



LANGHAM

HOSPITALITY INVESTMENTS

ANNUAL REPORT 2013

Stock Code : 1270

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;
- ◆ LANGHAM PLACE HOTEL, HONG KONG; AND
- ◆ EATON, HONG KONG.

THE LANGHAM AND LANGHAM PLACE HOTEL ARE BOTH HIGH TARIFF A HOTELS AND EATON IS A HIGH TARIFF B HOTEL UNDER THE CLASSIFICATION SET OUT BY HKTB, 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, 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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THE LANGHAM

HONG KONG





THE LANGHAM
Hong Kong



HKTB rating

High Tariff A

498 rooms

375 GFA ('000 sq.ft)

The Langham seeks to provide a unique European-style refined service to its guests. The Langham is a luxury hotel located close to Canton Road, which has one of the largest concentrations of luxury retailers in Hong Kong and is located in the heart of Tsim Sha Tsui, one of the busiest shopping and leisure destinations in Hong Kong. Apart from the shopping opportunities offered, Tsim Sha Tsui is a cultural hub and The Langham is located near historical buildings, museums and other tourist attractions, such as the Hong Kong Clock Tower, the Avenue of Stars and the Star Ferry. Tsim Sha Tsui is also a growing commercial hub with large-scale office developments nearby, such as the International Commerce Centre in West Kowloon, underpinning growth in corporate accommodation in the area.

“THE LANGHAM SEEKS
TO PROVIDE A UNIQUE
EUROPEAN-STYLE REFINED
SERVICE TO ITS GUESTS”



LANGHAM PLACE HOTEL

HONG KONG



LANGHAM PLACE

MONGKOK, HONG KONG



HKTB rating

High Tariff A

666 rooms

580 GFA ('000 sq.ft)

Langham Place Hotel provides a contemporary luxury hotel experience, with sleek and modern design inspired by contemporary Chinese art. Langham Place Hotel is a short walk away from famous street markets such as the night market on Temple Street, the Ladies Market and the Jade Market, and is directly connected to The Langham Place Shopping Mall and Office Tower. Langham Place Hotel is the only large scale luxury hotel in the heart of Mongkok and easily accessible by various modes of public transportation, including the MTR. Mongkok attracts many shoppers, both local and overseas, as the location has a plethora of shopping malls, street shops and open bazaar outlets. In addition to retail, Mongkok is an entertainment and commercial centre.

“LANGHAM PLACE HOTEL
IS THE ONLY LARGE-SCALE
LUXURY HOTEL IN THE HEART
OF MONGKOK”



EATON
HONG KONG





HKTB rating

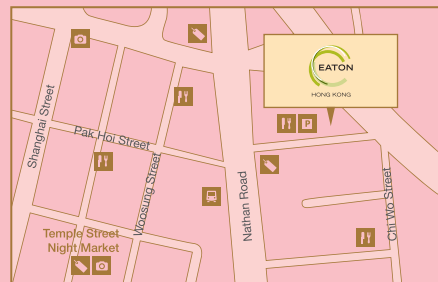
High Tariff B

465 rooms

339 GFA ('000 sq.ft)

Eaton hotel is located on Nathan Road, a popular street in Hong Kong in a famous shopping, entertainment and commercial district. Eaton is easily accessible by various modes of public transportation and is located between Tsim Sha Tsui and Mongkok. Eaton has a modern and simple design, furnished in warm earth tones and natural colours. The Hotel focuses on three fundamentals – comfort, convenience and connectivity – and is one of the most eco-friendly hotels in the district. Eaton’s lobby has floor to ceiling glass windows which allows the lobby area to be filled with natural light and along the lobby wall is a living green wall, which features over 3,000 plants and serves to purify the air in the lobby area.

“LOCATED ON NATHAN ROAD,
EATON HAS A MODERN AND
SIMPLE DESIGN, FURNISHED
IN WARM EARTH TONES AND
NATURAL COLOURS”



CORPORATE INFORMATION



Trust

Langham Hospitality Investments

(a fixed single investment trust constituted pursuant to a deed of trust on 8 May 2013 under the laws of Hong Kong)

Company

Langham Hospitality Investments Limited

(incorporated in the Cayman Islands with limited liability)

Listing

The Share Stapled Units of Langham Hospitality Investments and Langham Hospitality Investments Limited are listed on The Stock Exchange of Hong Kong Limited

Trustee-Manager

LHIL Manager Limited

(as Trustee-Manager of Langham Hospitality Investments)

Board of Directors

Non-executive Directors

LO Ka Shui *(Chairman)*

LO Bo Lun, Katherine

Executive Director

Katherine Margaret BENSON *(Chief Executive Officer)*

Independent Non-executive Directors

LIN Syaru, Shirley

SO Yiu Wah, Eric

WONG Kwai Lam

Audit Committees of the Trustee-Manager and the Company

WONG Kwai Lam *(Chairman)*

LIN Syaru, Shirley

SO Yiu Wah, Eric

Remuneration Committee of the Company

SO Yiu Wah, Eric *(Chairman)*

LO Ka Shui

LIN Syaru, Shirley

WONG Kwai Lam

Nomination Committee of the Company

LIN Syaru, Shirley *(Chairman)*

LO Ka Shui

LO Bo Lun, Katherine

SO Yiu Wah, Eric

WONG Kwai Lam

Company Secretary

WONG Mei Ling, Marina

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

Mayer Brown JSM

Conyers Dill & Pearman (Cayman) Limited

Compliance Advisor

Guotai Junan Capital Limited

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Registered Office of the Company

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

Principal Office of the Company

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

Registered Office of the Trustee-Manager

33rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Principal Share Registrar

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

Share Stapled Units Registrar & Hong Kong Branch Share 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

Website

www.langhamhospitality.com

Stock Code

1270

Financial Calendar

2013 Interim Results Announcement	:	16 August 2013
2013 Annual Results Announcement	:	18 February 2014
Closure of Registers		
• For ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2014 AGM	:	24 April 2014 – 30 April 2014 (both days inclusive)
• For ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2013 Final Distribution	:	9 May 2014 – 14 May 2014 (both days inclusive)
2014 AGM	:	30 April 2014
Record Date for 2013 Final Distribution	:	14 May 2014
Payment of 2013 Final Distribution of HK18.8 cents per Share Stapled Unit	:	29 May 2014

DISTRIBUTION NOTICE



Final Distribution

The Company Board and the Trustee-Manager Board have recommended the payment of a final distribution of HK18.8 cents per Share Stapled Unit for the period from 30 May 2013 to 31 December 2013 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 14 May 2014, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed. Subject to the approval of the Holders of Share Stapled Units at the forthcoming 2014 AGM, the payment of the final distribution will be made on 29 May 2014.

Closure of Registers

The Share Stapled Units Register, the Units Register, 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 during the following periods and during these periods, no transfer of Share Stapled Units will be registered:

(i) For ascertaining the entitlement to attend and vote at the 2014 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2014 AGM, the Registers will be closed from Thursday, 24 April 2014 to Wednesday, 30 April 2014, both days inclusive.

In order to be eligible to attend and vote at the 2014 AGM, 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 Wednesday, 23 April 2014.

(ii) For ascertaining the entitlement to the proposed 2013 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2013 final distribution, the Registers will be closed from Friday, 9 May 2014 to Wednesday, 14 May 2014, both days inclusive.

In order to qualify for the proposed 2013 final distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar for registration not later than 4:30 p.m. on Thursday, 8 May 2014.

CHAIRMAN'S STATEMENT



Langham Hospitality Investments was successfully listed on the Stock Exchange on 30 May 2013. The assets of the Trust Group are comprised by a portfolio of three high quality hotels located in Hong Kong's prime shopping and commercial areas, which provides investors with unique exposures to the Hong Kong hospitality market. The Trust Group is listed as a fixed single investment trust structure. It focuses principally on providing investors with distributions from a regular income stream. Our distribution policy is to pay out 100% of Trust Distributable Income for the period until December 2015 and not less than 90% for any period thereafter.

For the reporting period from 30 May 2013 (date of listing) to 31 December 2013, net profit, which included a gain on fair value change of investment properties amounting to HK\$25.5 million, was

HK\$272.4 million and distributable income was HK\$348.8 million, which exceeded the forecast as disclosed in our initial public offering prospectus by 18.4% and 3.2% respectively. Should the gain on fair value change of investment properties be excluded, net profit would have been HK\$246.9 million, and would exceed the forecast in our prospectus by 7.3%. The gain on fair value change of investment properties would not have an impact on distributions as it is a non-cash item. Our performance was achieved notwithstanding a softening to forecast demand for the high end hotel sector in Hong Kong. Specifically, while Hong Kong's high end hotels recorded a drop in RevPARs of 1.9% and 4.3% for High Tariff A and High Tariff B hotels respectively in 2013, our hotel portfolio delivered growth in RevPAR of 3% in 2013.



CHAIRMAN'S STATEMENT

“WHILE HONG KONG'S HIGH END HOTELS RECORDED A DROP IN REVPARs, OUR HOTEL PORTFOLIO DELIVERED GROWTH IN REVPAR OF 3% IN 2013 ”

Our hotel portfolio saw growth in both occupancy and average room rates in 2013. Weaker performing long haul and other Asian arrivals were offset by the continuing growth of arrivals from Mainland China.

Despite the relatively sound performance of the Trust Group's hotel portfolio, total rental revenue and net property income achieved over the reporting period came in slightly less than our forecast. It should be noted that the performance of the Hong Kong high end hotel sector was more robust in the early part of 2013 than in the latter, whereas our forecast on the performance of the hotels was primarily based on the momentum witnessed in the early part of 2013. The small negative variance at the net property income level was offset by lower than forecast finance and operating expenses incurred for the Trust Group. Overall, net profit excluding fair value change on investment properties and distributable income was 7.3% and 3.2% higher than the forecast respectively. On a 100% distribution policy and before distributions waived by the Great Eagle Group, distribution per Share Stapled Unit is HK17.4 cents. After the waiver of distributions, distribution per Share Stapled Unit is HK18.8 cents.

In spite of the economic volatility over the global financial markets in the second half of 2013, we saw this volatility as having little impact on the long term fundamentals of the Hong Kong high end hotel sector. The initiatives adopted by China to reform its economy towards a heavier reliance on domestic consumption as well as the implementation of further social and economic reforms should lead to the rise of disposable income in China. As a consequence,

the Hong Kong high end hotel sector will benefit from such long term structural change. Hong Kong's position as the leading destination city for China's outbound travelers will continue to be supported with planned infrastructure projects and further expansion of existing projects such as the cruise terminal at Kai Tak. Lastly, the low number of planned additional new hotels between 2014 to at least 2016 will support the performance of the Hong Kong high end hotel sector.

Apart from organic growth, the operational performances of our hotels should be further optimized through planned asset enhancements. Furthermore, we are looking for the right opportunity to deploy our acquisition strategy to grow the value of the Trust Group. Therefore, our management has been constantly evaluating new investment opportunities to augment its portfolio by focusing on the quality of the properties, strength of the underlying operations, potential for capital appreciation as well as potential for increasing value through improved property, revenue and yield management.



LO Ka Shui
Chairman

CEO'S REVIEW



Although the financial figures for the reporting period were compiled from 30 May 2013 (the date of listing) to 31 December 2013, the operational performances of the hotels were based on a twelve-month period from 1 January to 31 December of 2013 so as to produce a more meaningful comparative analysis.

It should be noted that the Trust Group does not manage the daily operations of the hotels. Instead, the hotels are leased to GE (LHIL) Lessee Limited, an indirect wholly-owned subsidiary of Great Eagle, as the Master Lessee under the master lease agreements. In return, the Trust Group receives rent in the form of a pre-determined fixed base rent (prorata at HK\$225 million per annum) and a variable rent, which is calculated at 70% of the hotels' aggregate gross operating profit before deduction of the global marketing fees. The base rent serves to provide a level of downside protection to Holders

of Share Stapled Units, whilst allowing participation in the upside performance of the hotels through the sharing of the hotels' profit under the variable rent component. In addition to the fixed base and variable rental income from the Master Lessee, the Trust Group also receives rental income directly from the retail shops located at the Eaton, Hong Kong that are leased to independent third parties.

For the financial period of 216 days from 30 May 2013 to 31 December 2013, total rental income was HK\$471.8 million. Base rental income was HK\$133.1 million, variable rental income was HK\$335.7 million and rental income from the retail shops at the Eaton, Hong Kong was HK\$3.0 million. Hotels under the Trust Group's had performed well. As a result, HK\$335.7 million of variable rental income translated to 71.2% of total rental income received by the Trust Group.

	(in HK\$ million) 30 May 2013 – 31 December 2013
Variable Rental Income (70% of the Hotels' Aggregate Gross Operating Profit before Deduction of Global Marketing Fees)	335.7
Base Rental Income (prorated based on HK\$225 million per annum)	133.1
Rental Income from the Retail Shops at Eaton, Hong Kong	3.0
Total Rental Income to the Trust Group	471.8

In relation to operating expenses, service fees represented the biggest proportion to the total amount, which comprise hotel management fees, license fees and global marketing fees. It should be noted that the hotel management fees and licence fees will be paid in the form of Share Stapled Units until the end of 2017. Thereafter, the hotel manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both.

