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Langham Hospitality Investments

*(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)*

and

Langham Hospitality Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1270)

CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF ANNUAL CAPS

References are made to (1) the Prospectus in relation to, inter alia, the provision of property management services by GEPM, a wholly-owned subsidiary of GE to the Group in respect of common areas and facilities at the lot of land on which Cordis, Hong Kong is situated pursuant to the Deed of Mutual Covenant and Management Agreement; and (2) the announcement of the Trust and the Company dated 11 June 2014 in relation to the provision of (i) Procurement Services, (ii) Project Management Services and (iii) Design and Construction Contracting Services by GE Companies, subsidiaries of GE to the Group pursuant to the Framework Agreement.

On 14 February 2017, the Boards approved the renewal of the annual caps for the transactions contemplated under each of the Deed of Mutual Covenant and Management Agreement and the Framework Agreement for the three financial years ending 31 December 2017, 2018 and 2019 respectively.

GE is the controlling holders of share stapled units of the Trust and the Company. GEPM and GE Companies are therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Deed of Mutual Covenant and Management Agreement and Framework Agreement constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

As the annual caps for the transactions in each financial year as mentioned above exceed 0.1% but are less than 5% of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules, the transactions are subject to the reporting, announcement and annual review requirements but exempt from the approval requirement of the independent holders of share stapled units of the Trust and the Company under Chapter 14A of the Listing Rules.

RENEWAL OF ANNUAL CAPS FOR PROPERTY MANAGEMENT SERVICES PURSUANT TO THE DEED OF MUTUAL COVENANT AND MANAGEMENT AGREEMENT

Reference is made to the Prospectus in relation to, inter alia, the provision of property management services by GEPM, a wholly-owned subsidiary of GE to the Group in respect of common areas and facilities at the lot of land on which Cordis, Hong Kong is situated pursuant to the Deed of Mutual Covenant and Management Agreement. Pursuant to such agreement, CHK is required to contribute to the cost of the services provided by GEPM in proportion to the number of management shares allocated to it.

As disclosed in the Prospectus, the appointment of GEPM for the provision of property management services under the Deed of Mutual Covenant and Management Agreement was initially for a term of two years and such appointment will be continue for an indefinite term until it is terminated by GEPM or by the owners' committee if the owners holding not less than 50% of the undivided shares of and in the development of which Cordis, Hong Kong forms part shall have passed a resolution to terminate the appointment of GEPM. CHK holds less than 50% of such undivided shares, and therefore the Trust Group will not be able to terminate such appointment unilaterally.

On 14 February 2017, the Boards approved the renewal of the annual caps of the service fees under the Deed of Mutual Covenant and Management Agreement to be contributed by CHK for each of the three financial years ending 31 December 2017, 2018 and 2019 as below:

<u>Year ending 31 December</u>	<u>Annual Cap</u>
2017	HK\$4,100,000
2018	HK\$4,300,000
2019	HK\$4,900,000

The annual caps are determined with reference to the expected costs and expenses to be incurred by GEPM as property manager for maintaining the common areas and facilities at the lot of land on which Cordis, Hong Kong is situated and the number of management shares allocated to Cordis, Hong Kong, taking into account inflation and expected annual increases due to increased salaries and expenses and the anticipated or envisaged preventive maintenance and improvement works in respect of the common areas and facilities that might be carried out in each of the three financial years.

The aggregate services fees contributed by CHK in respect of the services under the Deed of Mutual Covenant and Management Agreement for each of the three years ended 31 December 2014, 2015 and 2016 were HK\$2,192,000, HK\$2,471,000 and HK\$2,700,000 respectively. Details of these transactions were disclosed in the annual reports of the Trust and the Company. The above aggregate services fees actually paid by CHK were within the annual caps for the Deed of Mutual Covenant and Management Agreement as disclosed in the Prospectus or the de minimis thresholds of the Listing Rules for connected transactions which are exempt from the requirements of reporting, announcement and/or independent shareholders' approval.

