shall, subject to the compliance with the relevant requirements of the Listing Rules by the Company, be renewable by mutual agreement of the parties. The Master Lessee assumes all responsibilities as “owner” under the Hotel Management Agreements and bears all operating expenses in respect of the Hotels (other than payment of the Hotel Management Fees, the License Fees, the Global Marketing Fees, etc), and delegates the management and operations obligations to the Hotel Manager of the respective Hotels on terms of the Hotel Management Agreements.

Under the Master Lease Agreements, the Master Lessee has agreed to pay the Lessors an aggregate fixed base rent of HK\$225 million per annum (pro rata for any period of less than one year) and a variable rent for the whole term. Until 31 December 2019, the variable rent shall be calculated on the basis of 70% of the Hotels’ aggregate gross operating profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies.

An annual cap in respect of the base rent payable by the Master Lessee to the Lessors under the Master Lease Agreements is HK\$225 million. The cap for the variable rent under the Master Lease Agreements is determined by reference to the formulae for determining the variable rent.

2. **Hotel Management Agreements** – three separate hotel management agreements each dated 10 May 2013 entered into among each Hotel Company, the Master Lessee, Langham Hotels International Limited as the Hotel Manager, the Trustee-Manager and the Company. As the Hotel Manager and the Master Lessee are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Company under the Listing Rules.

Pursuant to the Hotel Management Agreements, the Master Lessee has agreed to engage the Hotel Manager as the sole and exclusive manager of the Hotels to supervise, direct and control the businesses and day-to-day operations of the Hotels in accordance with agreed standards of the relevant Hotel and to formulate and manage the annual plan and budget for each Hotel for an initial term of 30 years from and including 30 May 2013 (the date of listing) and may, subject to compliance with the relevant Listing Rules at the relevant time, be renewed for a further term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Hotel Management Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. The service fee payable to the Hotel Manager under the Hotel Management Agreements shall be linked to the operating profit and revenue of the Hotels on the following basis:

- *Base Fee*: a fixed percentage of 1.5% of total revenue of the relevant Hotel.
- *Incentive Fee*: a fixed percentage of 5% of adjusted gross operating profit (being gross operating profit less the base fee (as mentioned above) and Licence Fees payable under the relevant Trademark Licence Agreement).

The cap for the fees payable under the Hotel Management Agreements is determined by reference to the formulae for determining the fees payable pursuant to the Hotel Management Agreements as described above.

## Governance and Compliance

3. **Centralized Services and Marketing Agreements** – three separate centralized services and marketing agreements each dated 10 May 2013 entered into among each Hotel Company, the Master Lessee, Langham Hotels Services Limited as the Service Provider, the Trustee-Manager and the Company. As the Master Lessee and the Service Provider are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stipled Units of the Trust and the Company, they are connected persons of the Company under the Listing Rules.

Pursuant to the Centralized Services and Marketing Agreements, the Service Provider has agreed to provide global marketing and advertising services, centralized reservations services and certain hotel specific services of each Hotel for an initial term of 30 years from and including 30 May 2013 (the date of listing) and may, subject to compliance with the relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Service Provider. Thereafter, the Centralized Services and Marketing Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. Each of the Centralized Services and Marketing Agreements shall be co-terminous with the Hotel Management Agreement for the same Hotel. The fee and other amounts payable to the Service Provider under each Centralized Services and Marketing Agreement shall be determined on the following basis:

- *Reimbursement of Costs*: at cost to be paid by the Master Lessee as an operating expense of the Hotels.
- *Global Marketing Fees*: a fixed percentage of 2% of the total room revenue of the relevant Hotel to be paid by each Hotel Company.
- *Reservation Fees*: a fixed US\$ amount and percentage of revenue for each materialized reservation, depending on means through which reservation is made, to be paid by the Master Lessee as an operating expense of the Hotels.

The annual caps for the Global Marketing Fees payable under the Centralized Services and Marketing Agreements are determined by reference to the formula for determining the Global Marketing Fees payable pursuant to the Centralized Services and Marketing Agreements as described above.

4. **Trademark Licence Agreements** – three separate trademark licence agreements each dated 10 May 2013 entered into among each Hotel Company, the Hotel Manager as the Licensor, the Master Lessee, the Trustee-Manager and the Company.

Pursuant to the Trademark Licence Agreements, the Licensor has agreed to grant non-exclusive and nontransferable licences to the relevant Hotel Company, the Trustee-Manager, the Company and the Master Lessee to use the Langham brands for branding and marketing activities relating to the Hotels and/or for describing the ownership of the Hotels for an initial term of 30 years from and including 30 May 2013 (date of listing) and may, subject to compliance with the relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Trademark Licence Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. Each of the Trademark Licence Agreements shall be co-terminous with the Hotel Management Agreement for the same Hotel. The Licence Fees payable to the Hotel Manager by each Hotel Company under the Trademark Licence Agreements shall be 1% of the total revenue of the relevant Hotel.

The cap for the Licence Fees payable under the Trademark Licence Agreements is determined by reference to the formula for determining the Licence Fees payable pursuant to the Trademark Licence Agreements as described above.

## Governance and Compliance

### ISSUED SHARE STAPLED UNITS

As at 30 June 2016, the total number of issued Share Stapled Units of the Trust and the Company was 2,057,152,289. As compared with the position of 31 December 2015, 14,246,352 new Share Stapled Units were issued during the reporting period as follows:

Date	Particulars	No. of Share Stapled Units
31 December 2015	Number of issued Share Stapled Units	2,042,905,937
4 March 2016	Issue of new Share Stapled Units at the price of HK\$2.51 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees to the Hotel Manager of approximately HK\$35,758,000 for the second half of 2015	14,246,352
<b>30 June 2016</b>	<b>Number of issued Share Stapled Units</b>	<b>2,057,152,289</b>

### COMPLIANCE WITH MODEL CODE

The Trustee-Manager and the Company have adopted the Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2016.

### REVIEW OF INTERIM RESULTS

The unaudited consolidated financial statements of the Trust Group and unaudited financial statements of the Trustee-Manager for the six months ended 30 June 2016 were prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and have also been reviewed by the Audit Committees of the Trustee-Manager and the Company. Such financial information has been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Trustee-Manager and the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information which is publicly available and within the knowledge of the Directors of the Trustee-Manager and the Company, the Trust and the Company maintain a sufficient public float with more than 25% of the issued Share Stapled Units being held by the public as at 30 June 2016.