CEO'S REVIEW



	(in HK\$ million) 30 May 2013 – 31 December 2013
Hotel Management Fees (comprises a base fee calculated at 1.5% of the total hotel revenue and an incentive fee calculated at 5% of the adjusted gross operating profit of the hotels)	37.1
Licence Fees (1% of the Total Revenue of the Hotels)	10.0
Global Marketing Fees (2% of the Total Room Revenue of the Hotels)	11.6
Total Service Fees	58.7

In addition to service fees, other property related expenses such as office rental, property taxes and rates, building management fee and insurances were borne by the Trust Group and amounted to HK\$18.7 million during the reporting period.

	(in HK\$ million) 30 May 2013 – 31 December 2013
Total Rental Income	471.8
Property Related Expenses	(18.7)
Service Fees	(58.7)
Net Property Income	394.4

Both total rental income and net property income were slightly below forecast due to a weaker than expected RevPAR performance.

As the Trust Group is internally managed, no asset management fee is paid. Finance costs, which are, the bulk of the expenses after net property income was HK\$76.8 million for the reporting period. The lower than our forecast finance costs incurred was due to the persistently low short term interest rates in Hong Kong, which were lower than what we had factored in our forecast.

In addition to finance costs, trust and other expenses, came to HK\$42.8 million, of which, HK\$34.7 million was attributable to listing expenses, whilst the remaining were primarily attributable to administration expenses for the Trust Group. The listing expenses of HK\$34.7 million were paid by the proceeds from initial public offering and did not have an impact on distributions. Administration expenses incurred during the reporting period were less than what we had factored in our forecast, given lower than expected administrative expenses incurred by the Trust Group, and a delay in take up on part of its office space requirement to 2014. As both the finance cost and administration expenses incurred during the reporting period were less than our forecast, positive variances arising from these items offset the negative variance at the net property income level.

Furthermore, other income amounting to HK\$9.6 million including interest income and exchange gain in relation to our Renminbi deposits, and an increase in fair value change of investment properties amounting to HK\$25.5 million that had not been included in our forecast were added to the Trust Group's profit. These items also helped to deliver a better than forecast profit for the Trust Group.

	(in HK\$ million) 30 May 2013 – 31 December 2013
Net Property Income	394.4
Other Income (majority are interest income)	9.6
Increase in Fair Value of Investment Properties	25.5
Finance Costs	(76.8)
Trust and Other Expenses (Of which, HK\$34.7 million are Listing Expenses)	(42.8)
Profit before Tax	309.9
Income Tax Expense	(37.5)
Profit Attributable to Holders of Share Stapled Units	272.4

The income tax expense incurred by the Trust Group over the reporting period was HK\$37.5 million, making profit attributable to Holders of Share Stapled Units amounting to HK\$272.4 million for the reporting period. As disclosed in the initial offering prospectus, the net profit forecast for the period from the Listing Date to 31 December 2013 is not less than HK\$230 million. Based on the forecast figure, the profit attributable to Holders of Share Stapled Units exceeded the net profit forecast by 18.4%. Net profit excluding the impact from the fair value change of investment properties would have exceeded net profit forecast by 7.3%.

To derive the Trust Group's distributable income, non-cash items are added back to profit. These adjusted items include hotel management and licence fees paid in units, amortisation of loan front-end fee, deferred taxation and listing expenses that were paid by proceeds from the initial public offering. However, there are also deduction adjustments, which are non-cash net exchange gain and gain on fair value change of investment properties, as well as cash contribution to the furniture, fixtures and equipment reserve, which is based on 1.5% of total revenue of the hotels. Overall, distributable income of the Trust Group amounted to HK\$348.8 million.

CEO'S REVIEW



	(in HK\$ million)
	30 May 2013 – 31 December 2013
Profit Attributable to Holders of Share Stapled Units	272.4
Adjustments:	
Add:	
Hotel Management Fees (Base, incentive fees paid in units)	37.1
Licence Fees	10.0
Amortisation of loan front-end fee, i.e. a non-cash finance costs	20.0
Listing Expenses (settled by proceeds from the initial public offering)	34.7
Deferred Tax	19.5
Less:	
Cash Contribution to Furniture, Fixtures and Equipment Reserve	(15.0)
Increase in Fair Value of Investment Properties	(25.5)
Non-cash Net Exchange Gain	(4.4)
Distributable Income	348.8

Distribution per Share Stapled Unit is HK17.4 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver is HK18.8 cents for the period from the listing date to 31 December 2013. The purpose of the distribution waiver is to minimize the dilution impact on the yield of the Trust Group, as additional Share Stapled Units were issued at the time of the initial public offering. The majority of the additional funds raised were set aside for asset enhancements of the hotels.

As at the end of 2013, the Trust Group's property portfolio has undergone a revaluation on a market value basis and recorded a revaluation gain of HK\$25.5 million as compared with the portfolio valuation on 30 June 2013. Vigers Appraisal and Consulting Limited, an independent firm, has arrived at a market valuation of the property portfolio of HK\$16,696 million.

As at 31 December 2013, net debt was approximately HK\$6,048 million, i.e. a gross debt of HK\$6,800 million offset by cash of HK\$752 million. The debt, which was drawn to finance the acquisition of the hotel properties, will become mature on 29 May 2016. At 31 December 2013, the net gearing ratio of the Trust Group was 38.7% and debt service coverage ratio was approximately 5 times.

A large portion of the cash balance of HK\$752 million arose from the initial public offering. As the enhancement works are still at the design stage, the majority of the cash has been placed in Renminbi deposits bearing higher interests, resulting in HK\$5.2 million of additional interest income and HK\$4.4 million of exchange gain. Through targeted and strategically deployed asset enhancement expenditures, we believe the operating performances of the portfolio will be further improved, leading to accretive distributions to Holders of Share Stapled Units, which also serve to enhance the value of the hotels.

Hotels Performance

Although the financial performance referred to above was compiled from the listing date to 31 December 2013, it should be noted that the following discussion on the operational performances of the hotels was based on a twelve-month period from 1 January to

31 December of 2013. The comparisons were based on a twelve-month period so as to minimize distortions arising from seasonality and thus provided a more meaningful comparative operational performances analysis of the hotels.

	Average Daily Rooms Available		Occupancy		Average Daily Room Rate (in HK\$)		RevPAR (in HK\$)	
	2013	2012	2013	2012	2013	2012	2013	2012
The Langham, Hong Kong	495	495	88.9%	86.1%	2,266	2,239	2,013	1,927
<i>Year-on-year Growth</i>			+2.8ppt		+1.2%		+4.5%	
Langham Place Hotel, Hong Kong	652	653	90.7%	89.2%	1,883	1,866	1,707	1,665
<i>Year-on-year Growth</i>			+1.5ppt		+0.9%		+2.5%	
Eaton, Hong Kong	452	445	95.1%	94.9%	1,208	1,198	1,149	1,138
<i>Year-on-year Growth</i>			+0.2ppt		+0.8%		+1.0%	
Hotels average	533	531	91.5%	90.1%	1,786	1,768	1,623	1,576
<i>Year-on-year Growth</i>			+1.4ppt		+1.0%		+3.0%	

	Occupancy		Average Daily Room Rate (in HK\$)		RevPAR (in HK\$)	
	2013	2012	2013	2012	2013	2012
Hong Kong Hotel Markets						
High Tariff A	86.0%	85.0%	2,382	2,457	2,049	2,088
<i>Year-on-year Growth</i>	+1.0ppt		-3.1%		-1.9%	
High Tariff B	89.0%	91.0%	1,201	1,228	1,069	1,117
<i>Year-on-year Growth</i>	-2.0ppt		-2.2%		-4.3%	

CEO'S REVIEW



When compared with 2012, all three hotels recorded positive year-on-year growth in RevPAR for 2013, and the growth achieved by the hotels outperformed their respective High Tariff A and High Tariff B hotels. Average occupancy of the hotel portfolio was 91.5% with the fourth quarter of 2013 being particularly strong with average occupancy at 95.1%. Average room rates for 2013 were HK\$1,786, which resulted in a RevPAR of HK\$1,623 for 2013, and translated to a year-on-year RevPAR growth of 3%.

Despite the outperformance of the hotels against their respective markets, gross revenue achieved by the hotels was below our forecast. The slightly less than expected performance was due to weakness in the long haul markets such as North America and Australia and also some sluggishness in Asia markets such as Japan. The slowdown in arrivals from some

of these markets was in part due to the significant weakening of their currencies against the Hong Kong dollar, as well as increased economic volatilities in some of the emerging markets.

However, as a result of the focus on diversified guest segments, our hotels were able to adjust their guest mix towards markets that continued to show growth over 2013. As such, the Hotel Manager made a conscious decision to drive more arrivals from Mainland China in 2013. Arrivals from Mainland China to our hotel portfolio grew 27.4% year-on-year as compared with 13.1% growth from Mainland China for the broader overnight visitors registered by the Hong Kong Tourism Board. Even after the move to accommodate more arrivals from China, they only accounted for 27.3% of our total geographical arrivals.

	Trust Group's Hotel Portfolio	Overnight Arrivals to Hong Kong
Year-on-year Growth in Visitors from China	+27.4%	+13.1%
% of Overnight Arrivals from China to Total Arrivals	27.3%	66.6%

With the improvement in RevPARs, comparable adjusted gross operating margins of hotels also improved in 2013, which reflected the hotel manager's effectiveness at translating incremental revenues into bottom line profits.

Although all hotels had more visitors from Mainland China to support RevPAR growth, each hotel has its own set of opportunities and challenges and each hotel has its own set of strategies to help them achieve their RevPAR growth:

The Langham, Hong Kong witnessed softer demand from Europe, Australia and Japan. The softer demand from Australia and Japan was due to the depreciation of their currencies, which had depreciated markedly in 2013. Nonetheless, The Langham, Hong Kong continued to drive more business from individual tourist arrivals from Mainland China, and saw some rebound in travelers from the U.S.. Therefore, The Langham, Hong Kong was able to achieve a 4.5% growth in RevPAR in 2013, and outperformed the overall High Tariff A hotel market in 2013.

For the year 2013, its occupancy increased by 2.8 percentage points in 2013 to 88.9% (2012: 86.1%) while average room rate increased 1.2% year-on-year to HK\$2,266 (2012: HK\$2,239). At The Langham, Hong Kong, revenue from food and beverage rose 3% year-on-year in 2013 and was mainly driven by a higher average check as well as an overall improvement in the catering business. However compared with the growth seen in the first half of the year, business from banqueting business was weaker in the second half. It was also worth noted that in 2013, the Tang Court reclaimed its two-star Michelin rating.

Langham Place Hotel, Hong Kong saw a decline in demand for rooms from Australia and Japan and also witnessed softer demand from some other long haul markets. Despite of these shortfalls, the hotel shifted its focus to accommodate a larger proportion of leisure travelers from Mainland China, as well as other Asian markets, resulting in an occupancy of 90.7% in 2013. For the year 2013, occupancy increased by 1.5 percentage points to 90.7% (2012: 89.2%) while average room rate increased 0.9% year-on-year to HK\$1,883 (2012: HK\$1,866).

For Langham Place Hotel, Hong Kong, revenue from food and beverage saw a 2% year-on-year growth. Given the slow pick up in wedding banquets in the second half of 2013, the hotel accommodated more corporate and social catering events. Nonetheless, business at the refurbished Michelin-starred Ming Court Chinese restaurant gained momentum with revenue at the restaurant having reached pre-refurbishment levels.

Among the three Trust hotels, **Eaton, Hong Kong** accommodated most of the newly added travelers arrivals from Mainland China. Other than the growth in arrivals from Mainland China, with its family rooms and the positioning of the hotel towards budget travelers, the hotel also attracted arrivals from some European countries like Germany and Spain. With completion of the renovations on approximately one-fifth of the guest rooms in the second half of 2013, the new rooms helped to increase the competitiveness of the hotel, and underpinned further growth in its market share.

Revenue from food and beverage rose 2% year-on-year in 2013 for Eaton, Hong Kong, mainly from improved business at the restaurants, given increased number of guests.

For the year 2013, the hotel achieved average occupancy of 95.1% on an average of 452 rooms (2012: 94.9% on an average of 445-room) and an average room rate of HK\$1,208 (2012: HK\$1,198).

Outlook

While the current outlook for the global economy continues to remain fragile and uncertain, 2014 has begun on a positive note for the Trust Group. RevPAR for the portfolio has increased year-on-year in the first six weeks of 2014. Given such a positive start, we are cautiously optimistic in our outlook for the performance of the hotel portfolio in 2014. As of to-date, the hotels are witnessing encouraging booking pace although the forward booking window is short. Given little visibility on future demand, macroeconomic trends of the major feeder markets will still play a key role in determining RevPAR growth for the Hong Kong hotels in 2014. Nonetheless, we are optimistic about the long term resilience of the Hong Kong high end hotel sector, especially for the prime locations where our hotels are located.