The Directors (including the Independent Non-executive Directors) believe that it is normal practice for the term of appointment of a manager to provide property management services under deeds of mutual covenant and management agreements (similar to the Deed of Mutual Covenant and Management Agreement relating to Cordis, Hong Kong) to be of an indefinite duration and the transactions contemplated under the Deed of Mutual Covenant and Management Agreement are in the ordinary and usual course of business of the Trust Group.

The actual annual service fee payable by CHK to GEPM is in line with the fee charged by GEPM in respect of such services rendered to other owners holding management shares in such lot of land. The Directors (including the Independent Non-executive Directors) believe that the terms for the provision of such service are fair and reasonable and in the interests of the Trust, the Company and the holders of share stapled units of the Trust and the Company as a whole.

RENEWAL OF ANNUAL CAPS FOR THE PROVISION OF (1) PROCUREMENT SERVICES, (2) PROJECT MANAGEMENT SERVICES AND (3) DESIGN AND CONSTRUCTION CONTRACTING SERVICES PURSUANT TO THE FRAMEWORK AGREEMENT

Reference is made to the Announcement of the Trust and the Company dated 11 June 2014 in relation to the Framework Agreement entered into between the Company and GE for the provision of (1) Procurement Services, (2) Project Management Services and (3) Design and Construction Contracting Services by GE Companies to the Group for the initial term from 11 June 2014 to 31 December 2016. Details of the Framework Agreement were disclosed in the Announcement.

On 14 February 2017, the Boards approved the renewal of the annual caps for the transactions contemplated under the Framework Agreement for each of the three financial years ending 31 December 2017, 2018 and 2019 respectively, as the Boards agreed to continue the transactions contemplated thereunder for a further term of three years.

The composition of the annual caps for the continuing connected transactions contemplated under the Framework Agreement for each of the three financial years ending 31 December 2017, 2018 and 2019 respectively are as follows:

	2017	2018	2019
Procurement Services	HK\$3,300,000	HK\$2,900,000	HK\$2,900,000
Project Management Services	HK\$5,500,000	HK\$2,800,000	HK\$1,200,000
Design and Construction Contracting Services	HK\$3,200,000	HK\$2,700,000	HK\$1,200,000
Total:	HK\$12,000,000	HK\$8,400,000	HK\$5,300,000

The annual caps are determined with reference to the design and internal projection of the progress of the renovation project of the Hotels at budgeted total renovation expenses with contingency buffers.

The terms and conditions of each transaction pursuant to the Framework Agreement shall be on an arm's length basis and on normal commercial terms and no less favourable to the Group than those obtainable from independent suppliers and contractors. As disclosed in the Announcement, the fees payable by the Group to GE Companies are determined in the following manner:

(1) Procurement Services

The Procurement Services are provided by CGS. The fees (excluding out-of-pocket expenses) payable to CGS in respect of the procurement services shall be charged at a rate of 5% of (a) the respective budgeted sums of FF&E categories for hotel renovation and OS&E categories for hotel renovation and (b) the actual amount of the purchase orders for FF&E and OS&E categories for hotel maintenance and miscellaneous categories.

(2) Project Management Services

Project Management Services are provided by GEDPM. The fees payable to GEDPM in respect of the project management services shall be charged 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. The construction cost for renovation of the Hotels shall exclude all marketing or pre-operating costs of the Hotels, professional consultants fees incurred for renovation of the Hotels and other operation related expenses of the Hotels.

(3) Design and Construction Contracting Services

The Design and Construction Contracting Services are provided by Keysen and/or its associated companies. The contract sum for the work of Design and Construction Contracting Services will be negotiated on an arm's length basis and determined between Keysen and/or its associated companies and the Group subject to tender or price comparison process to be arranged by the Group in accordance with its internal control policy.