# Governance and Compliance

## BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

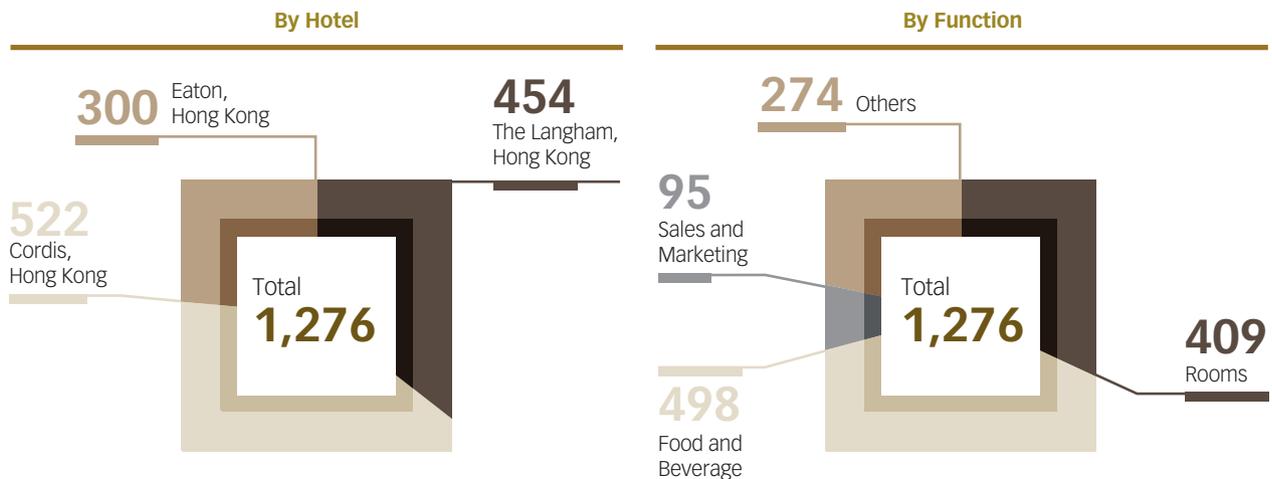
Pursuant to the Trust Deed, the Trustee-Manager shall not buy-back or redeem any Share Stapled Units on behalf of the Trust unless and until expressly permitted to do so by relevant codes and guidelines issued by the Securities and Futures Commission from time to time. Accordingly, the Trust and the Company are not allowed to buy-back or redeem their own Share Stapled Units.

During the six-month period ended 30 June 2016, none of the Trust, the Trustee-Manager, the Company nor the Company's subsidiaries had bought back, sold or redeemed any Share Stapled Units.

## HOTEL MANAGER AND EMPLOYEES

The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated in providing services to the Hotels. The Hotels control the payroll and related expense in accordance with the business level and also continuously review the process for higher efficiency. Comparing to 31 December 2015, there is a decrease of 78 headcount.

The following charts show the breakdown of the employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels as at 30 June 2016:



## Governance and Compliance

Salary levels of the Hotel Manager's employees are competitive, and discretionary bonuses are granted based on performance of the Hotels as well as achievement of departmental key performance indicators. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. The Hotel Manager and its subsidiaries are required to contribute an amount equivalent to 5% of the employees' basic salary (subject to the cap as stipulated under the applicable laws) to the Mandatory Provident Fund Scheme as mandatory contribution.

The Company has employed a team of four professional staff members to maintain an effective operation of the Trust Group. Great Eagle Group provides certain administrative and non-management services to the Trust Group, which include but not limited to, legal and corporate secretarial support, finance, accounting and taxation support, human resources support, information technology support, internal audit support and general office administrative support on a cost-sharing basis under the Administrative Support Services Agreement. The remuneration package of our employees includes salary, bonuses, allowances and various retirement benefit schemes for the benefit of the staff. All staff members are signed up with the Mandatory Provident Fund Scheme in accordance with the applicable laws and regulations.

### CORPORATE SOCIAL RESPONSIBILITY

The Hotel Manager has in place the corporate social responsibility programme CONNECT in the Hotels of the Trust Group with the four key sustainability values – Governance, Environment, Community and Colleagues. CONNECT forms the framework to address the most relevant corporate responsibility issues to the hotel business.

The commitment to protecting the environment is integrated into the operations of the Hotels. All three Hotels, The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong are certified to EarthCheck Gold level. Cordis, Hong Kong is accredited with an ISO 14001 certification. Eaton, Hong Kong has been named Highly Commended in the Green Hotelier Awards 2015 in Asia Pacific organized by International Tourism Partnership for their commitment and innovation in sustainable practices and community outreach programmes.

Moreover, each of the Hotels has been recognized as a Caring Company for over five years and has been working with local community partners through various employee community services, donations, visits, free or in-kind sponsorships, and ongoing partnership programmes. For the first six months in 2016, the Hotels' colleagues served a total of approximately 770 hours of community services and volunteering efforts.

Colleagues are the most important assets for a successful organization. The Hotel Manager and the Hotels are mindful of the health and safety obligations to colleagues, and various occupational health and safety trainings are delivered regularly to the colleagues. It is the Hotels' commitment to provide suitable career and training opportunities for their colleagues, and the average number of training hours per colleague in the Hotels was approximately 13.5 hours for the first half of 2016.

# DISCLOSURE OF INTERESTS

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE STAPLED UNITS, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors of the Trustee-Manager and the Company in the Share Stapled Units, underlying Share Stapled Units and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code, or which were recorded in the register required under Section 352 of the SFO are as follows:

### Long Positions in Share Stapled Units and Underlying Share Stapled Units

Name of Director	Capacity	Nature of Interests	Number of SSUs/ Underlying SSUs Held	Total	Percentage of Issued SSUs <sup>(2)</sup>
Lo Ka Shui	Beneficial Owner	Personal Interests	8,073,500		
	Interests of Controlled Corporations	Corporate Interests	1,270,539,789 <sup>(1)</sup>		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	44,000,000	1,322,613,289	64.29
Ip Yuk Keung, Albert	Beneficial Owner	Personal Interests	1,015,000	1,015,000	0.05

Notes:

- (1) These 1,270,539,789 Share Stapled Units comprise the following:
- (i) 1,269,539,789 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 1,204,978,289 Share Stapled Units, Fine Noble Limited as to 58,596,500 Share Stapled Units and Great Eagle Nichemusic Limited as to 5,965,000 Share Stapled Units, all of the said companies are wholly-owned subsidiaries of Great Eagle. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. His interests in Great Eagle are disclosed below on page 30; and
  - (ii) 1,000,000 Share Stapled Units were held by Katherine B L Limited which is a company wholly-owned by Dr. Lo Ka Shui. He is also a director of the said company.
- (2) This percentage has been compiled based on 2,057,152,289 Share Stapled Units of the Trust and the Company in issue as at 30 June 2016.

## Disclosure of Interests

### Long Positions in Shares and Underlying Shares of Associated Corporations

#### Great Eagle

As at 30 June 2016, Great Eagle owned 61.71% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The interests of Directors of the Trustee-Manager and the Company in Great Eagle as at 30 June 2016 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Total	Percentage of Issued Share Capital <sup>(2)</sup>
Lo Ka Shui	Beneficial Owner	Personal Interests	40,954,435	400,012,117	59.13
	Interests of Controlled Corporations	Corporate Interests	71,713,568 <sup>(1)</sup>		
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	226,815,595		
	Founder of a Discretionary Trust	Trust Interests	59,218,519		
	Beneficial Owner	Share Options	1,310,000		
Lo Bo Lun, Katherine	Beneficial Owner	Share Options	90,000	90,000	0.01
Lo Chun Him, Alexander*	Beneficial Owner	Share Options	175,000	175,000	0.03
Ip Yuk Keung, Albert	Beneficial Owner	Share Options	30,000	30,000	0.00
So Yiu Wah, Eric	Beneficial Owner	Personal Interests	446	446	0.00

\* As Alternate Director to Ms. Lo Bo Lun, Katherine

Notes:

(1) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.