In the near term, asset enhancement initiatives such as the renovation of the lobby at Eaton, Hong Kong and rooms at The Langham, Hong Kong will enable the hotels to further strengthening their high end market positioning and help them to command better room rates. In the long term, our goal is to grow the size of the portfolio with the backing of the Great Eagle Group given the right of first refusals arrangement, and we will also be actively seeking acquisitions from third parties that can either be yield accretive to the Trust Group or assets that possess strong long term growth prospects potential.

CEO'S REVIEW



Financial Review

As at the date of listing, there were a total of 2,000,000,000 issued Share Stapled Units. The issue price per Share Stapled Unit was HK\$5.00. Equity capital raised amounted to approximately HK\$10,000 million (including Share Stapled Units to Great Eagle, before issuing expenses), which together with the HK\$6,800 million of bank financing were applied towards acquisition of the hotels, payment of the costs and expenses of the Global Offering and debt related expenses.

Hotel Properties

Upon listing, the hotel properties with a carrying book value of HK\$4,063 million were re-classified as investment properties due to change in use from hotel operations to rental earnings. At the date of change, the fair value of the properties was HK\$16,661 million, the excess of fair value over the carrying value amounted to HK\$12,598 million was credited to the property revaluation reserve. As at 31 December 2013, the fair value of the properties was HK\$16,696 million, the increase in fair value from the date of listing to the end of the reporting period was recognized in the Statement of Profit or Loss.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$10,670 million or HK\$5.33 per Share Stapled Unit as at 31 December 2013 which represented a 43.3% premium to the closing Share Stapled Unit price of HK\$3.72 as at 31 December 2013.

Debt Profile

A secured term loan facility of HK\$6,800 million was drawn on the date of listing and remained outstanding as at 31 December 2013. The secured term loan is on a floating-rate interest basis and repayable in full on 29 May 2016. The Trust Group will closely monitor interest rate movements and may, depending on market conditions, consider fixing the interest rate on part or all of the debt.

As at 31 December 2013, total gross assets of the Trust Group were HK\$17,583 million. The gearing ratio, calculated as total borrowings as a percentage of gross assets, was 38.7%.

Cash Position

As at 31 December 2013, the Trust Group had a cash balance of HK\$752 million to satisfy its working capital and operating requirements.

Pledge of Assets

As at 31 December 2013, investment properties of the Trust Group with a fair value of HK\$16,696 million, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure the banking facilities granted to the Trust Group.

Commitments

At 31 December 2013, the Trust Group had capital expenditures in respect of authorised hotel renovation expenditure amounting to HK\$20,028,000 of which HK\$8,169,000 were contracted for.

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



Katherine Margaret BENSON
Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 67, 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, and the Chairman and Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion REIT on the Main Board of the Stock Exchange). He is an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited, which are listed on the Main Board of the Stock Exchange. He is also the Vice President of the Real Estate Developers Association of Hong Kong, the Trustee of the Hong Kong Centre for Economic Research, the 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 more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas. He is the father of Ms. Lo Bo Lun, Katherine, a Non-executive Director of the Trustee-Manager and the Company.

Ms. LO Bo Lun, Katherine

Non-executive Director

Ms. LO Bo Lun, Katherine, aged 32, 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 and a Director of the subsidiaries of 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 was named a Director of Langham Hospitality Group Limited in 2012. Her responsibilities include representing the Executive Chairman of Great Eagle, monitoring the financial performance of owned hotel assets, and acting as a leader of brands, culture, and design for existing hotels and hotels in development. She is a daughter of Dr. Lo Ka Shui, the Chairman of the Trustee-Manager and the Company.

Ms. Katherine Margaret BENSON

Executive Director and Chief Executive Officer

Ms. Katherine Margaret BENSON, aged 57, has been the Executive Director and Chief Executive Officer of the Trustee-Manager and the Company since 2013. She joined the Great Eagle Group in January 2000 as the General Manager of The Langham, Melbourne (formerly Sheraton Melbourne). Prior to the listing of the Trust and the Company, she was the Regional Vice President for the Langham Hospitality Group, the hotel division of Great Eagle, in Americas and Caribbean. Ms. Benson's career in the hotel industry spans over 35 years specialising in general management and operations, human resources, asset management and development. Her career has covered assignments in Europe, North America, Middle East, China and Australia. She holds a Master of Business Administration Degree from Bond University, Australia and is a Graduate of the Australian Institute of Company Directors.

Dr. LIN Syaru, Shirley

Independent Non-executive Director

Dr. LIN Syaru, Shirley, aged 45, 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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



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 Key Safety Systems and Mercuries Life Insurance 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*.

Mr. SO Yiu Wah, Eric

Independent Non-executive Director

Mr. SO Yiu Wah, Eric, aged 70, 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 36 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 64, 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 the Company's Remuneration Committee and the Company's 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, and 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. Mr. Wong is currently the Chairman of IncitAdv Consultants Ltd., a Director of Opera Hong Kong Limited, a Member 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 Member of a Committee working on a hospital project of The Chinese University of Hong Kong. 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 33 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 a Bachelor of Arts Degree from The Chinese University of Hong Kong and a Ph. D from Leicester University, England.

Senior Management

Mr. LI Man Wai, Alexander

Chief Financial Officer

Mr. LI Man Wai, Alexander, aged 59, is the Chief Financial Officer of the Company since 2013. He joined the Great Eagle Group in 1999 as the financial controller of The Langham, Hong Kong and was promoted to regional director of finance – Hong Kong of the Hotel Manager in 2012 overseeing the finance department of all Hong Kong properties, namely The Langham, Hong Kong, Langham Place Hotel, Hong Kong, Eaton, Hong Kong and Eaton serviced apartments, as well as the Chinese restaurant, Yat Tung Heen, in Wanchai. He has extensive experience in the hospitality industry of around 34 years and held various positions in the finance department in international hotel chains including Mandarin Oriental, Shangri-la and Regal before joining the Great Eagle Group.

Ms. LIANG Lai Yee, Lisa

Finance and Office Administration Manager

Ms. LIANG Lai Yee, Lisa, aged 40, is the Finance and Office Administration Manager of the Company since 2013. She is primarily responsible for the financial reporting and general office administration of the Group. With over 17 years' accounting and audit experience, Ms. Liang had previously worked as accounting manager of various commercial companies. Earlier in her career, she was employed by a reputable certified public accountants firm to perform external audit duties. Prior to joining the Group, she was an accountant of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion REIT) since March 2008. Her duties include preparing consolidated accounts, maintaining profit and cashflow forecasts and performing financial reporting duties. Ms. Liang holds a Master of Science Degree in Professional Accounting and Corporate Governance from City University of Hong Kong. She is a fellow of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

Ms. TANG Wai Yan, Carmen

Head of Investor Relations

Ms. TANG Wai Yan, Carmen, aged 36, is the Head of Investor Relations of the Company since 2013. She is also the investment services director of Great Eagle, and is responsible for facilitating communications and liaison with its shareholders and investors. Ms. Tang has 12 years of experience in the real estate sector in Hong Kong and China. Prior to joining Great Eagle in 2008, she worked as an analyst with an international investment bank covering the real estate investment trusts (REITs) and hospitality sector in Hong Kong and China. Ms. Tang graduated from the University of Cambridge with a MPhil in Finance Degree, and holds a Bachelor of Science (First Class Honours) Degree in Business Economics from Queen Mary and Westfield College, the University of London.

Company Secretary

Ms. WONG Mei Ling, Marina

Ms. WONG Mei Ling, Marina, aged 47, is the Company Secretary of the Trustee-Manager and the Company since 2013. She is responsible for the company secretarial and compliance function of the Trust Group. Ms. Wong is the Company Secretary of Great Eagle and is also responsible for the company secretarial matters of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion REIT). Ms. Wong is a fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration jointly awarded by the University of Wales and the University of Manchester and a Bachelor of Arts Degree in Accountancy from City Polytechnic of Hong Kong respectively. Ms. Wong had over 20 years' post qualification experience in company secretarial and compliance.

CORPORATE SOCIAL RESPONSIBILITY



We believe that corporate social responsibility creates enduring values for the Company as well as its stakeholders. The Hotel Manager has in place the corporate social responsibility programme CONNECT in the Hotels with the four key sustainability values – Environment, Community, Colleagues and Governance. CONNECT forms the framework to address those corporate social responsibility areas that are most relevant to the Hotels’ business.

The goal is for the employees of the Hotel Manager to realise the connection between the various initiatives under CONNECT and the environment and society so that they can all act responsibly when providing services to the Hotels and contribute to the sustainable development of the communities in which the Company operates. To that end, the Hotel Manager has been pursuing an increasingly systematic approach to the sustainability issues.

Environment

The commitment to protecting the environment is integrated into the operations of the Hotels. The “Guests of the Earth” and “Green Team” programmes were introduced in 2008 to engage the guests and colleagues. By partnering with EarthCheck (<http://www.earthcheck.org/>), a systematic approach is adopted to manage the environmental impacts. EarthCheck provides one of the best environmental management systems in use by the travel and tourism industry for the benchmarking and certification of their operational practices. All of the three hotel properties owned by the Company in Hong Kong are certified to the EarthCheck Silver level. In addition, Langham Place Hotel, Hong Kong is accredited with an ISO 14001 certification.



Resource Conservation

Maximising energy and water efficiencies without affecting the service quality is a top priority for the Hotels. Initiatives with advanced technology not only provide a more convenient and comfortable living environment, but also transform the Hotels to be more eco-efficient. These initiatives include but are not limited to retrofitting energy efficient lighting; optimising building energy use via building management systems; equipping heat recovery equipment; and installing low/dual flush toilets and low flow tap/shower fittings.

“ENERGY RESOURCES USED IN THE HOTELS ARE MAINLY COMPRISED OF ELECTRICITY, GAS AND FUEL”

Energy resources used in the Hotels are mainly comprised of electricity, gas and fuel. Electricity is the major energy source for the provision of ventilation, air-conditioning and lighting, and for the powering generators and equipment in the Hotels. Gas and fossil fuels are primarily used for cooking and laundry. In 2013, a major investment was made in replacing the chiller system with a more energy efficient water-cooled version in Eaton, Hong Kong. This resulted in an almost 20% reduction in the hotel's total electricity consumption in 2013 when compared to the previous year. In addition, on-going light retrofitting projects with LED and improved operational efficiency in laundry and kitchen facilities were implemented at all the three Hotels. In 2013, total electricity consumption of the Hotels was 157,365 GJ, down 6% when compared to 2012 due to various energy saving measures including the chiller replacement at Eaton, Hong Kong. Total water consumption of the Hotels in 2013 was 476,839 CuM, representing a 5% increase when compared to 2012 due to a 2% increase in occupied room nights. Total gas/fuel consumption of the Hotels in 2013 was 54,411 GJ, representing a slight increase of 0.9% when compared to 2012.



Waste Reduction

Waste minimisation is important to ease the pressure on the landfill space. Programmes implemented within the Hotels' daily activities include the recycling of paper, metal, plastics, cardboard, glass bottles, cooking oil, printer cartridges and wine corks; food waste composting; donation of food and furniture, fabric items and electronic equipment; and replacement of disposable items with reusable ones.

In 2013, a water purification and bottling system was introduced at Eaton, Hong Kong to produce glass bottles for drinking water in the guest rooms and function rooms, thereby eliminating the use of their plastic counterparts. Each Eaton-branded glass bottle contains 60% recycled glass that can be sterilized and reused. By introducing this system, the generation of over 350,000 pieces of plastic-bottled waste was avoided in a year.

CORPORATE SOCIAL RESPONSIBILITY



The Hotels participated in a local initiative of collecting slightly used soaps and other sanitation amenities from guest rooms for further reuse. By replacing litter bins with recycling-incorporated bins in guest rooms at The Langham, Hong Kong and Eaton, Hong Kong, guests were also encouraged to be part of the green journey.



Since 2012, Langham Place Hotel, Hong Kong has been partnering with St. James Settlement to collect and donate used wine corks from restaurants and banquets. Through this Upcycling Design Project, people with disability at community centres have helped transform the used wine corks into pens which are, in turn, available for sale at the LIFE Shop of the hotel.



“REDUCE,
REUSE,
RECYCLE”



Sustainable Living

A sustainable dining style was introduced in the Hotels in 2013. By supporting a local movement called Green Monday, the Hotels encouraged guests to have meatless meals on Monday to improve their health and reduce the carbon footprint. The Hotels' chefs created special Green Monday menus that were available at all the restaurants every Monday; meatless dishes were served at the colleague cafeteria on Mondays, and the theme of the 2013 internal cooking competition among the Hotels was “Green Cooking” which saw the creation of several innovative vegetarian dishes. The winning dishes were then included in the permanent menus of the Chinese restaurants.

External & Internal Engagement

In May 2013, the Hotels signed the Food Wise Charter to support the Food Wise Hong Kong Campaign which aims to promote public awareness of food waste problems in Hong Kong. By signing this Charter, the Hotels were committed to promoting the best practices and implementing behavioural changes to reduce food waste. The Hotels also sent representatives to the Food Wise Campaign Hotel Working Group and the Green Initiatives Development Sub Committee of the Hong Kong Hotels Association to meet and share best practices with the industry partners regularly.