The aggregate services fees in respect of the various services under the Framework Agreement for each of the three financial years ended 31 December 2014, 2015 and 2016 were as follows:

	2014	2015	2016
Procurement Services	HK\$1,733,000	HK\$3,058,000	HK\$549,000
Project Management Services	HK\$3,403,000	HK\$7,963,000	HK\$502,000
Design and Construction Contracting Services	HK\$2,610,000	HK\$2,922,000	HK\$599,000
Total:	HK\$7,746,000	HK\$13,943,000	HK\$1,650,000

The above aggregate services fees paid by the Company were within the annual caps for the Framework Agreement for the three financial years ended 31 December 2014, 2015 and 2016 as disclosed in the Announcement.

CGS is a professional services company primarily engaged in providing group and project procurement services to hotel owners and operators. GEDPM has a team of professionals specializing in project management services. Keyzen is a specialist in building services engineering rendering technical consultation, system design, installation, operation and maintenance to engineering consultancy services. Taking into account the background and experiences of the service providers and in view of their close relationship with the Group, it is believed that the Group can be able to monitor the progress and the overall budget of the renovation in a more effective and efficient manner.

The Directors (including the Independent Non-executive Directors) are of the view that the renewal of the Framework Agreement to set out the major terms within which the relevant transactions should be carried out and the annual caps for the transactions contemplated thereunder is beneficial to the Group. The transactions are in the ordinary and usual course of business of the Trust Group and the annual caps and the terms of the Framework Agreement are fair and reasonable and in the interests of the Trust, the Company and the holders of share stapled units of the Trust and the Company as a whole.

LISTING RULES IMPLICATIONS

GE is the controlling holders of share stapled units of the Trust and the Company, GEPM and GE Companies are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Deed of Mutual Covenant and Management Agreement and Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the annual caps for the transactions in each financial year as mentioned above exceed 0.1% but are less than 5% of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules, the transactions are subject to the reporting, announcement and annual review requirements but exempt from the approval requirement of the independent holders of share stapled units of the Trust and the Company under Chapter 14A of the Listing Rules.

Particulars of the transactions pursuant to the Deed of Mutual Covenant and Management Agreement and Framework Agreement will be included in the annual reports of the Trust and the Company. Such transactions will also be subject to annual review by the Independent Non-executive Directors and the auditors of the Company pursuant to Rule 14A.55 and Rule 14A.56 of the Listing Rules.

Dr. Lo Ka Shui, the Chairman of the Trustee-Manager and the Company, is the Chairman and Managing Director and a substantial shareholder of GE as at the date of this announcement. Dr. Lo Ka Shui, being a substantial shareholder, the Chairman and Managing Director of GE, and his associate Mr. Lo Chun Him, Alexander have abstained from approving the renewal of the annual caps for the transactions contemplated under each of the Deed of Mutual Covenant and Management Agreement and Framework Agreement and the renewal of the Framework Agreement. Save for the interest of Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander as disclosed, none of the Directors has a material interest in the renewal of the annual caps for the transactions contemplated under each of the Deed of Mutual Covenant and Management Agreement and the Framework Agreement.

GENERAL INFORMATION

The Trust is constituted as a fixed single investment trust and may only invest in the securities and other interests in a single entity, being the Company. The Company is the holding company of the hospitality business carried on by the Group and currently owns and controls the Hotels indirectly through its subsidiaries. The Group focuses on optimizing the performance of the Hotels, adopting a growth strategy of investing in completed stand-alone hotels in Asia.

The principal activities of GE include property development and investment, hotel and restaurant operations, manager of real estate investment trust, trading of building materials, share investment, provision of management and maintenance services, property management and asset management. GE's investment in office properties extends to the United States of America and its hotel portfolio covers Asia, Australia and New Zealand, Europe and North America.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Announcement”	the announcement of the Trust and the Company dated 11 June 2014 in relation to the Framework Agreement entered into between the Company and GE for the provision of (1) Procurement Services, (2) Project Management Services and (3) Design and Construction Contracting Services by GE Companies to the Group
“associate”	has the meaning ascribed to it in Chapter 14A of the Listing Rules
“Boards”	boards of Directors of the Trustee-Manager and the Company
“CGS”	Champion Global Services Limited, a 93%-owned subsidiary of GE
“CHK”	Cordis Hong Kong Limited (formerly known as “Langham Place Hotel (HK) Limited”), an indirect wholly-owned subsidiary of 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