(2) This percentage has been compiled based on 676,444,835 shares of Great Eagle in issue as at 30 June 2016.

## Disclosure of Interests

### **Champion Real Estate Investment Trust (“Champion REIT”)**

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at 30 June 2016, Great Eagle owned 62.81% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the interests of Directors of the Trustee-Manager and the Company in Champion REIT as at 30 June 2016 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Units/ Underlying Units Held	Percentage of Issued Units <sup>(2)</sup>	
				Total	
Lo Ka Shui	Interests of Controlled Corporations	Corporate Interests	3,635,148,645 <sup>(1)</sup>		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	17,000,000	3,652,148,645	63.12
So Yiu Wah, Eric	Beneficial Owner	Personal Interests	400,873		
	Interests of Spouse	Family Interests	60,000	460,873	0.01

Notes:

(1) These 3,635,148,645 units comprise the following:

- (i) 3,634,319,645 units indirectly held by Great Eagle of which Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director. His interests in Great Eagle are disclosed above on page 30; and
- (ii) 829,000 units held by two companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.

(2) This percentage has been compiled based on 5,785,868,874 units of Champion REIT in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors of the Trustee-Manager and the Company were taken to be interested or deemed to have any other interests or short positions in Share Stapled Units, underlying Share Stapled Units or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code, or which were recorded in the register required under Section 352 of the SFO.

## Disclosure of Interests

### INTERESTS OF SUBSTANTIAL HOLDERS' OF SHARE STAPLED UNITS

As at 30 June 2016, the interests and short positions of persons (other than a Director or the chief executive of the Trustee-Manager and the Company) in the Share Stapled Units or underlying Share Staple Units of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued Share Stapled Units of the Trust and the Company are as follows:

Name	Capacity	Nature of Interests	Number of SSUs/ Underlying SSUs Held	Total	Percentage of Issued SSUs <sup>(4)</sup>
Great Eagle Holdings Limited	Interests of Controlled Corporations	Corporate Interests	1,269,539,789 <sup>(1)</sup>	1,269,539,789	61.71
LHIL Assets Holdings Limited	Beneficiary	Corporate Interests	1,204,978,289	1,204,978,289	58.58
HSBC International Trustee Limited	Trustee	Trust Interests	1,255,498,289 <sup>(2)</sup>	1,255,498,289	61.03
China Life Insurance (Group) Company	Interests of Controlled Corporations	Corporate Interests	102,604,500 <sup>(3)</sup>	102,604,500	4.99

Notes:

- (1) These 1,269,539,789 Share Stapled Units were indirectly held by Great Eagle through its wholly-owned subsidiaries in the following manner:
  - (i) the same parcel of Share Stapled Units held by LHIL Assets Holdings Limited as disclosed in the above table;
  - (ii) 58,596,500 Share Stapled Units held by Fine Noble Limited; and
  - (iii) 5,965,000 Share Stapled Units held by Great Eagle Nichemusic Limited.
- (2) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 4 March 2016) received from HSBC International Trustee Limited ("HITL"). HITL in its capacity as a trustee of a discretionary trust held 33.53% interests in Great Eagle as at 30 June 2016.
- (3) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 22 December 2015) submitted by China Life Insurance (Group) Company ("China Life"). These 102,604,500 interests were indirectly held by China Life through its wholly-owned subsidiary, China Life Insurance (Overseas) Co. Ltd.
- (4) This percentage has been compiled based on 2,057,152,289 Share Stapled Units of the Trust and the Company in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 29) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part X of the SFO, or which were recorded in the register required under Section 336 of the SFO.

# FINANCIAL INFORMATION

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# REPORT ON REVIEW OF THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## **TO THE HOLDERS OF SHARE STAPLED UNITS OF LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED**

*(Langham Hospitality Investments is a trust constituted under the laws of Hong Kong;  
Langham Hospitality Investments Limited is incorporated in Cayman Islands with limited liability)*

### **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 59 (hereinafter collectively referred to as "the Trust and the Company's condensed consolidated financial statements"). As explained in note 1 to the Trust and the Company's condensed consolidated financial statements, the condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together. The Trust and the Company's condensed consolidated financial statements together comprise the condensed consolidated statement of financial position of the Trust Group and of the Group as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Trust Group and of the Group for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Trustee-Manager of the Trust and directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### **Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong  
15 August 2016

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2016

	<i>Notes</i>	Six Months Ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	322,329	323,201
Property related expenses		(12,285)	(17,167)
Service fees		(39,661)	(40,139)
		270,383	265,895
Other income		928	7,524
Increase (decrease) in fair value of investment properties	13	100,569	(85,043)
Trust and other expenses		(7,405)	(6,219)
Finance costs	6	(63,770)	(65,746)
Profit before tax		300,705	116,411
Income tax expense	7	(36,789)	(35,751)
<b>Profit and total comprehensive income for the period attributable to holders of Share Stapled Units</b>	10	263,916	80,660
<b>Basic earnings per Share Stapled Unit</b>	11	HK\$0.1282	HK\$0.0397

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND OF THE COMPANY

At 30 June 2016

	<i>Notes</i>	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	16	19
Investment properties	13	18,495,000	18,381,000
		<b>18,495,016</b>	18,381,019
<b>Current assets</b>			
Debtors, deposits and prepayments	14	65,472	116,153
Tax recoverable		–	1,666
Restricted cash		–	60,064
Bank balances		250,439	244,133
		<b>315,911</b>	422,016
<b>Current liabilities</b>			
Creditors, deposits and accruals	15	68,342	86,355
Secured bank loans due within one year	16	–	6,786,016
Tax payable		6,887	91
		<b>75,229</b>	6,872,462
<b>Net current assets (liabilities)</b>		<b>240,682</b>	(6,450,446)
<b>Total assets less current liabilities</b>		<b>18,735,698</b>	11,930,573
<b>Non-current liabilities</b>			
Secured bank loans due after one year	16	6,729,597	–
Deferred tax liabilities		276,903	248,576
		<b>7,006,500</b>	248,576
<b>NET ASSETS</b>		<b>11,729,198</b>	11,681,997
<b>Capital and reserves</b>			
Issued capital	17	2,057	2,043
Reserves		11,727,141	11,679,954
<b>TOTAL EQUITY</b>		<b>11,729,198</b>	11,681,997

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2016

	Share capital	Share premium	Other reserve	Share- based payment reserve	Property revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	2,022	9,334,289	(11,562,543)	–	12,598,157	310,581	10,682,506
Profit for the period	–	–	–	–	–	80,660	80,660
Distribution paid	–	(286,199)	–	–	–	–	(286,199)
Issue of Share Stapled Units (see note 17)	11	38,622	–	–	–	–	38,633
<b>At 30 June 2015 (unaudited)</b>	<b>2,033</b>	<b>9,086,712</b>	<b>(11,562,543)</b>	<b>–</b>	<b>12,598,157</b>	<b>391,241</b>	<b>10,515,600</b>
At 1 January 2016	2,043	8,891,437	(11,562,543)	131	12,598,157	1,752,772	11,681,997
Profit for the period	–	–	–	–	–	<b>263,916</b>	<b>263,916</b>
Distribution paid	–	<b>(252,473)</b>	–	–	–	–	<b>(252,473)</b>
Issue of Share Stapled Units (see note 17)	<b>14</b>	<b>35,744</b>	–	–	–	–	<b>35,758</b>
<b>At 30 June 2016 (unaudited)</b>	<b>2,057</b>	<b>8,674,708</b>	<b>(11,562,543)</b>	<b>131</b>	<b>12,598,157</b>	<b>2,016,688</b>	<b>11,729,198</b>