To engage the colleagues in environmental protection practices and inspire them with sustainable innovation, the Hotel Manager organised regular technical site visits to external organizations. Each visit was tailored for a specific function in the Hotels; for example, a guided tour at Zero Carbon Building for the technical services and engineering teams, at Vegetable Marketing Organization-operated Hydroponic Centre for the chefs and purchasing teams, and at Swire Coca Cola Factory for the housekeeping and food and beverage colleagues.

Community

The Hotel Manager and the Hotels are committed to making positive influences on local communities and supporting the global issues that are most important to guests and colleagues. 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 colleague community services, donations, visits, free or in-kind sponsorships, and on-going partnership programmes. In 2013, the Hotels sponsored various local non-profit organisations including venue sponsorship to a presentation ceremony of Oxfam Hong Kong, venue and event sponsorship

to a carnival for children organised by Kiddy Heart Canteen, gift donation to the children at Heep Hong Society, and on-going food donation to Foodlink and Food Angel. The Hotels' colleagues also served a total of 2,512 hours of community services and volunteering efforts in 2013.

The Hotels have partnered with the Hong Chi Association for five years. The Association provides vocational training and employment services for young adults with intellectual disabilities. Hong Chi trainees work in the Hotels' back of house areas, supporting day-to-day operations such as housekeeping, cleaning, and laundry services. The teamwork between the trainees and the colleagues builds the culture of respecting diversity in the workplace.

In addition to local partnerships, colleagues are also encouraged to contribute their time and expertise to organisations related to the arts, environment, and child development.

Support of the Arts and Children

To support the development of arts in Hong Kong, the Hotels sponsored various cultural organisations and programmes. For example, The Langham, Hong Kong is an Emerald Member of the Hong Kong Philharmonic's "Maestro Circle", which is an exclusive corporate membership club for business community aimed at supporting the long-term development of the orchestra through sponsorship and enriching the cultural lives of Hong Kong people. The Langham, Hong Kong is also a sponsor for the Premiere Performances of Hong Kong, which is a registered charity established in 2007 and aims at bringing the best in the world to Hong Kong to perform chamber music and solo recitals to help build a vibrant local arts scene, boosting the city's standing in the world's cultural landscape.

CORPORATE SOCIAL RESPONSIBILITY

In partnership with Hope Worldwide, the Hotels hosted the “Through a Child’s Eyes” workshop in August 2013. The programme donated used digital cameras to children from low-income families in Hong Kong and offered them a tutorial on photography techniques. Not only did the Hotels collect 30 used cameras for donation, but the colleagues also volunteered at the workshop to coach the children and lead a hotel tour at Eaton, Hong Kong. The children then demonstrated their creative photography skills, with the winner receiving the accolade for having taken the “Photo of the Day”.

Langham Place Hotel, Hong Kong together with the Hong Kong Playground Association (HKPA) organised the “Unplug! 2013 Award Competition”. The competition rewarded the innovative ideas by



primary school students on low carbon living. In July 2013, the award ceremony was held at the hotel, and in addition to the venue sponsorship, the hotel colleagues volunteered their time and expertise in hosting the event – from venue setting to providing green tours to pastry baking. The hotel also worked with HKPA and Po Leung Kuk to clean the home for the elderly before the Lunar New Year.

In July 2013, Langham Place Hotel, Hong Kong organised a pastry workshop for children from Caritas Mok Cheung Sui Kun Community Centre. The pastry chefs showed them the operation of a commercial-scale pastry kitchen and also taught the children how to make cookies and decorate cupcakes.



During the festive season in December, The Langham, Hong Kong supported Heep Hong Society for children with special needs. Volunteers gathered at the two-day event in the hotel to make and pack delicious Christmas cookies which were delivered along with three new bicycles to the children.

“JOIN OUR
COMMUNITY
EVENTS, MAKE
OUR CITY A BETTER
PLACE”



In August 2013, Eaton, Hong Kong teamed up with Hong Chi Green Village to organise a Hong Chi Organic Farm Workshop. The farm provided Hong Chi trainees with intellectual disabilities with job opportunities by learning how to grow organic crops under the supervision of experienced farmers. Through this workshop, colleagues experienced not only the fun of organic farming, but also the working abilities of Hong Chi trainees.

Colleagues

Colleagues are the most important assets for a successful organisation. Respect for colleagues' rights is fundamental to the Hotel Manager's human resources principles, which are set out through policies and standard operating procedures that form the framework for implementation at each business unit of the Hotels. The framework ensures consistency in the following aspects throughout the Hotels:

- Equal employment opportunities
- Fair employment terms and conditions
- Employee communication
- Code of Conduct
- Health and safety

Support of the Environment

The Hotels have been supporting WWF's Earth Hour since 2009, and this initiative has become the mandatory CONNECT Event to engage colleagues and guests on saving our planet. Not only did they switch off the lights for 60 minutes, the Hotels also celebrated Earth Hour by organising a series of entertaining events to encourage the guests to participate in this meaningful moment with the colleagues. Past activities include serving organic cocktails and canapé at the Club lounge in Langham Place Hotel, Hong Kong, special offer on organic cocktails at Palm Court and The Bostonian in The Langham, Hong Kong, and live a-cappella performances and a special vegetarian menu for guests at Eaton, Hong Kong.



The success of the Hotels is built on the excellent quality of products and services. The Hotel Manager embraces the concept and technology of Total Quality Management (TQM) as one of the core management strategies. This core belief of TQM in hospitality is to involve PEOPLE in the quality journey and to engage COLLEAGUES with the same goal and direction.

CORPORATE SOCIAL RESPONSIBILITY



TQM is referred to as Quality League (Q.League) in the Hotels. The word “League” means a group of people joining together for a common purpose. The Hotel Manager’s Q.League consists of colleagues from different departments, levels and backgrounds who share the same vision – Know Our Guests, Build Great Memories.

There are two unique sets of core Values aligning with the personalities of the two brand families, the Langham/Langham Place and Eaton. These sets of Values define the way colleagues treat each other and become the guiding principles for decision making. They also help the Hotels nurture the right culture and enable the Hotels to achieve the Vision.

Values at The Langham and Langham Place are:

- One Team, One Dream
- Surprise Our Guests
- Be Curious
- Connect from the Heart
- Better Every Day
- Forever Young
- Celebrate Success
- Communicate, Communicate, Communicate

Values at Eaton are:

- Visible
- Adventurous
- Loving
- United
- Empowered
- Sustainable

Employee Health and Safety

The Hotel Manager and the Hotels are mindful of the health and safety obligations to guests, colleagues, contractors and communities. Keeping colleagues healthy is one of the key foci, and key performance indicators relating to health and safety have been deployed since 2009. These indicators are closely monitored by the health and safety committee which is established at the Hotels. The frequency of colleagues being injured and taking a work leave in 2013 was 7.4 reported lost-time accidents for every 100 employees. In addition, various occupational health and safety trainings such as manual handling and safe use of chemicals are delivered regularly to the colleagues.

As part of the Hotel Manager’s CONNECT Events in 2013, the Hotels organised Workplace Health and Safety Week in October. The event aimed at driving more attention to occupational health and safety and colleagues’ wellness. During the week, the Hotels broadcasted awareness videos during the lunch period, organized pop quizzes with prizes, and promoted helpful information at the information booths and on the wellness canteen menu, screen savers and notice boards.



The Langham, Hong Kong also invited the Group Spa Therapy Manager to host and offer advice at the “De-stress with CHUAN Spa” workshop, where colleagues learnt to find their own element under the Five Elements concept, explored CHUAN Spa products and learnt self-massage techniques to release mental and muscular stress. The hotel also introduced various smartphone applications related to health and safety at the “An App a day, keep Sickness & Danger away!!” programme.



Employee Communication

The Hotels have a systematic and structural communication system to ensure timely and sufficient information sharing feedback from the colleagues:

- **SHOWTIME** (the daily briefing session before everyone goes “on stage”) – Hotels conduct SHOWTIME every day in every department, section and shift. This is a major communication channel on daily operations issues and is a valuable platform for organizational learning and knowledge exchange.
- **The Daily Legend** – a daily newsletter prepared by each Hotel. It covers all the latest information of visiting guests, company culture, brand knowledge, colleague information and tips on self-improvement. It will also be posted on the Hotel Manager’s intranet for sharing.
- **All Colleagues’ Meeting** – it serves as a platform for communication between hotel management and colleagues to celebrate achievements and motivate future performance.
- **KPI Meeting** – this regular monthly meeting is a vital forum for colleagues to meet with the management to review the performance of each department and to discuss actions for improvement.



Langham Place Hotel, Hong Kong organised a Wellness Gala to provide free basic health checks. The hotel’s professional personal trainer offered advice on individual exercise regimens according to the measurement results obtained from the blood pressure meter and the sophisticated Body Analyzer machine which measures muscle and fat content and calculates the muscle percentage and body mass index (BMI). The hotel’s Chuan Spa Therapist demonstrated the way to self-massage in order to reduce the stress accumulated in the muscles after a day of work.

- **My Colleague Survey** – Hotels conduct this annual exercise to measure colleagues' engagement. It provides a direct channel for colleagues to express opinions and expectations. All feedback will be reviewed and transformed into action plans to improve the workplace environment and promote an engaging company culture. In 2013, there were 1,252 colleagues at the three Hotels participating in the survey. The overall Colleague Satisfaction Index has increased from 4.23 to 4.35 (out of 5) from 2012 to 2013.
- **PRIDE (Performance Results Indicator & Development Engine)** – an annual performance appraisal system addresses the core competency requirements of colleagues and assists them in setting up their career goals and action plans for performance improvement with their respective superiors. All (100%) of the Hotels' colleagues went through PRIDE with their respective managers in 2013.
- **Sports & Recreation activities** – each Hotel regularly arranges its own team building activities such as sports matches (football, basketball, and badminton), barbecues, outings, and so on. In addition, the Hotel Manager also organizes joint-properties friendly competitions so that colleagues from sister hotels may meet and interact. In 2013, a Bowling Competition was organized for the Hotels.

Employee Training

It is the Hotels' commitment to provide suitable career and training opportunities for their colleagues. Each Hotel has a syllabus of training programmes designed for different levels of colleagues to enhance their knowledge and skills while pursuing their career. It consists of the core company culture programme "5Ms" (My Colleague, My Guests, My Brand, My

“COMMUNICATE,
COMMUNICATE,
COMMUNICATE”

Langham, and MySelf) and other programmes covering both soft skills and technical knowledge development. In 2013, the average number of training hours per colleague in the Hotels was approximately 30 hours.

Training Needs Analysis is conducted annually by the Human Resources department of each Hotel to define the training and development requirements of colleagues to support the operational and management needs. Individual training needs are identified based on the colleague's improvement plan during the annual performance appraisal (PRIDE).

A programme called **APEX (Advanced Programme for EXecutives)** was established in 2012 to prepare potential leaders at different levels for future development. With the support of the senior management team of the Hotels, eight potential leaders have since been identified to participate in this programme, developing them as senior executive candidates to be in line with the business growth.

It is believed that every colleague can contribute new and useful ideas. The Hotel Manager encourages colleagues to demonstrate innovation and creativity that add value to the operation and business of the Hotels. To help capitalize on innovative ideas, the Hotel Manager introduced an electronic platform called “THINK PINK” in 2012, and over 180 ideas were received by the Hotels in 2013.

The Hotels’ outstanding efforts in people strategies and practices were recognised by the Hong Kong Institute of Human Resources Management in 2013. The Langham, Hong Kong and Langham Place Hotel, Hong Kong received the HR Excellence Awards 2013 in the categories of Excellent Reward Management Award and Excellent Business Partner Award, respectively. Langham Place Hotel, Hong Kong also won the “Excellence in Practice Citation Award” from the American Society for Training and Development in 2013.

Governance

Corporate governance in the sustainability agenda is how the business is run. Through the Hotel Manager, we are committed to maintaining good corporate governance and business integrity in all the business activities of the Hotels.

The Code of Conduct sets out the basic standard of behaviour expected of all colleagues in connection with their official duties. The policy specifies the guidelines regarding acceptance or offer of advantages, declaration of conflict of interest, gambling and handling of confidential information. The Code of Conduct and other relevant standard operating procedures are reviewed from time to time to ensure on-going commitment to ethical behaviour and good governance. The Hotel Manager also raises the corporate social responsibility awareness of the significant suppliers by communicating the newly-adopted Supplier Code of Conduct to them.

Code of Conduct training was one of the CONNECT Events in 2013. A series of in-house trainings delivered by the Independent Commission Against Corruption were organised in the Hotels. The trainings were tailored for hospitality industry with the objectives of fostering among colleagues improved awareness of the risks of corruption and related fraud, management techniques to prevent abuse of trust, and a better understanding of their role in corruption prevention.