<p>“connected person”, “controlling shareholder”, “substantial shareholder”</p>	<p>each has the meaning ascribed to it in the Listing Rules</p>
<p>“Cordis, Hong Kong”</p>	<p>the hotel of the Group located at 555 Shanghai Street, Mong Kok, Kowloon, Hong Kong</p>
<p>“Deed of Mutual Covenant and Management Agreement”</p>	<p>the deed of mutual covenant and management agreement dated 27 June 2005 in respect of Kowloon Inland Lot No.11099, being the lot of land on which Cordis, Hong Kong is situated, was approved on 25 May 2005 by the Director of Lands in accordance with the Government Lease of Kowloon Inland Lot No. 11099</p>
<p>“Design and Construction Contracting Services”</p>	<p>Design and Construction Contracting Services, which include but not limited to engineering design and services, repair and maintenance works and construction contracting services to the Hotels of the Group on an ad hoc basis. These services will be provided by Keyesen and/or its associated companies</p>
<p>“Directors”</p>	<p>directors of the Trustee-Manager and the Company</p>
<p>“FF&E”</p>	<p>furniture, fixtures and equipment</p>
<p>“Framework Agreement”</p>	<p>Framework Agreement relating to the provision of certain procurement services, certain project management services and certain design and construction contracting services for the Hotels between the Company and GE dated 11 June 2014</p>
<p>“GE”</p>	<p>Great Eagle Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 41), which is indirectly holding approximately 61.90% of the total issued share stapled units of the Trust and the Company as at the date of this announcement</p>
<p>“GE Companies”</p>	<p>GE and its subsidiaries (excluding the Group)</p>
<p>“GEDPM”</p>	<p>The Great Eagle Development and Project Management Limited, a wholly-owned subsidiary of GE</p>

“GEPM”	Great Eagle Properties Management Company, Limited, a wholly-owned subsidiary of GE
“Global Offering”	the offer of the share stapled units of the Trust and the Company to public in Hong Kong and the offer of the share stapled units of the Trust and the Company in the United States of America and outside the United States of America (including the preferential offering of share stapled units of the Trust and the Company to certain qualifying shareholders of GE)
“Group”	the Company and its subsidiaries
“Hotels”	The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong
“Keysen”	Keysen Engineering Company, Limited, a wholly-owned subsidiary of GE
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“OS&E”	operating supplies and equipment
“percentage ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“Procurement Services”	Procurement Services, which include but not limited to procurement service for (a) FF&E categories for the renovation of the Hotels on an ad hoc basis; (b) OS&E categories for the renovation of the Hotels on an ad hoc basis; and (c) FF&E and OS&E categories for the regular maintenance of the Hotels. These services will be provided by CGS
“Project Management Services”	Project Management Services, which include but not limited to project management services for selecting and monitoring external consultants, construction work, FF&E and OS&E for the renovation of the Hotels on an ad hoc basis. These services will be provided by GEDPM
“Prospectus”	the prospectus of the Trust and the Company dated 16 May 2013 in connection with the Global Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	Langham Hospitality Investments as constituted pursuant to the trust deed dated 8 May 2013 entered into between the Trustee-Manager and the Company

“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 GE, in its capacity as trustee-manager of Langham Hospitality Investments

By Order of the Boards
LHIL Manager Limited
and
Langham Hospitality Investments Limited
LO Ka Shui
Chairman

Hong Kong, 14 February 2017

As at the date of this announcement, the Non-executive Directors are Dr. LO Ka Shui (Chairman) and Mr. LO Chun Him, Alexander; the Executive Director is Mr. IP Yuk Keung, Albert (Chief Executive Officer); and the Independent Non-executive Directors are Dr. LIN Syaru, Shirley, Mr. SO Yiu Wah, Eric and Mr. WONG Kwai Lam.