Notes:

- (a) Under the Cayman Islands Companies Law, the share premium of the Company is available for distribution.
- (b) Pursuant to a group reorganisation in May 2013, certain businesses were transferred to the Groups (as defined in note 2). The other reserve represents the difference between the considerations of the transfers and the share capital of the businesses as of the date of the transfer.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2016

	Six Months Ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Cash generated from operations</b>	<b>345,303</b>	259,741
Interest paid	<b>(48,136)</b>	(48,455)
Hong Kong Profits Tax paid	–	(22)
<b>Net cash from operating activities</b>	<b>297,167</b>	211,264
<b>Investing activities</b>		
Withdrawal of restricted cash	<b>60,064</b>	–
Interest received	<b>1,545</b>	7,600
Additions of investment properties	<b>(27,997)</b>	(102,546)
<b>Net cash from (used in) investing activities</b>	<b>33,612</b>	(94,946)
<b>Financing activities</b>		
Distribution paid	<b>(252,473)</b>	(286,199)
Payment of loan front-end fee	<b>(72,000)</b>	–
<b>Cash used in financing activities</b>	<b>(324,473)</b>	(286,199)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,306</b>	(169,881)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>244,133</b>	589,248
<b>Effect of foreign exchange rate changes</b>	–	(993)
<b>Cash and cash equivalents at the end of the period, represented by bank balances</b>	<b>250,439</b>	418,374

# NOTES TO THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 1. GENERAL

Langham Hospitality Investments (the "Trust") is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the "Trust Deed"), entered into between LHIL Manager Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the Trust) and Langham Hospitality Investments Limited (the "Company"). The Company is a company incorporated in Cayman Islands with limited liability. The share stapled units ("Share Stapled Units") structure comprises: (a) a unit in the Trust; (b) a beneficial interest in a specifically identified ordinary share in the Company is linked to the unit and held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust; and (c) a specifically identified preference share in the Company which is "stapled" to the unit. The Share Stapled Units are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 May 2013 (the "Listing Date") (the "Listing").

The Company acts as an investment holding company. The principal activity of the Trust Group (as defined in note 2 below) is property investment.

The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

## 2. BASIS OF PRESENTATION AND PREPARATION

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2016 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2016 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The Trust controls the Company and the sole activity of the Trust during the six months ended 30 June 2016 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust are identical to the condensed consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust and the Company together. The condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's condensed consolidated financial statements".

The Trust Group and the Group are referred as the "Groups".

The Trust and the Company's condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

# Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Trust and the Company's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Groups have applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 4. REVENUE

	Six Months Ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental income from GE (LHIL) Lessee Limited ("Master Lessee") (see note 21(a))		
Base rent	<b>111,885</b>	111,576
Variable rent	<b>207,383</b>	208,919
	<b>319,268</b>	320,495
Rental income from retail shops in Eaton, Hong Kong	<b>3,061</b>	2,706
	<b>322,329</b>	323,201

# Notes to the Trust and the Company's Condensed Consolidated Financial Statements

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## 5. SEGMENT INFORMATION

The Groups' operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Trustee-Manager and the Directors of the Company, for the purpose of resource allocation and performance assessment are more specifically focused on the operating results from leasing of the three hotels, namely The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong (the "Hotels").

### Segment revenue and results

The following is an analysis of the Groups' revenue and results by the three investment properties for the period under review.

#### Six months ended 30 June 2016

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton, Hong Kong HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	120,216	136,173	65,940	322,329
Segment results*	100,649	113,711	56,023	270,383
Other income				928
Increase in fair value of investment properties				100,569
Trust and other expenses				(7,405)
Finance costs				(63,770)
Profit before tax				300,705
Income tax expense				(36,789)
Profit for the period attributable to holders of Share Stapled Units				263,916

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5. SEGMENT INFORMATION (CONTINUED)

**Segment revenue and results (continued)**

Six months ended 30 June 2015

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton, Hong Kong HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	117,053	138,668	67,480	323,201
Segment results*	97,387	111,689	56,819	265,895
Other income				7,524
Decrease in fair value of investment properties				(85,043)
Trust and other expenses				(6,219)
Finance costs				(65,746)
Profit before tax				116,411
Income tax expense				(35,751)
Profit for the period attributable to holders of Share Stapled Units				80,660

\* The above segment results of each of the investment properties are arrived at after deducting the property related expenses and service fees from the revenue respectively.

**Segment assets and liabilities**

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong were HK\$6,970,000,000, HK\$7,725,000,000 and HK\$3,800,000,000 (31 December 2015: HK\$6,845,000,000, HK\$7,770,000,000 and HK\$3,766,000,000), respectively.

No analysis of segment liabilities is presented as they are not regularly provided to the CODM.

6. FINANCE COSTS

	Six Months Ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	48,101	48,456
Loan front-end fee amortisation	15,581	17,000
Other borrowing costs	88	290
	<b>63,770</b>	65,746

# Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

## 7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax:		
Current period	8,462	9,102
Overprovision in prior year	–	(14)
	<b>8,462</b>	9,088
Deferred tax:		
Current period	28,327	26,663
	<b>36,789</b>	35,751

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

## 8. TOTAL DISTRIBUTABLE INCOME

Total distributable income is the profit for the period attributable to holders of Share Stapled Units as adjusted to eliminate the effects of adjustments (as set out in the Trust Deed) which have been recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the relevant period. The adjustments to arrive at the total distributable income for the current interim period are set out below:

	Six Months Ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the period attributable to holders of Share Stapled Units	263,916	80,660
Adjustments:		
Add:		
Depreciation	3	3
Deferred tax	28,327	26,663
Non-cash finance costs	15,581	17,000
Hotel management fees and licence fee payable in form of Share Stapled Units (see notes 18 and 21(b))	31,733	32,055
Decrease in fair value of investment properties	–	85,043
Net exchange loss	–	993
Less:		
Increase in fair value of investment properties	(100,569)	–
Net realised exchange loss	–	(4,909)
Reserve for furniture, fixtures and equipment	(10,937)	(11,075)
Total distributable income	<b>228,054</b>	226,433

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9. DISTRIBUTION STATEMENT

	Note	Six Months Ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Interim distribution period (note a)</b>			
Total distributable income in respect of the six months ended 30 June 2016 (Six months ended 30 June 2015: in respect of the six months ended 30 June 2015)	8	228,054	226,433
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for interim distribution period		228,054	226,433
Interim distribution (note c)		228,054	226,433
<b>Final distribution period (note a)</b>			
Total distributable income in respect of the financial year ended 31 December 2015 (Six months ended 30 June 2015: in respect of the financial year ended 31 December 2014)		477,534	558,825
Less: distributable income paid for interim distribution period (note e)		(227,320)	(273,369)
Distributable income available for final distribution period		250,214	285,456
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for final distribution period		250,214	285,456
Final distribution (note c)		250,214	285,456
<b>Distribution per Share Stapled Unit</b>			
Interim distribution per Share Stapled Unit to be paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.111	HK\$0.111
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.117	HK\$0.117
Final distribution per Share Stapled Unit paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.122	HK\$0.141
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.129	HK\$0.152

# Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

## 9. DISTRIBUTION STATEMENT (CONTINUED)

Notes:

(a) The interim distribution in 2016 was based on total distributable income for the six months ended 30 June 2016.