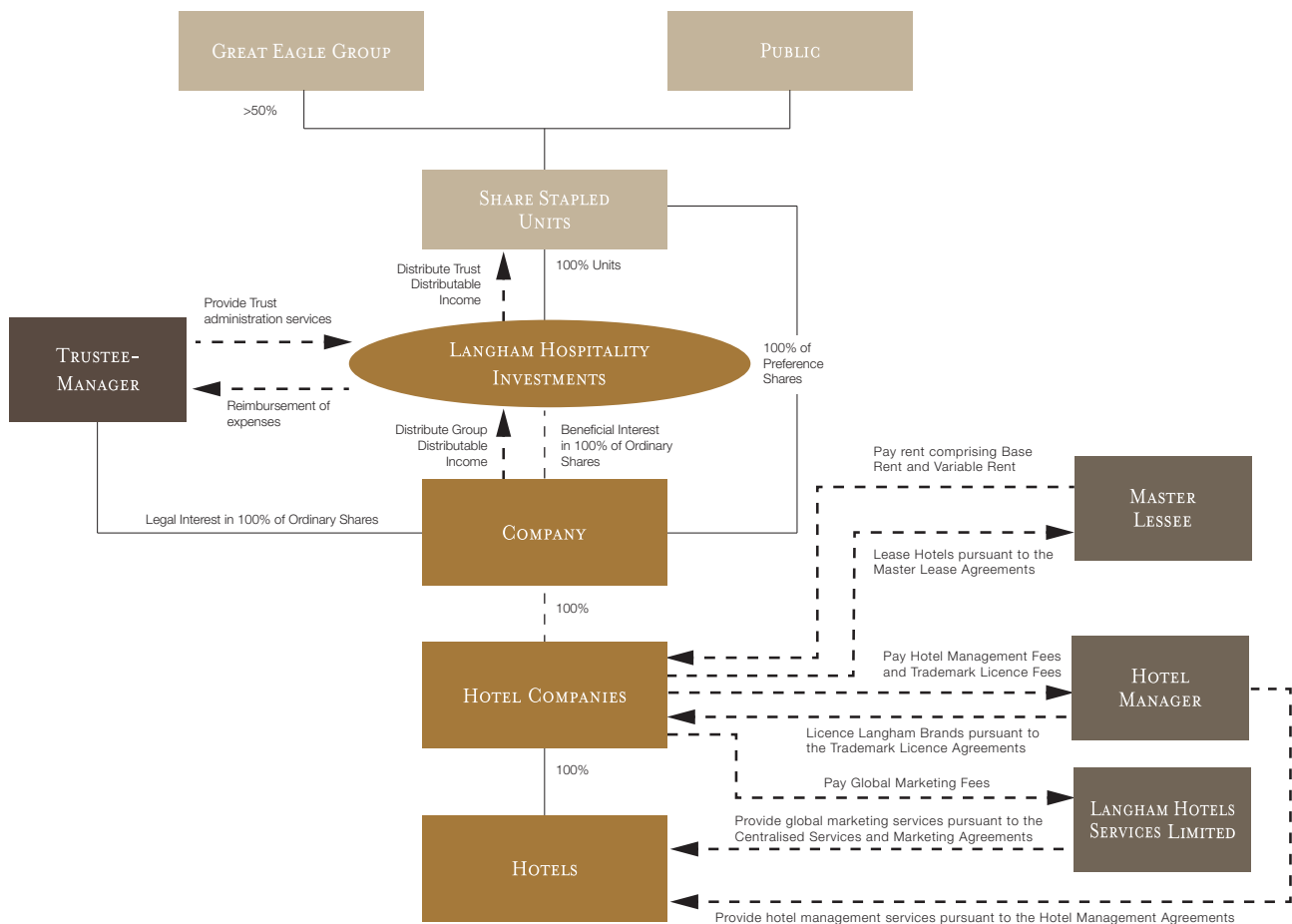
CORPORATE GOVERNANCE REPORT

The Trust, the Trustee-Manager and the Company are committed to maintaining and developing high standards of corporate governance practices that are designed to enhance corporate image, create value for our Holders of Share Stapled Units, minimize risk in fraudulent practices and address potential conflict in interest issues.

This combined Corporate Governance Report of the Trust and the Company sets out a summary of the key processes, systems and measures that are used in implementing this corporate governance framework being adopted by the Trust, the Trustee-Manager and the Company for the period from 30 May 2013 to 31 December 2013.

Structure of the Trust Group

The chart below illustrates a simplified version of the structure of the Trust Group.



Note: Further details of the above transactions are set out on page 67 to page 72 in the Report of Directors contained in this Annual Report.

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 are comprised of the following three components:

- (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.

All of the issued Ordinary Shares of the Company are held by the Trustee-Manager in its capacity as trustee-manager of the Trust. Each Unit in the Trust issued by the Trustee-Manager must correspond with a specifically identified Ordinary Share held by the Trustee-Manager, which confers a beneficial interest in that specifically identified Ordinary Share such that a transfer of a Unit in effect is to transfer the beneficial interest in such Ordinary Share. Similarly, each Unit issued in the Trust must be stapled to a specifically identified Preference Share held by the Holder of Share Stapled Unit (along with the Unit) as full legal and beneficial owner so that one cannot be traded without the other.

The Share Stapled Units are listed on the Stock Exchange. In addition, the Units, the Ordinary Shares and the Preference Shares are also 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.

So far as the Trustee-Manager and the Company are aware of, as at the date of this Report, the Trust and the Company had maintained a sufficient public float with more than 25% of the issued and outstanding Share Stapled Units being held by the public. Great Eagle, a company listed on the Stock Exchange, indirectly held an interest in 57.72% of the Share Stapled Units. Accordingly, Great Eagle is the holding company of the Trust and the Company.



Business Relationship with Great Eagle

Apart from the parent-subsidiary 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 as summarized in the chart on page 34. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules, the further details of which are provided on pages 67 to 72 in the Report of the Directors contained in this Annual Report.

From the revenue perspective, each of the Hotels (excluding three retail outlets at Eaton, Hong Kong) as indirectly owned by the Company is leased to the Master Lessee, an indirect wholly-owned subsidiary of Great Eagle, pursuant to the Master Lease Agreements. In turn, the Master Lessee pays rents to the Trust Group, which represents the major source of income.

From the expense perspective, all the Hotels are managed by the Hotel Manager, another indirect wholly-owned subsidiary of Great Eagle, pursuant to the Hotel Management Agreements, and the Trust Group pays hotel management fees to the Hotel Manager. In addition, the Trust Group has entered into the Trademark Licence Agreements and the Centralised Services and Marketing Agreements in respect of each of the Hotels with the Hotel Manager and Langham Hotels Services Limited (an indirect wholly-owned subsidiary of Great Eagle) respectively and thus incurs trademark licence fees and global marketing fees when carrying on the hospitality business.

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 in their respective business operations.

As discussed earlier, the Company is the holding company of the hospitality business carried on by the Group, with the Great Eagle Group as the Hotel Manager of the Hotels taking up the management of and all sales, marketing and advertising activities in relation to the existing three hotel properties in Hong Kong. The Group focuses on optimizing the performance of the three existing hotel properties, adopting a growth strategy of investing in completed stand-alone hotels in Asia.

The Great Eagle Group is principally engaged in the development, management and investment of high quality office, retail, residential and hotel properties in Asia, Australia, North America and Europe. It will continue to engage in hotel related operations, with a focus on further capitalizing on its resources and expertise in developing its hotel management services operations and brand building. Currently, the Great Eagle Group does not own any comparable hotel properties in Hong Kong but owns an extensive international hotel portfolio under the brand names of “The Langham”, “Langham Place” and “Eaton” located outside Asia, save for the mixed-use development project in Dalian and The Langham Xintiandi in Shanghai in which the Great Eagle Group owns a 50% interest and a 33.3% interest respectively.

In view of the clear delineation between the business of the Group and the business of the Great Eagle Group as explained above, the two groups form two distinct platforms with their own distinct business focuses that can fully leverage on each other on a complementary basis optimizing growth for mutual benefit of both groups.

To further reinforce the clear delineation of the two groups' business, a Deed of Right of First Refusal was entered into between Great Eagle and the Company on 10 May 2013. In the event there are any properties or investment opportunities acquired by or made available to the Great Eagle Group being subject to the Great Eagle ROFR Deed, Great Eagle will offer them to the Group. As such, the Group will also have access to the relevant investment opportunities to pursue its acquisition growth strategy to expand its hotel property portfolio in Asia.

Notwithstanding the above, there may arise certain circumstances where the Group competes with the Great Eagle Group in respect of the hotel operations and potential conflicts of interests arise from the connected transactions of the two groups. However, it is believed that the economic alignment in interests between Great Eagle and other Holders of Share Stapled Units resulting from Great Eagle Group holding over 50% of the Share Stapled Units can mitigate the risk of Great Eagle acting in a way that may prejudice the interests of all the Holders of Share Stapled Units as a whole.

More importantly, there were various corporate governance measures, which will be discussed in the latter section of this Corporate Governance Report, established seeking to address any potential conflict of interest and competition between the Group's hotels and those owned and/or managed by the Great Eagle Group in Asia, thereby safeguarding the interests of independent Holders of Share Stapled Units.

Corporate Governance Policies and Practices

Corporate Governance Practices serve as an ongoing guidance for the Directors in performing and fulfilling their respective roles and obligations to the Trust Group. Taking into account the structure of the Trust Group, in particular the business relationship with its holding company, the following policies and procedures were established and constituted the core elements of the governance framework of the Trust Group:

- Schedule of Matters Reserved for the Board
- Segregation of Duties between Chairman and Chief Executive Officer
- Code of Conduct regarding Securities Transactions by Directors and Relevant Employees
- Policy on the Preservation and Prevention of Misuse of Inside Information
- Reporting and Monitoring Policy on Connected Transactions
- Corporate Governance Measures in respect of the operation of the Right of First Refusal granted by Great Eagle Holdings Limited
- Employee's Code of Conduct
- Unitholder Communication Policy

The Trustee-Manager Board and the Company Board regularly review the Trust Groups' policies and procedures on corporate governance and on legal and regulatory compliance, and further enhancement will be made from time to time in light of the latest statutory regime and international best practices.

CORPORATE GOVERNANCE REPORT



Compliance with Corporate Governance Code

Both the Trust and the Company are listed on the Stock Exchange. Pursuant to the Trust Deed, the Trustee-Manager shall be responsible for compliance by the Trust with the applicable Listing Rules and other relevant rules and regulations; the Company shall be responsible for compliance by the Company with the applicable Listing Rules and other relevant rules and regulations; and 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 to co-ordinate disclosure to the Stock Exchange.

The Trustee-Manager Board and the Company Board play a central support and supervisory role in the respective corporate governance duties of the Trust and the Company by reviewing the overall corporate governance arrangements and approving governance policies. Both the Boards are responsible for monitoring compliance with the CG Code and have to review disclosures in this Corporate Governance Report prepared on a combined basis.

Throughout the Review Period, the Trust (via the Trustee-Manager) and the Company had complied with all the 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 or the Trustee-Manager, and the Trustee-Manager does not have any employee.

Securities Transactions by Directors and Relevant Employees

The Trust Group has adopted its own 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 during the period ended 31 December 2013. The Directors' interests in the securities of the Trust and the Company and the associated corporations (within the meaning of the SFO) as at 31 December 2013 are set out on pages 64 to 65 of this Annual Report.

Board of Directors

Board Responsibilities

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 Trustee-Manager Board and the Company Board have 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, which include but not limited to administering the Trust, keeping safe custody of all the property and rights of any kind whatsoever that are held on trust for the Holders of Share Stapled Units, treating all the Holders of Share Stapled Units fairly and equally, and exercising all due diligence and vigilance in protecting the rights and interests of the Holders of Share Stapled Units. The Trustee-Manager Board exercises a number of reserved powers such as consideration and approval of the financial statements of the Trust and the Trustee-Manager, approval of the annual and

interim reports and results announcements of the Trust and the Company, declaration of distributions to the Holders of Share Stapled Units based on the distributions received from the Company, approval of terms of reference of the Trustee-Manager's Board Committee(s), and monitoring of the corporate governance of the Trust.

The Company Board, on the other hand, is responsible for setting out the overall strategies and business objectives of the Group and providing oversight of their implementation by the management team to promote the long-term success of the Group and create sustainable value for the Holders of Share Stapled Units. While day-to-day management and operation of the business activities of the Group are delegated to senior management who is accountable for the execution of business strategies and initiatives adopted by the Company Board, specific functions reserved to the Company Board are set out in the Schedule of Matters Reserved for the Board, which is reviewed periodically to ensure that the arrangements set out therein remain appropriate to the Group's needs. Provided below is a summary of the key reserved matters grouped by categories:

Strategy

- Approval of long-term objectives and corporate strategy
- Extension of business activities into new business of material nature
- Decision of ceasing to operate all or any material part of the business

Financial and Corporate Governance

- Approval of the annual and interim reports and results announcements of the Trust and the Company
- Declaration of distributions to the Trust
- Approval of any significant changes in accounting policies or practices
- Approval of substantial acquisitions or disposals

- Approval of connected transactions
- Approval of major capital expenditures
- Approval of terms of reference of the Company's Board Committees
- Review of overall corporate governance arrangements
- Approval of governance policies

Board Membership and Other Appointments

- Appointment of membership of the Company's Board Committees
- Appointment or removal of the Company Secretary

Apart from understanding the respective responsibilities of the Trustee-Manager Board and the Company Board, it is equally important for the Directors to spend sufficient efforts on carrying out their duties. While the Executive Director works full-time for the Trust and the Company, all the Non-executive Directors and the Independent Non-executive Directors have confirmed to the Trustee-Manager and the Company that they have given sufficient time and attention to the affairs of the Trust and the Company during the Review Period.

During the period ended 31 December 2013, appropriate Directors' and Officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Trustee-Manager and the Company.

CORPORATE GOVERNANCE REPORT

Board Composition

Pursuant to the Trust Deed, the Directors of the Trustee-Manager shall at all times be the same individuals who serve as Directors of the Company. The Trustee-Manager Board and the Company Board had the same composition throughout the Review Period and up to the date of this Report. The current composition of both the Boards is set out below:

Non-executive Directors

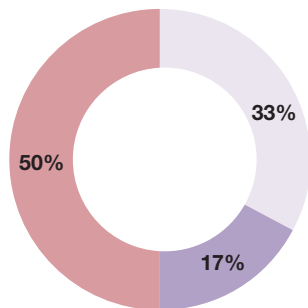
Dr. LO Ka Shui (*Chairman*)
Ms. LO Bo Lun, Katherine

Executive Director

Ms. Katherine Margaret BENSON
(*Chief Executive Officer*)

Independent Non-executive Directors

Dr. LIN Syaru, Shirley
Mr. SO Yiu Wah, Eric
Mr. WONG Kwai Lam



- Non-executive Director
- Executive Director
- Independent Non-executive Director

Given the unique business nature of the Trust Group and the close relationship with Great Eagle, it is important to build a strong independent element for the board structure to ensure the interests of all the Holders of Share Stapled Units as a whole are given due consideration when administering the Trust and conducting business of the Group. With three out of a total of six Board members are Independent Non-executive Directors, we believe the Trustee-Manager Board and the Company Board are capable of exercising objective judgments on the affairs of the Trust Group. Besides, all the Independent Non-executive Directors have the appropriate accounting or related financial management expertise for the purpose of Rule 3.10 of the Listing Rules, which can provide further assurance to the Holders of Share Stapled Units that the financial performance of the Trust Group shall be professionally reviewed and monitored.

Apart from the independent element, the Trust and the Company recognize the importance and benefits of diversity in the boardroom, and seek to build an effective structure for the Trustee-Manager Board and the Company Board with the capabilities appropriate to the scale, complexity and strategic positioning of our business. Directors are drawn from a wide range of professional backgrounds and expertise with global reach, including property and hospitality development, international affairs, global investment, investment banking and financial services. A summary of expertise and responsibilities of each Board member is set out below.

	Expertise	Responsibilities
Non-executive Directors		
LO Ka Shui (Chairman)	Property and hotel development and investment both in Hong Kong and overseas	Management of the Trustee-Manager Board and the Company Board, leading both the Boards in the formulation of strategic directions and high level oversight of the management and operations of the Trust Group
LO Bo Lun, Katherine	Brand standards, hotel design and hospitality development	Formulation of strategic directions and high level oversight of the management and operations of the Trust Group
Executive Director		
Katherine Margaret BENSON (Chief Executive Officer)	General management and operations, human resources, asset management and development in the hotel industry	Day-to-day management of the Trust Group
Independent Non-executive Directors		
LIN Syaru, Shirley	International affairs and global investment	Giving strategic advice and guidance on the business and operations of the Trust Group
SO Yiu Wah, Eric	Finance and business development in international hotel management	Giving strategic advice and guidance on the business and operations of the Trust Group
WONG Kwai Lam	Commercial and investment banking	Giving strategic advice and guidance on the business and operations of the Trust Group

Each of the Non-executive Directors (including the Independent Non-executive Directors) has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, renewable automatically by three years on the expiry of such term and every successive period of three years thereafter, subject to the relevant provisions under the Company's amended and restated articles of association requiring no less than one-third of all the Directors (i.e. both Executive and Non-executive Directors are included) to retire from office by rotation at each Annual General Meeting of the Company, provided that every Director shall be subject to retirement by rotation at least

once every three years. Each of the Non-executive Directors (including the Independent Non-executive Directors) has also entered into a separate letter of appointment with the Trustee-Manager for an initial term of three years commencing from the Listing Date. With the requirements under the Trust Deed that the Directors of the Trustee-Manager must be the same individuals who serve as the Directors of the Company and that the office of a Director of the Trustee-Manager shall be vacated if he ceases to be a Director of the Company, the provisions of retirement by rotation applicable to the Company Board will also apply, indirectly, to the Trustee-Manager Board.

CORPORATE GOVERNANCE REPORT



Pursuant to the Trust Deed and the Company's amended and restated articles of association, any Director appointed either to fill a casual vacancy or as an addition to the Company Board and the Trustee-Manager Board, which is the case for the six current Directors, shall hold office only until the next following AGM of the Company and of the Trust held on a combined basis and shall then be eligible for re-election. Accordingly, all the current Directors will hold office until the combined 2014 AGM and will be eligible for re-election at the said meeting.

In all corporate communications of the Trust and the Company, the composition of the Trustee-Manager Board and the Company Board is disclosed according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 21 to 23 of this Annual Report and published on our website at www.langhamhospitality.com.

Chairman and Chief Executive Officer

Segregation of Duties between Chairman and Chief Executive Officer

Chairman

- The Chairman is primarily responsible for providing leadership to the Trustee-Manager Board and the Company Board; ensuring both the Boards are provided with sufficient and reliable information on a timely basis; and maintaining communication among the Board members by promoting a culture of openness, facilitating the effective contribution of Non-executive Directors and fostering constructive relationships between Executive and Non-executive Directors.
- The Chairman also works in conjunction with the Chief Executive Officer to promote and uphold the highest standards of corporate governance, integrity and probity and to set clear expectations for the culture, values and behaviours of the Trust and the Company.

Chief Executive Officer

- The Chief Executive Officer is responsible for monitoring and supervising day-to-day management of the Company; operating the Trust Group's businesses in accordance with the strategies set by the Trustee-Manager Board and the Company Board and keeping both the Boards informed of material developments of the Trust Group; and establishing financial and non-financial goals and providing directions and guidance for management to work towards the goals.
- The Chief Executive Officer also acts as a direct liaison between Board members and management of the Trust Group and communicates to the Trustee-Manager Board and the Company Board on behalf of management.

Dr. Lo Ka Shui and Ms. Katherine Margaret Benson hold the positions of Chairman and Chief Executive Officer respectively. Given Dr. Lo Ka Shui is also a substantial shareholder, the Chairman and Managing Director of Great Eagle, this division of roles is particularly relevant and important to the Trust and the Company in ensuring an appropriate balance of power within the board structure, thereby promoting increased accountability and encouraging greater capacity for independent decision-making. The work of Dr. Lo and Ms. Benson is complementary with each other, and yet, separate with a clear division of responsibilities as set out in the Segregation of Duties between Chairman and Chief Executive Officer.

Independence of Independent Non-executive Directors

The participation of Independent Non-executive Directors in the Trustee-Manager Board and the Company Board brings independent judgment on issues relating to the Trust Groups' strategy, performance, conflicts of interest and management process, thus ensuring the interests of all Holders of Share Stapled Units have been duly considered.

Independence is a vital element for fulfilling the Directors' duty in overseeing the management of the business and affairs of the Trust and the Company. All Non-executive Directors are required to disclose their competing businesses, if any, to the Trustee-Manager and the Company. Multiple directorates in other listed companies, both in Hong Kong and overseas, held by Board members are reviewed annually.

The Nomination Committee of the Company, which is comprised of by a majority of Independent Non-executive Directors, is accountable for assessing whether any relationships or circumstances would likely to interfere with the exercise of objective and unfettered judgment by relevant Directors. It reviews the independence of each Independent Non-executive Director on an annual basis by taking into consideration factors such as length of service, interlocking directorships and other significant commitment that might potentially impose an impact on Directors' judgment. The first Nomination Committee meeting of the Company was held on 6 January 2014. The Committee is fully satisfied that all Independent Non-executive Directors demonstrate complete independence in both character and judgment and is of the opinion that they continue to bring valuable contribution to the Trustee-Manager Board and the Company Board. The Trustee-Manager and the Company also received from each Independent Non-executive Director an annual confirmation of his/her independence in respect of the independence guidelines set out in Rule 3.13 of the Listing Rules.

Supply of and Access to Information

With the appropriate separation of roles between Chairman and Chief Executive Officer and a strong representation of Independent Non-executive Directors within the board structure in place, the next step is to provide the Directors with the necessary information about the Trust Group in a timely manner so as to facilitate informed decision making and enable them to act in the best interests of all the Holders of Share Stapled Units as a whole.

Thorough and comprehensive management and financial updates are provided to all Board members on a quarterly basis, which can ensure each member is aware of the financial performance and position of the Trust Group. In addition, Directors receive monthly reports covering financial and operating highlights of the Trust Group's business that keep them abreast of the business performance. Directors are also kept updated of any material developments from time to time through notifications and circulars and have access to senior management.

The Directors may obtain independent professional advice for the purposes of discharging their duties and responsibilities. Such advice may be obtained at the expense of the Trust and the Company upon reasonable request. The Company Secretary is responsible for making all necessary arrangement. The Directors also have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and all applicable rules and regulations are being complied with.

CORPORATE GOVERNANCE REPORT



Ms. Wong Mei Ling, Marina, the Company Secretary of the Trustee-Manager and the Company, fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. The Company Secretary supports the Trustee-Manager Board and the Company Board, ensures good information flow within both Boards and compliance with Board policy and procedures, advises the Directors on governance matters, facilitates induction and monitors the training and continuous professional development of Directors. She has voluntarily attained not less than 15 hours of professional training to update her knowledge and skill each year since 2005. Her biography is set out in the Biographical Details of the Directors and Senior Management section of this Annual Report.

Directors' Orientation and Continuing Development

Apart from supplying sufficient information to the Directors to facilitate effective performance of their duties, it is also important for the Directors to possess the knowledge and skills relevant to the business of the Trust Group so as to make decisions in the best interests of the Trust, the Company and the Holders of Share Stapled Units.

A comprehensive induction pack will be distributed to each newly appointed Director with the aim to familiarize them with the business and operations of the Trust Group. The induction pack contains information and documents related to various aspects as summarized below:

Contents of the Induction Pack

Directors' Duties and Obligations

- Constitutional documents of the Trust, the Trustee-Manager and the Company
- Summary of relevant regulatory requirements in relation to Directors' obligations including the Listing Rules, A Guide on Directors' Duties, Guidelines on Disclosure of Interests, etc.
- Code of Conduct regarding Securities Transactions by Directors and Relevant Employees

Principal Business of the Trust Group

- Corporate structure chart
- Annual budget and forecasts
- Monthly reports on financial and operating highlights

Corporate Governance Policies and Procedures of the Trust Group

- Key corporate governance policies such as Policy on the Preservation and Prevention of Misuse of Inside Information, Reporting and Monitoring Policy on Connected Transactions, Schedule of Matters Reserved for the Board, Unitholder Communication Policy, etc.
- Financial Control Manual
- Terms of Reference of Board Committees

Board Process and Issues

- Corporate calendar of annual and interim reports
- Agenda of Board and Board Committee Meetings

To keep Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Trust Group's business and operating environment, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director are provided to each Director by the Company Secretary periodically to foster the refreshing and ongoing updating of Board members' skills and knowledge.

Before the listing of the Trust and the Company, all the six Directors received relevant training to get themselves prepared for serving as directors of the Trustee-Manager and the Company, with a particular focus on the Share Stapled Units structure which is a rather novel concept in the Hong Kong market. During the Review Period, the Directors received information packages on the topic of environmental, social and governance reporting and the update of the statutory and regulatory requirements. Each of the Directors participated in the training provided by the Trust and

the Company, and all the Directors had provided confirmation on their respective training records to the Trustee-Manager and the Company.

Board and Board Committee Meetings

Directors attend Board meetings and make fruitful contribution by sharing views, advices and experiences on matters material to the Trust Group's affairs, on the basis of the shared goal in further enhancing the interests of the Trust Group and the Holders of Share Stapled Units as a whole. Board meetings of the Trustee-Manager and the Company are held regularly at least four times a year at approximately quarterly intervals. Proposed dates of the regular Board and Board Committee meetings for each new calendar year are set out in a schedule and notified to all Board members before the beginning of the year concerned with a view to facilitating their attendance. Additional meetings are convened as and when circumstances warrant.