The final distribution in 2015 is based on total distributable income for the year ended 31 December 2015.

The interim distribution in 2015 was based on total distributable income for the six months ended 30 June 2015.

(b) The Trust Deed and the articles of association of the Company state that it is the intention of the Directors to declare and distribute (i) 100% of the total distributable income in respect of the financial year ended 31 December 2014 and financial year ended 31 December 2015, and (ii) not less than 90% of the total distributable income in respect of each financial year thereafter.

(c) The interim distribution after 30 June 2016 has not been recognised as a liability as at 30 June 2016.

The final distribution after 31 December 2015 has not been recognised as a liability as at 31 December 2015.

The interim distribution after 30 June 2015 has not been recognised as a liability as at 30 June 2015.

(d) The interim distribution per Share Stapled Unit of HK\$0.111 (Six months ended 30 June 2015: HK\$0.111) for the interim distribution period in 2016 is calculated based on the interim distribution to be paid of HK\$228,054,000 (Six months ended 30 June 2015: HK\$226,433,000) for the period and 2,057,152,289 (Six months ended 30 June 2015: 2,032,888,934) Share Stapled Units as at 30 June 2016.

The final distribution per Share Stapled Unit of HK\$0.122 (Six months ended 30 June 2015: HK\$0.141) for the final distribution period in 2015 is calculated based on the final distribution to be paid of HK\$250,214,000 (Six months ended 30 June 2015: HK\$285,456,000) for the period and 2,042,905,937 (Six months ended 30 June 2015: 2,022,390,859) Share Stapled Units as at 31 December 2015.

# Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

## 9. DISTRIBUTION STATEMENT (CONTINUED)

Notes: (continued)

- (e) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, immediate holding company of the Company after the Listing, has waived its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out below (the "Distribution Waiver"):

	Number of Share Stapled Units '000
Listing Date to 31 December 2013	150,000
Year ended 31 December 2014	150,000
Year ended 31 December 2015	100,000
Year ending 31 December 2016	100,000
Year ending 31 December 2017	50,000

The interim distribution per Share Stapled Unit of HK\$0.117 (Six months ended 30 June 2015: HK\$0.117) for the interim distribution period in 2016 is calculated based on 1,957,152,289 (Six months ended 30 June 2015: 1,932,888,934) Share Stapled Units after taking into account of the 100,000,000 (Six months ended 30 June 2015: 100,000,000) units waived by LHIL Assets Holdings Limited. The interim distribution of HK\$228,054,000 will be paid to holders of Share Stapled Units on or before 5 October 2016.

After the issue of 10,017,003 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 30 June 2015 on 21 August 2015, the number of Share Stapled Units entitled for the interim distribution in 2015 should be 1,942,905,937. The interim distribution of HK\$227,320,000 was paid to holders of Share Stapled Units on 2 October 2015.

The final distribution per Share Stapled Unit of HK\$0.129 (Six months ended 30 June 2015: HK\$0.152) for the final distribution period in 2015 is calculated based on 1,942,905,937 (Six months ended 30 June 2015: 1,872,390,859) Share Stapled Units after taking into account of the 100,000,000 (Six months ended 30 June 2015: 150,000,000) units waived by LHIL Assets Holdings Limited.

After the issue of 14,246,352 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 31 December 2015 on 4 March 2016, the number of Share Stapled Units entitled for the final distribution in 2015 should be 1,957,152,289. The final distribution for the final distribution period in 2015 of HK\$252,473,000 was paid to holders of Share Stapled Units on 16 May 2016.

After the issue of 10,498,075 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 31 December 2014 on 3 March 2015, the number of Share Stapled Units entitled for the final distribution in 2014 should be 1,882,888,934. The final distribution for the final distribution period in 2014 of HK\$286,199,000 was paid to holders of Share Stapled Units on 14 May 2015.

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**10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO HOLDERS OF SHARE STAPLED UNITS**

	Six Months Ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)	2,224	2,133
Depreciation	3	3
Interest income	(917)	(7,409)
Net unrealised exchange gain (included in trust and other expenses)	-	(3,916)
Net realised exchange loss (included in trust and other expenses)	-	4,909

**11. BASIC EARNINGS PER SHARE STAPLED UNIT**

The calculation of basic earnings per Share Stapled Unit attributable to holders of Share Stapled Units is based on the following data:

	Six Months Ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Earnings</b>		
Profit for the period for the purpose of basic earnings per Share Stapled Unit	263,916	80,660

	Six Months Ended 30 June	
	2016 '000 (unaudited)	2015 '000 (unaudited)
<b>Number of Share Stapled Units</b>		
Weighted average number of Share Stapled Units for the purpose of basic earnings per Share Stapled Unit	2,058,033	2,034,164

No diluted earnings per Share Stapled Unit has been presented as there were no potential Share Stapled Units in issue in both periods.

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**12. PROPERTY, PLANT AND EQUIPMENT**

The Groups did not have additions of property, plant and equipment during the period/year.

**13. INVESTMENT PROPERTIES**

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	<b>18,381,000</b>	17,000,000
Additions	<b>13,431</b>	281,968
Increase in fair value recognised in profit or loss	<b>100,569</b>	1,099,032
At the end of the period/year	<b>18,495,000</b>	18,381,000

The fair values of the Groups' investment properties of HK\$18,495,000,000 as at 30 June 2016 (31 December 2015: HK\$18,381,000,000) have been arrived at on a basis of valuation carried out by Vigers Appraisal and Consulting Limited, an independent professional property valuer not connected with the Groups.

The independent property valuer adopted income approach by using discounted cash flow analysis and market approach by using comparison method of valuation to arrive the valuation of investment properties. The discounted cash flow analysis for the hotel properties are established based on analysis of historical data and on assumptions about future market conditions affecting supply, demand, income, expenses and the potential for risk. These assumptions determine the earning capability of the hotel properties upon which the pattern of income and expenditures are projected to establish a fair maintainable profit on a yearly basis by a reasonably efficient operator over a 10-year investment horizon; and the anticipated net operating income stream receivable thereafter is capitalised at appropriate terminal capitalisation rates and adjusted to present value to reflect the capital values beyond the years. The comparison method of valuation whereby comparisons on a per unit room basis on actual sales transactions and offering of comparable properties during the period/year have been made.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

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14. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Trade debtors	59,904	109,332
Interest receivable	74	702
Deposits and prepayments	5,494	6,119
	<b>65,472</b>	116,153

Rentals receivable from Master Lessee are payable on presentation of invoices.

Aging analysis of debtors based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0 – 3 months	59,904	109,332

Deposits and prepayments mainly consist of deposits paid to contractors for hotels renovation.

Included in trade debtors is an amount due from a fellow subsidiary of HK\$59,904,000 (31 December 2015: HK\$109,136,000) which is unsecured, interest-free and payable on presentation of invoices. At 31 December 2015, included in deposits and prepayments is an amount due from a fellow subsidiary of HK\$1,351,000 which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

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15. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Trade creditors	34,146	37,432
Deposits received	1,394	1,394
Other creditors	6,844	13,755
Accruals and other payables	25,958	33,774
	<b>68,342</b>	86,355

Aging analysis of creditors based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
0 – 3 months	17,434	23,607
3 – 6 months	16,712	13,825
	<b>34,146</b>	37,432

Other creditors, accruals and other payables mainly consist of accrued renovation expenses for the Hotels.

Trade creditors is amounts due to fellow subsidiaries of HK\$34,146,000 (31 December 2015: HK\$37,432,000) which is unsecured, interest-free and payable on presentation of invoices. Included in other creditors is amounts due to fellow subsidiaries of HK\$361,000 (31 December 2015: HK\$188,000) which is unsecured, interest-free and payable on presentation of invoices.

At 31 December 2015, included in accruals and other payables is an amount due to a fellow subsidiary of HK\$1,759,000 which is unsecured, interest-free and payable on presentation of invoices.

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16. SECURED BANK LOANS

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Secured term loans	6,800,000	6,800,000
Loan front-end fee	(70,403)	(13,984)
	<b>6,729,597</b>	6,786,016
Less: Amount due within one year shown under current liabilities	–	(6,786,016)
Amount due after one year	<b>6,729,597</b>	–

The exposure of the Groups' floating-rate borrowings and the contractual maturity dates are as follows:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Within one year	–	6,800,000
More than three years but not exceeding four years	6,800,000	–
	<b>6,800,000</b>	6,800,000

The secured bank loans of HK\$6,800,000,000 (31 December 2015: HK\$6,800,000,000) are variable-rate borrowings, bearing interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.98% (31 December 2015: HIBOR plus 1.2%) per annum and are repayable in one lump sum on maturity date which will be fall due in 2020 (31 December 2015: fully repaid on 30 May 2016). Bank loans are secured by the Groups' investment properties (31 December 2015: the Group's investment properties and certificate of deposit).

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17. ISSUED CAPITAL

	Number of shares  (unaudited)	Nominal value HK\$  (unaudited)
Authorised:		
<b>Ordinary shares of HK\$0.0005 each</b> At 1 January 2015, 31 December 2015 and 30 June 2016	<b>5,000,000,000</b>	<b>2,500,000</b>
<b>Preference shares of HK\$0.0005 each</b> At 1 January 2015, 31 December 2015 and 30 June 2016	<b>5,000,000,000</b>	<b>2,500,000</b>
Issued and fully paid:		
<b>Ordinary shares of HK\$0.0005 each (note a)</b> At 1 January 2015	2,022,390,859	1,011,196
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	10,498,075	5,249
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	10,017,003	5,009
At 31 December 2015	2,042,905,937	1,021,454
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	<b>14,246,352</b>	<b>7,123</b>
At 30 June 2016	<b>2,057,152,289</b>	<b>1,028,577</b>
<b>Preference shares of HK\$0.0005 each</b> At 1 January 2015	2,022,390,859	1,011,196
Issue of preference shares as payment of hotel management fees and licence fee (note b)	10,498,075	5,249
Issue of preference shares as payment of hotel management fees and licence fee (note b)	10,017,003	5,009
At 31 December 2015	2,042,905,937	1,021,454
Issue of preference shares as payment of hotel management fees and licence fee (note b)	<b>14,246,352</b>	<b>7,123</b>
At 30 June 2016	<b>2,057,152,289</b>	<b>1,028,577</b>

# Notes to the Trust and the Company's Condensed Consolidated Financial Statements

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## 17. ISSUED CAPITAL (CONTINUED)

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Issued capital shown in condensed consolidated financial statements	<b>2,057</b>	2,043

Notes:

- (a) All of the issued ordinary shares of the Company would be held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust.
- (b) Details of Share Stapled Units issued during the period/year as payment of hotel management fees and licence fee are as follows (see notes 18 and 21(b)):

Issue date	Relevant period	Issue price	Aggregate issue price	Number of shares
		HK\$	HK\$'000	
3 March 2015	1 July 2014 to 31 December 2014	3.68	38,633	10,498,075
21 August 2015	1 January 2015 to 30 June 2015	3.20	32,055	10,017,003
4 March 2016	1 July 2015 to 31 December 2015	2.51	35,758	14,246,352

## 18. MAJOR NON-CASH TRANSACTION

The Groups incurred hotel management fees and licence fee payable to Langham Hotels International Limited for the six months ended 30 June 2016 of HK\$31,733,000 (Six months ended 30 June 2015: HK\$32,055,000) (see note 21(b)), which will be settled by Share Stapled Units subsequent to the end of the reporting period.

On 30 May 2016, the Group had a refinancing in full of secured bank loans of HK\$6,800,000,000 by HK\$7,200,000,000 term and revolving loan facilities.

## 19. COMMITMENTS

At 30 June 2016, the Groups had authorised capital expenditures for investment properties which were not provided for in these condensed consolidated financial statements amounting to HK\$143,431,000 (31 December 2015: HK\$126,407,000) of which HK\$30,998,000 (31 December 2015: HK\$16,182,000) were contracted for.

Other than that, the Groups did not have any significant commitments at the end of the reporting period.

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**20. OPERATING LEASE COMMITMENTS**

**The Groups as lessor**

At the end of the reporting period, the Groups had contracted with Master Lessee and other tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
<b>With Master Lessee</b>		
Within one year	<b>225,000</b>	225,000
In the second to fifth year	<b>562,500</b>	675,000
	<b>787,500</b>	900,000
<b>With other tenants</b>		
Within one year	<b>2,944</b>	4,780
In the second to fifth year	-	797
	<b>2,944</b>	5,577

Leases in respect of the retail shops in Eaton, Hong Kong are negotiated for a term of less than one year to three years at fixed monthly rentals. Leases in respect of the Hotels are negotiated for a term of seven years at fixed annual base rent and variable rent based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees in accordance with the master lease agreements (see note 21(a)). The above future minimum lease payments only include base rent as the variable rent cannot be determined as of the date of approval of the condensed consolidated financial statements.

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## 20. OPERATING LEASE COMMITMENTS (CONTINUED)

### The Groups as lessee

At the end of each reporting period, the Groups had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
<b>With Moon Yik Company, Limited</b>		
Within one year	361	682
In the second to fifth year	–	20
	<b>361</b>	702
<b>With other landlords</b>		
Within one year	–	230

Leases are negotiated for a term of one to three years and rentals are fixed over the respective leases.

## 21. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed in notes 9, 14, 15, 18 and 20, the Groups had the following significant connected and related party transactions during the period. All of the following related parties are subsidiaries of Great Eagle Holdings Limited and Dr. Lo Ka Shui, Director of the Company, is a substantial shareholder, the chairman and managing director of Great Eagle Holdings Limited. The transactions were carried out in the normal course of the Groups' business on terms mutually agreed between the parties. The following significant transactions are also connected transactions as defined in the chapter 14A of the Listing Rules upon the Listing. Details of the connected transactions have been disclosed in the prospectus for the global offering of Share Stapled Units dated 16 May 2013.