Operating Procedures for Board and Board Committee Meetings

- At least 14 days' formal notice of regular Board and Board Committee Meetings will be given to all Directors, and all Directors are invited to include any matters for discussion in the agenda.
- Directors are provided with the meeting agenda and the relevant board papers at least 3 days in advance of every regular Board and Board Committee meeting, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings.
- To safeguard the interests of the Trust Group and the Holders of Share Stapled Units, Directors are required to declare their direct/indirect interests, if any, in any business proposals to be considered at the meetings and, where appropriate, they are required to abstain from voting.
- Minutes of all Board and Board Committee meetings recording key deliberations and decisions taken are kept by the Company Secretary and are available for Directors' inspection. Draft and final versions of minutes are sent to all Directors in a timely manner for their comment and record.

CORPORATE GOVERNANCE REPORT



During the Review Period, each of the Trustee-Manager and the Company held two physical Board meetings and one Audit Committee meeting. Directors attended the meetings in person or by means of telephone or other audio communications equipment in accordance with the Trustee-Manager's articles of association and the Company's amended and restated articles of association. The attendance of individual Directors at all the meetings held during the Review Period is set out below:

Name of Directors	Number of Meeting(s) Attended/Held			
	Trustee-Manager Board	Audit Committee	Company Board	Audit Committee
Non-executive Directors				
LO Ka Shui (<i>Chairman</i>)	2/2	–	2/2	–
LO Bo Lun, Katherine	2/2	–	2/2	–
Attendance Rate	100%	–	100%	–
Executive Director				
Katherine Margaret BENSON (<i>Chief Executive Officer</i>)	2/2	–	2/2	–
Attendance Rate	100%	–	100%	–
Independent Non-executive Directors				
LIN Syaru, Shirley	2/2	1/1	2/2	1/1
SO Yiu Wah, Eric	2/2	1/1	2/2	1/1
WONG Kwai Lam	2/2	1/1	2/2	1/1
Attendance Rate	100%	100%	100%	100%
Overall Attendance Rate	100%	100%	100%	100%

Board Committees

Board Committee of the Trustee-Manager

As referred to above, the requirement to establish a Nomination Committee is not relevant to the Trustee-Manager as 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 applicable to the Trustee-Manager as its Directors are not entitled to

any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employees.

The Trustee-Manager Board has established the Audit Committee with its own terms of reference that have been approved by the Trustee-Manager Board and are reviewed periodically to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practices. The Committee reports its decisions and recommendations to the Trustee-Manager Board.

Audit Committee of the Trustee-Manager

Composition	Objectives for the establishment
<p>The composition of the Audit Committee of the Trustee-Manager comprises three Independent Non-executive Directors:</p> <p>Chairman: Mr. Wong Kwai Lam</p> <p>Members: Dr. Lin Syaru, Shirley Mr. So Yiu Wah, Eric</p>	<ul style="list-style-type: none"> The Audit Committee of the Trustee-Manager shall, amongst other things, 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, and system for internal control and audit process of the Trust and the Trustee-Manager with a view to assisting the Trustee-Manager Board to fulfill its duties in relation to internal control, risk management and financial management. The terms of reference of the Audit Committee of the Trustee-Manager setting out in detail its duties and responsibilities are posted on our website and the Stock Exchange's website.

During the Review Period and up to the date of this Report, the Audit Committee of the Trustee-Manager held two meetings with all members present. The following is a summary of the major work done categorized under the primary areas of duties of the Committee:

Primary areas of duties	Summary of major work done in 2013/2014
Disclosure of financial information	<ul style="list-style-type: none"> reviewed and approved the draft 2013 Interim Report and interim results announcement of the Trust and the Company for the period ended 30 June 2013 reviewed the unaudited consolidated financial statements of the Trust and the Company and the unaudited financial statements of the Trustee-Manager for the period ended 30 June 2013 reviewed and approved the draft 2013 Annual Report and final results announcement of the Trust and the Company for the period ended 31 December 2013 reviewed the audited consolidated financial statements of the Trust and the Company and the audited financial statements of the Trustee-Manager for the period ended 31 December 2013
Internal audit and control	<ul style="list-style-type: none"> reviewed the Internal Audit Plan 2013-2015 of the Trust and the Company reviewed the effectiveness of the internal control system of the Trust, the Company and the Trustee-Manager
Reports from external auditor	<ul style="list-style-type: none"> considered the reports from Deloitte Touche Tohmatsu on interim review of the financial information and annual audit of the consolidated financial statements of the Trust and the Company and the financial statements of the Trustee-Manager

CORPORATE GOVERNANCE REPORT



Primary areas of duties (cont'd)	Summary of major work done in 2013/2014 (cont'd)
Appointment or re-appointment of external auditor	<ul style="list-style-type: none"> approved the engagement of Deloitte Touche Tohmatsu as the external auditor of the Trust, the Company and the Trustee-Manager reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the external auditor and approved their remuneration
Connected transactions	<ul style="list-style-type: none"> reviewed and monitored connected transactions through half-yearly reports submitted by management to ensure compliance with the terms of the waiver granted by the Stock Exchange and all the other applicable rules and regulations
Great Eagle ROFR Deed	<ul style="list-style-type: none"> reviewed and adopted the corporate governance measures in respect of the operation of the ROFR granted by Great Eagle reviewed the implementation and compliance of the Great Eagle ROFR Deed

Board Committees of the Company

To provide effective oversight, the Company Board had established three standing committees, namely the Nomination Committee, Remuneration Committee and Audit Committee. Each Committee has its own terms of reference, which have been approved by the Company Board and are reviewed periodically to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practices. Each Committee reports its decisions and recommendations to the Company Board.

Nomination Committee of the Company

Composition	Objectives for the establishment
<p>The Committee currently has five members, with a majority of Independent Non-executive Directors:</p> <p>Chairman: Dr. Lin Syaru, Shirley</p> <p>Members: Dr. Lo Ka Shui Ms. Lo Bo Lun, Katherine Mr. So Yiu Wah, Eric Mr. Wong Kwai Lam</p>	<ul style="list-style-type: none"> The Company has established its Nomination Committee with focuses on strengthening, broadening, balancing and understanding the range of skills, experience and diversity on the Board. The Committee shall formulate policy and make recommendations to the Board on nomination, appointment or re-appointment of Directors and Board succession. The terms of reference of the Nomination Committee setting out in detail its duties and responsibilities are posted on our website and the Stock Exchange's website.

During the period ended 31 December 2013, no physical Nomination Committee meeting was held. The first Nomination Committee meeting with full attendance of the Committee members was held on 6 January 2014 to work on the following:

Primary areas of duties	Summary of major work done in 2013/2014
Board composition	<ul style="list-style-type: none"> reviewed the size, structure and composition of the Board by taking into account the diversity of skills, knowledge and experience of the Board members reviewed Directors' time commitment to the affairs of the Trust and the Company through, inter alia, their meeting attendance and other listed companies' directorships
Independence of Independent Non-executive Directors	<ul style="list-style-type: none"> assessed independence of all the Independent Non-executive Directors
Appointment or re-appointment of Directors	<ul style="list-style-type: none"> nominated all the six retiring Directors for re-election at the forthcoming 2014 AGM of the Trust and of the Company to be held on a combined basis after considering their respective skills, expertise and contributions and the independence of the Independent Non-executive Directors

Another important function of the Nomination Committee is to identify individuals suitably qualified to become Board members and make recommendations to the Company Board on the selection of individuals. Appointments to directorships shall be based on merit and objective criteria and having considered with due regard for the benefits of diversity. There are many considerations that factor into the Nomination Committee's nomination process including legal requirements, best practices, skills and the number of Directors required to discharge the duties of the Trustee-Manager Board, the Company Board and their respective Board Committees. Restrictions like gender, age, cultural or educational background will not be set when short-listing candidates. The Company Board approves the final choice of candidates.

Remuneration Committee of the Company

Composition	Objectives for the establishment
<p>The Committee currently has four members, with a majority of Independent Non-executive Directors:</p> <p>Chairman: Mr. So Yiu Wah, Eric</p> <p>Members: Dr. Lo Ka Shui Dr. Lin Syaru, Shirley Mr. Wong Kwai Lam</p>	<ul style="list-style-type: none"> The Company has established its Remuneration Committee to set up formal and transparent procedures for setting policy on Executive Director's remuneration and for fixing the remuneration packages for 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 terms of reference of the Remuneration Committee setting out in detail its duties and responsibilities are posted on our website and the Stock Exchange's website.

CORPORATE GOVERNANCE REPORT



During the period ended 31 December 2013, no physical Remuneration Committee meeting was held. The first Remuneration Committee meeting with full attendance of the Committee members was held on 6 January 2014 to work on the following:

Primary areas of duties	Summary of major work done in 2013/2014
Remuneration packages of Executive Director and senior management	<ul style="list-style-type: none">approved the salary review for the year 2014, discretionary bonus distribution for 2013 and other remuneration packages of the Executive Director and senior management of the Company
Remuneration of Directors	<ul style="list-style-type: none">recommended to the Board on the Directors' fees for the year 2014

The framework of the remuneration offered to the Executive Director and senior management of the Company is a combination of pre-determined elements plus discretionary components:

Remuneration Framework	
Basic compensation	<ul style="list-style-type: none">it includes basic salary, retirement benefits and other allowancesit is fixed and set to be at the level sufficient to retain and motivate employees, taking into account the scope and complexity of responsibilities, individual performance as well as market pay levels
Bonus and incentives	<ul style="list-style-type: none">they are vital to align the interest of the executives with that of Holders of Share Stapled Unitsthe level is determined by reference to factors such as the financial performance and profitability of the Trust and the Company, individual performance, prevailing market conditions and remuneration benchmark in the industry

Audit Committee of the Company

Composition	Objectives for the establishment
<p>The composition of the Audit Committee of the Company is the same as that of the Audit Committee of the Trustee-Manager, comprising three Independent Non-executive Directors:</p> <p>Chairman: Mr. Wong Kwai Lam</p> <p>Members: Dr. Lin Syaru, Shirley Mr. So Yiu Wah, Eric</p>	<ul style="list-style-type: none"> The Audit Committee of the Company shall, amongst other things, review the reports and proposals from management and make recommendations to the Company Board in respect of the financial reporting and other statutory obligations, and system for internal control and audit process of the Company with a view to assisting the Company Board to fulfill its duties in relation to internal control, risk management and financial management. The terms of reference of the Audit Committee of the Company setting out in detail its duties and responsibilities are posted on our website and the Stock Exchange's website.

During the Review Period and up to the date of this Report, the Audit Committee of the Company held two meetings with all members present. The major works done by the Audit Committee of the Company were substantially the same as those done by the Audit Committee of the Trustee-Manager as mentioned above.

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 conflict of interest and competition between the two groups so as to safeguard the interests of independent Holders of Share Stapled Units:

- 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 Holders of Share Stapled Units as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Holders of Share Stapled Units 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;
- 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; and

CORPORATE GOVERNANCE REPORT



- specific corporate governance measures have also been put in place in respect of the operation of the Great Eagle ROFR Deed as follows:
 - (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 audit plan, each of the Trustee-Manager and the Company will, through the internal audit function, review the implementation of the Great Eagle ROFR Deed each year;
 - (iii) the Audit Committee of the Company will review 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 will include an examination of supporting documents and such other information deemed necessary by the Audit Committee; and
 - (iv) the Independent Non-executive Directors will review on an annual basis compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and will 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.

During the Review Period, there were no properties or investment opportunities being acquired by or made available to the Great Eagle Group that were subject to the Great Eagle ROFR Deed.

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 and Ms. Lo Bo Lun, Katherine, Directors of the Trustee-Manager and the Company, are also directors of the Great Eagle Group, the four remaining members of the Trustee-Manager Board and the Company Board, particularly Ms. Katherine Margaret Benson and Mr. So Yiu Wah, Eric who have extensive experience in the hotel industry, have sufficient expertise to manage the Trust Group in the event that Dr. Lo and Ms. Lo are required to abstain from voting on matters relating to the Great Eagle Group.

In addition, the Trustee-Manager Board and the Company Board are comprised of three Independent Non-executive Directors, out of a total board size of six. We believe that there is a sufficiently robust and independent voice to address any situations of conflict of interest and protect the interests of the independent Holders of Share Stapled Units.

Internal Controls

The Trustee-Manager Board and the Company Board are entrusted with the overall responsibility for maintaining sound and effective internal control systems of the Trust and the Trustee-Manager and of the Company respectively. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to mitigate rather than eliminate risk of failure to meet the business objectives. The following mechanisms have been established to ensure that there are sound and effective internal control systems within the Trust, the Trustee-Manager and the Company:

- (a) Well-defined organizational structure and limit of authority;
- (b) Reliable management reporting system;
- (c) Clear and written company policies and procedures; and
- (d) Risk Management Self-Assessment and Internal Control Self-Assessment conducted for the Trustee-Manager and the Company.

Through the respective Audit Committees of the Trustee-Manager and the Company and the internal audit function, the Trustee-Manager Board and the Company Board have conducted a review on the effectiveness of the internal control systems of the Trust and the Trustee-Manager and of the Company respectively for the period from the Listing Date to 31 December 2013.