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21. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Notes	Six Months Ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Rental income			
Master Lessee	(a)	<b>319,268</b>	320,495
Hotel management fees and licence fee			
Langham Hotels International Limited	(b)	<b>31,733</b>	32,055
Global marketing fees			
Langham Hotels Services Limited	(c)	<b>7,928</b>	8,084
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d)	<b>1,350</b>	1,235
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(e)	–	2,634
Clever Gain Investment Limited	(f)	<b>15</b>	–
Master Lessee	(g)	<b>26</b>	–
Moon Yik Company, Limited	(h)	<b>341</b>	341
Lease agency fee			
The Great Eagle Estate Agents Limited	(i)	<b>109</b>	204
Administrative support service fee			
The Great Eagle Company, Limited	(j)	<b>480</b>	480
Procurement services fee			
Champion Global Services Limited	(k)	<b>415</b>	569
Project management services fee			
The Great Eagle Development and Project Management Limited	(l)	–	910
Design and construction contracting services fee			
Keysen Engineering Company, Limited	(m)	<b>325</b>	86
Toptech Company Limited	(m)	–	1,084
Staff laundry services fee			
Master Lessee	(n)	<b>1</b>	–

Notes to the Trust and the Company's  
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For the six months ended 30 June 2016

**21. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)**

Notes:

- (a) Rental income is charged to Master Lessee in accordance with the master lease agreement. Annual base rent of HK\$225 million was proportionately charged over the period for the six months ended 30 June 2016. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees of HK\$296,261,000 (Six months ended 30 June 2015: HK\$298,455,000) earned by Master Lessee.

A reconciliation between the Hotels' aggregate gross operating profit and the Groups' segment profit, which is calculated as revenue less operating expenses before depreciation, and calculation of variable rent are shown as follows:

	Six Months Ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotels' aggregate gross operating profit before deduction of global marketing fees	296,261	298,455
70% thereon, variable rent	207,383	208,919
Base rent	111,885	111,576
Add:		
Rental income from retail shops in Eaton, Hong Kong	3,061	2,706
Groups' segment revenue	322,329	323,201
Less:		
Hotel management fees (i.e. base fee and incentive fee)	(24,442)	(24,671)
Licence fee	(7,291)	(7,384)
Global marketing fees	(7,928)	(8,084)
Property taxes, rates and insurance	(11,775)	(16,320)
Other deductions	(510)	(847)
Groups' segment profit	270,383	265,895

- (b) Langham Hotels International Limited is entitled, in accordance with hotel management agreement, to (i) a base fee of 1.5% of the total revenue of the relevant hotel; (ii) licence fee of 1% of the total revenue of the relevant hotel (payable under the trademark licence agreements); and (iii) an incentive fee of 5% of the adjusted gross operating profit (i.e. Hotels' gross operating profit less the base fee and the licence fee) of the relevant hotel. The hotel management fees and licence fee would be settled by Share Stapled Units (see notes 17 and 18).

Notes to the Trust and the Company's  
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For the six months ended 30 June 2016

**21. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)**

Notes: (continued)

(b) (continued)

	Six Months Ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(A) Total revenue of relevant hotel	729,134	738,352
(B) Adjusted Hotel's aggregate gross operating profit	270,105	271,912
(i) Base fee (A x 1.5%)	10,937	11,075
(ii) Licence fee (A x 1%)	7,291	7,384
(iii) Incentive fee (B x 5%)	13,505	13,596
Total fees	31,733	32,055

- (c) Global marketing fees were payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$396,401,000 (Six months ended 30 June 2015: HK\$404,222,000)) under centralised services fees and marketing agreements.
- (d) The annual management services fee payable is determined based on the annual budget prepared by The Great Eagle Properties Management Company, Limited, taking into account the actual cost incurred, plus remuneration to The Great Eagle Properties Management Company, Limited, and the management shares allocated to Cordis, Hong Kong in respect of the lot of land on which it is situated.
- (e) Rental and building management fee expenses were payable to Renaissance City Development Company, Limited for leasing an office premises at Langham Place Office Tower, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong.
- (f) The rental was charged by Clever Gain Investment Limited for venue of annual general meeting at Yat Tung Heen.
- (g) The rental was charged by Master Lessee for venue of loan signing ceremony at The Langham, Hong Kong.
- (h) Rental expenses were payable to Moon Yik Company, Limited for leasing an office premises at Suite 2702, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (i) Lease agency fee is charged at the rate of 4% of the monthly rental income receivable from Eaton, Hong Kong's retail shops plus an amount equivalent to half of a month's rental income arising from the leasing of the relevant retail shops for renewed leases.
- (j) The fee was charged on cost sharing basis and allocated to the Groups according to time spent by relevant personnel of The Great Eagle Company, Limited on the businesses of the Groups and the related share of administrative costs.
- (k) Procurement services fee at a rate of 5% of (a) the respective budgeted sums of furniture, fixtures and equipment categories for hotel renovation and operating supplies and equipment categories for hotel renovation and (b) the actual amount of the purchase orders for furniture, fixtures and equipment and operating supplies and equipment categories for hotel maintenance and miscellaneous categories.
- (l) Project management services fee at a rate of 3% of the actual amount of the construction cost for renovation of the Hotels as certified by project quantity surveyor or other consultants.

Notes to the Trust and the Company's  
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**21. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)**

Notes: (continued)

- (m) The contract sum for the work of design and construction contracting services shall be negotiated on an arm's length basis and determined between Keyesen Engineering Company, Limited and/or its associated companies and the Groups subject to tender or price comparison process to be arranged by the Groups in accordance with its internal control policy.
- (n) Staff laundry service fee was payable to Master Lessee for staff laundry services.
- (o) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited has agreed to waive its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out in note 9. During the period, net amount of HK\$4,120,000 (Six months ended 30 June 2015: HK\$9,471,000) was waived by LHIL Assets Holdings Limited and its fellow subsidiaries.

The remuneration of Directors and other members of key management during both periods are as follows:

	Six Months Ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Short-term benefits	1,543	1,535
Post-employment benefits	9	9
	<b>1,552</b>	1,544

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

# REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED



**TO THE MEMBER OF LHIL MANAGER LIMITED**  
*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the condensed financial statements of LHIL Manager Limited (the “Company”) set out on pages 61 to 65, which comprise the condensed statement of financial position as of 30 June 2016 and the related condensed statement of profit or loss and other comprehensive income and condensed statement of changes in equity for the six months ended 30 June 2016, and certain explanatory notes. Pursuant to the deed of trust dated 8 May 2013 constituting Langham Hospitality Investments entered into between the Company and Langham Hospitality Investments Limited (the “Trust Deed”), the Company is required to prepare its interim financial information in accordance with The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong  
15 August 2016

# CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL MANAGER LIMITED

For the six months ended 30 June 2016

	<i>Note</i>	Six Months Ended 30 June	
		2016	2015
		HK\$ (unaudited)	HK\$ (unaudited)
Revenue		–	–
Administrative expenses		<b>(11,957)</b>	(11,957)
Less: Amount borne by a fellow subsidiary		<b>11,957</b>	11,957
<b>Profit or loss before tax</b>		–	–
Income tax	4	–	–
<b>Profit or loss and other comprehensive income/expense for the period</b>		–	–

# CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 30 June 2016

	<i>Note</i>	At 30 June 2016 HK\$ (unaudited)	At 31 December 2015 HK\$ (audited)
<b>Current asset</b>			
Cash on hand		1	1
<b>NET ASSET</b>		<b>1</b>	<b>1</b>
<b>Capital</b>			
Share capital	5	1	1
<b>TOTAL EQUITY</b>		<b>1</b>	<b>1</b>

# CONDENSED STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the six months ended 30 June 2016

	Share capital
	HK\$ (unaudited)
At 1 January 2015, 30 June 2015, 1 January 2016, and 30 June 2016	1

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2016

## 1. GENERAL

The Company is a limited liability company incorporated in Hong Kong. The Company's parent company is LHIL Management Limited, a limited liability company incorporated in the British Virgin Islands. The Directors consider the Company's ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Company is 33/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is administering Langham Hospitality Investments (the "Trust"), in its capacity as trustee-manager of the Trust.

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the register holders of units of the Trust, in accordance with the terms of the deed of trust dated 8 May 2013 constituting the Trust entered into between the Company and Langham Hospitality Investments Limited (the "Trust Deed") but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

The Company had no income during the period, thus the distribution statement is not presented.

The condensed financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company had no cash transaction during the period as all of its transactions were settled through inter-company current account, thus the condensed statement of cash flows is not presented.

## 2. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") pursuant to the Trust Deed.

The financial information relating to the year ended 31 December 2015 that is included in these condensed financial statements as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from these financial statements.

# Notes to the Condensed Financial Statements of LHIL Manager Limited

For the six months ended 30 June 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Company has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed financial statements.

## 4. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Company did not have any assessable profits during both periods.

## 5. SHARE CAPITAL

	30 June 2016 (unaudited)		31 December 2015 (audited)	
	Number of ordinary share	Nominal value HK\$	Number of ordinary share	Nominal value HK\$
<b>Ordinary share with no par value</b>				
Issued and fully paid:				
Balance brought forward and carried forward	1	1	1	1

## 6. RELATED PARTY DISCLOSURES

Transaction with a fellow subsidiary is disclosed in the condensed statement of profit or loss and other comprehensive income.

All of the Company's key management personnel are Directors. No directors' emoluments were paid or payable by the Company since the Directors of the Company are not entitled to any remuneration under the terms as set out in their letters of appointment of Directors.

# GLOSSARY OF TERMS

In this Interim Report, unless the context otherwise requires, the following expressions shall have the following meanings:

Terms	Definition												
"Corporate Governance Code"	Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules												
"Code of Conduct for Securities Transactions"	Code of Conduct regarding Securities Transactions by Directors and Relevant Employees adopted by the Trustee-Manager and the Company												
"Company"	Langham Hospitality Investments Limited (朗廷酒店投資有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2013												
"Company Board"	The board of directors of the Company												
"Distribution Entitlement Waiver Deed"	The deed dated 10 May 2013 entered into among LHIL Assets Holdings Limited, Great Eagle and the Trustee-Manager in relation to the waiver by LHIL Assets Holdings Limited of its entitlement to receive distributions payable by the Trustee-Manager												
"Distribution Waiver Units"	Pursuant to the Distribution Entitlement Waiver Deed, number of Share Stapled Units waived by LHIL Assets Holdings Limited for the financial period/year as set out below: <table border="1" data-bbox="715 1308 1394 1542"> <thead> <tr> <th><u>Financial Period/Year</u></th> <th><u>Number of SSUs waived</u></th> </tr> </thead> <tbody> <tr> <td>Listing Date to 31 December 2013</td> <td>150,000,000</td> </tr> <tr> <td>Year ended 31 December 2014</td> <td>150,000,000</td> </tr> <tr> <td>Year ended 31 December 2015</td> <td>100,000,000</td> </tr> <tr> <td>Year ending 31 December 2016</td> <td>100,000,000</td> </tr> <tr> <td>Year ending 31 December 2017</td> <td>50,000,000</td> </tr> </tbody> </table>	<u>Financial Period/Year</u>	<u>Number of SSUs waived</u>	Listing Date to 31 December 2013	150,000,000	Year ended 31 December 2014	150,000,000	Year ended 31 December 2015	100,000,000	Year ending 31 December 2016	100,000,000	Year ending 31 December 2017	50,000,000
<u>Financial Period/Year</u>	<u>Number of SSUs waived</u>												
Listing Date to 31 December 2013	150,000,000												
Year ended 31 December 2014	150,000,000												
Year ended 31 December 2015	100,000,000												
Year ending 31 December 2016	100,000,000												
Year ending 31 December 2017	50,000,000												
"Great Eagle"	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust Group holding 61.71% issued Share Stapled Units as at 30 June 2016												
"Great Eagle Group"	Great Eagle and its subsidiaries												

## Glossary of Terms

Terms	Definition
"Great Eagle ROFR Deed"	The Deed of Right of First Refusal dated 10 May 2013 entered into between Great Eagle and the Company
"Group"	The Company and its subsidiaries
"HKAS"	Hong Kong Accounting Standard
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Holder(s) of Share Stapled Units" or "Unitholder(s)"	Holder(s) of Share Stapled Units of the Trust and the Company
"Hotel Companies"	The companies which own the Hotels, being Harvest Star International Limited, Cordis Hong Kong Limited and Grow On Development Limited; and "Hotel Company" shall mean any of them
"Hotel Manager"	Langham Hotels International Limited (朗廷酒店國際有限公司), a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
"Hotel(s)"	The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong
"Listing Date"	30 May 2013, being the date of listing of the Share Stapled Units on the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Master Lessee"	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle

## Glossary of Terms

Terms	Definition
“Model Code”	Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” of the Listing Rules
“RevPAR”	Revenue per available room
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Stapled Unit(s)” or “SSU(s)”	<p>Share stapled unit(s) jointly issued by the Trust and the Company. A share stapled unit is the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> <li>(a) a unit in the Trust;</li> <li>(b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager; and</li> <li>(c) a specifically identified preference share of the Company stapled to the unit</li> </ul>
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	Langham Hospitality Investments (朗廷酒店投資), as constituted pursuant to the Trust Deed
“Trust Deed”	The trust deed dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by a first supplemental deed dated 22 April 2016
“Trust Group”	The Trust and the Group
“Trustee-Manager”	LHIL Manager Limited (朗廷酒店管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly owned subsidiary of Great Eagle, in its capacity as trustee-manager of the Trust
“Trustee-Manager Board”	The board of directors of the Trustee-Manager



## Langham Hospitality Investments 朗廷酒店投資

(as constituted pursuant to a deed of trust on 8 May 2013 under the laws of Hong Kong, the trustee of which is LHIL Manager Limited)  
(根據香港法例按日期為二零一三年五月八日之信託契約組成，其託管人為朗廷酒店管理人有限公司)

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## Langham Hospitality Investments Limited 朗廷酒店投資有限公司

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立之有限公司)

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