The internal audit function adopts a risk-based approach in reviewing all major operations of the Trustee-Manager and the Company on a cyclical

basis. The audit reviews cover all material financial, operational and compliance controls and risk management functions. The Internal Audit Plan 2013-2015 of the Trust and the Company was approved by both the Audit Committees. The Head of the internal audit function reports directly to both the Audit Committees and the Chairman of the Trustee-Manager Board and the Company Board. Results of the audit reviews in the form of audit reports are submitted to members of the respective Audit Committees of the Trustee-Manager and the Company and are discussed at the Audit Committee meetings of the Trustee-Manager and the Company. The internal audit reports are also followed up by the internal audit function to ensure that findings previously identified have been properly resolved.

Based on the assessment of both the Audit Committees on the results of the internal audit reviews for the period ended 31 December 2013, no significant irregularity or deficiency in internal controls has come to the Committees' attention. The Audit Committee of the Trustee-Manager and the Audit Committee of the Company therefore conclude that the internal control systems of the Trust and the Trustee-Manager and of the Company respectively are adequate and effective.

The Trustee-Manager Board and the Company Board, based on the review of their respective Audit Committees, are satisfied that the Trust (together with the Trustee-Manager) and the Company have maintained sound and effective internal control systems for the period ended 31 December 2013.



Communication with Holders of Share Stapled Units

We recognize the importance of maintaining an ongoing dialogue with our Holders of Share Stapled Units. The Unitholder Communication Policy is adopted to promote effective engagement with individual Holders of Share Stapled Units, institutional investors and other stakeholders.

Our corporate website (www.langhamhospitality.com) is one of the key channels by which the Holders of Share Stapled Units and potential investors can find a wealth of information about the Trust Group. All corporate communications of the Trust and the Company, including but not limited to annual and interim reports, announcements, circulars, key corporate governance policies, terms of reference of the various Board Committees, press releases and other corporate information, are made available on this website. For Holders of Share Stapled Units that have supported the use of environmentally-friendly means in receiving corporate communications, our website provides the most convenient way for locating the desired information. We also address the needs of those Holders of Share Stapled Units that are more accustomed to reading offline by sending corporate communications to them in printed form free of charge upon receipt of their election in writing as such.

To facilitate a two-way dialogue with Holders of Share Stapled Units and other stakeholders, the corporate communications and website are supplemented by various briefings and conferences. The management and the Head of Investor Relations meet existing and potential investors, financial analysts and media regularly at road shows, analyst briefings, investor

conferences and one-on-one group meetings where our senior executives can exchange and share views and opinions with the participants and address any queries that they may have about the business development and corporate strategies of the Trust Group based on publicly available information. Relevant presentation materials from analyst briefings on annual and interim results are also posted on our website so as to deliver a more in-depth understanding on the Trust Group's financial performance and position.

Last but not the least, general meetings of the Trust and the Company are to be held on a combined basis, which can provide the best opportunity for a genuine dialogue between the Directors and our Holders of Share Stapled Units. Proceedings of general meetings as summarized below are reviewed from time to time to ensure that the best appropriate corporate governance practices are followed. The first AGM of the Trust and the Company will be held on 30 April 2014 at Yat Tung Heen, 2nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

Proceedings of General Meetings

- Notice of general meetings together with other relevant corporate communications in printed form (or the notification letters for receiving the said corporate communications by electronic means through our website, as the case may be) will be despatched to Holders of Share Stapled Units (i) no less than 20 clear business days prior to the AGM and general meeting where a special resolution is proposed for consideration and (ii) no less than 10 clear business days for all other general meetings.

- The Chairman of the Trustee-Manager Board and the Company Board as well as the chairmen of the Board Committees or, in their absence, their duly appointed delegates or other members of the respective Committees are available to answer questions at the general meetings.
- The chairman of the independent board committee or, in his/her absence, his/her duly appointed delegates or other member(s) of the committee will be available to answer questions at any general meetings at which approval for a connected transaction or approval from independent Holders of Share Stapled Units for any other transaction is sought.
- The external auditor will attend the AGM to answer questions relating to the audit.
- To safeguard the interests and rights of the Holders of Share Stapled Units, separate resolutions are proposed at the general meetings on each substantial issue, including the election/re-election of each individual Director.
- Holders of Share Stapled Units will be provided opportunities to ask questions for each of the proposed resolutions at general meetings.
- All votes of the Holders of Share Stapled Units at general meetings will be taken by poll. The procedures for conducting a poll will be clearly explained at the meeting.
- Poll results are made available by way of an announcement, which is published on our website and the Stock Exchange's website on the same day after the general meeting.

Rights of Holders of Share Stapled Units

Under paragraph 1.2 of Schedule 1 of the Trust Deed, the Trustee-Manager may (and the Trustee-Manager shall at the request in writing of holders of Units holding not less than 5% of the Units for the time being in issue and outstanding) at any time convene a meeting of holders of Units at such time or place in Hong Kong as the party convening the meeting may think fit and propose resolutions for consideration at such meeting.

Pursuant to Article 12.3 of the Company's amended and restated articles of association, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists hold as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 5% or, thereafter, 10% of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Within 21 days from the date of deposit of the requisition, the Company Board shall proceed to convene the meeting to be held within a further 21 days.

In respect of the right to appoint and remove the trustee-manager of the Trust, under Clause 23.1 of the Trust Deed, holders of Units of the Trust may (i) by requisition convene a meeting to vote on a resolution to remove the trustee-manager and (ii) nominate a company which has consented in writing to serve as the replacement trustee-manager for appointment at general meeting by serving the requisition/nomination on the incumbent trustee-manager, provided that the holders of Units making such requisition and/or nomination hold not less than 5% of the total voting rights of all holders of Units at the date of the requisition/nomination.

CORPORATE GOVERNANCE REPORT



Pursuant to Article 16.5 of the Company's amended and restated articles of association, a member of the Company is entitled to propose a person for election as a Director of the Company at the general meeting by giving a written notice to the Company Secretary of his such intention together with the consent of the nominated person at least 7 days before the date of the general meeting.

Holders of Share Stapled Units may at any time direct their enquiries about the Trust and the Company to the Trustee-Manager Board and the Company Board by writing to our principal office in Hong Kong or by email to enquiry@langhamhospitality.com.

Constitutional Documents

During the Review Period, there was no change to the Trust Deed and the Company's amended and restated articles of association, the current versions

of which are available for download from our website and the website of the Stock Exchange.

Remuneration of Directors

As discussed above, Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust or the Trustee-Manager. The Directors' fees entitled to be received by each Director of the Company and the members of the respective Board Committees of the Company for the year 2013 are set out below. The Directors' fees for the Review Period paid to the Directors were calculated on a pro-rata basis. The remuneration levels were proposed with reference to the time and effort involved in the individual Directors' specific duties and services and the prevailing market conditions. Details of Directors' emoluments are provided in note 15 to the consolidated financial statements of the Trust and the Company.

Directors' fees entitlement by each Director and member of Board Committees	HK\$ (per annum)
Board of Directors	
• Executive Director	50,000
• Non-executive Director	150,000
• Independent Non-executive Director	200,000
• Chairman	250,000
Audit Committee	
• Chairman	100,000
• Committee Member	50,000
Remuneration Committee	
• Chairman	50,000
• Committee Member	25,000
Nomination Committee	
• Chairman	30,000
• Committee Member	20,000

Auditor's Remuneration

During the Review Period, the total fees in respect of audit and non-audit services provided to the Trust Group and the Trustee-Manager by the external auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

Services rendered	For the period ended 31 December 2013	
	Trust Group HK\$'000	Trustee-Manager HK\$'000
Audit services		
Continuing operation	1,180	20
Discontinued operation	404	–
Non-audit services		
Interim review fee	350	–
Other review fees including continuing connected transactions review etc	100	–
	2,034	20

Note: The total amounts of Auditor's Remuneration as disclosed in note 14 to the consolidated financial statements of the Trust and the Company and note 4 to the financial statements of the Trustee-Manager are HK\$1,584,000 and HK\$20,000 respectively and do not include the fees in respect of non-audit services.

Connected Transactions and/or Continuing Connected Transactions

During the Review Period, the Trust Group and the Trustee-Manager entered into certain connected transactions and/or continuing connected transactions. Disclosure requirements in accordance with the Listing Rules were fully complied with.

Details of the connected transactions and/or continuing connected transactions entered into during the Review Period and the annual review are set out on pages 67 to 72 in the Report of the Directors contained in this Annual Report.

Related Party Transactions

During the Review Period, the Trust Group and the Trustee-Manager also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Several of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 39 to the consolidated financial statements of the Trust and the Company.

CORPORATE GOVERNANCE REPORT

Directors' Responsibilities for the Financial Statements

The Trustee-Manager Board and the Company Board, supported by the Accounts and Finance Department, are responsible for the preparation of the accounts of the Trust Group and the Trustee-Manager for the period ended 31 December 2013.

The statement by the Auditor about its reporting responsibilities for the Trust Group and the Trustee-Manager are set out in the Independent Auditor's Report on pages 76 to 77 and pages 133 to 134 respectively of this Annual Report.

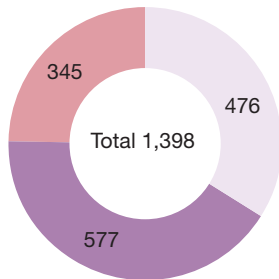
Employees

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. When compared to the figure as at 30 June 2013, the total number of employees of the Hotels increased by approximately 3.4% to 1,398, which was mainly attributable to the increase in employees in the Rooms and Food and Beverage operations.

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 31 December 2013:

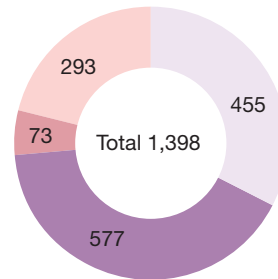
Number of employees of the Hotel Manager

By Hotel



- The Langham, Hong Kong
- Langham Place Hotel, Hong Kong
- Eaton, Hong Kong

By Function



- Rooms
- Food and beverage
- Sales and marketing
- Others

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 to the Mandatory Provident Fund Scheme as mandatory contribution.

Further details about the Hotel Manager's initiatives on employee health and safety, communication and training are provided on pages 29 to 33 in the Corporate Social Responsibility section contained in this Annual Report.

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 and allowances, and the Company has arranged various retirement benefit schemes for the benefit of its staff. The Company makes contribution to an overseas superannuation plan for the Chief Executive Officer, Ms. Katherine Margaret Benson, currently at 11.75% of the basic salary, while other staff members are signed up with the Mandatory Provident Fund Scheme in accordance with the applicable laws and regulations.

The total remuneration of the three senior management members (including the CEO) borne by the Company for the Review Period falls within the range of HK\$1-2 million for one member and below HK\$1 million for the remaining two members.

REPORT OF DIRECTORS



The Company Board and the Trustee-Manager Board have pleasure in presenting the first annual report together with the audited consolidated financial statements of the Trust Group for the year ended 31 December 2013.

The Trustee-Manager Board also presents its audited financial statements of the Trustee-Manager for the period from 25 January 2013 (date of incorporation) to 31 December 2013.

Principal Activities

The Trust is constituted, upon and subject to the terms and conditions of the Trust Deed dated 8 May 2013 entered into between the Trustee-Manager and the Company, as a fixed single investment trust in Hong Kong. The scope of activity of the Trust is limited to investing in the Company.

The principal activities of the Group are primarily to own and invest in a portfolio of hotels, with a focus on completed hotels located in Asia. The initial hotel portfolio of the Group comprises: The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong.

The principal activities and other particulars of the Company's subsidiaries as at 31 December 2013 are set out in notes 1 and 40 to the consolidated financial statements of the Trust Group contained in this Annual Report.

The Trustee-Manager, an indirect wholly-owned subsidiary of Great Eagle, has a specific and limited role to administer the Trust. The Trustee-Manager is not actively engaged in running the businesses managed by the Trust Group.

Distribution

Distributable Income

The total distributable income of the Trust Group for the year ended 31 December 2013 amounted to HK\$348,753,000. This amount was adjusted to eliminate the effects of non-cash items pursuant to the Trust Deed. A statement showing the adjustments to arrive at the total distributable income is set out in note 11 to the consolidated financial statements of the Trust Group.

Distribution per Share Stapled Unit

As stipulated in the Distribution Entitlement Waiver Deed entered into among the Trustee-Manager, LHIL Assets Holdings Limited and Great Eagle on 10 May 2013, LHIL Assets Holdings Limited has agreed to waive its entitlement to receive distribution payable in respect of a portion of the Share Stapled Units held for the following period and each of the years ending 31 December 2014, 2015, 2016 and 2017:

Distribution Entitlement Waiver Period	Number of Distribution Waiver Units
30 May 2013 (date of listing) to 31 December 2013	150,000,000
Year 2014	150,000,000
Year 2015	100,000,000
Year 2016	100,000,000
Year 2017	50,000,000

After taking into account the Distribution Waiver, the distribution per Share Stapled Unit is HK18.8 cents based on the total distributable income of HK\$348,753,000 as mentioned above.

The Company Board and the Trustee-Manager Board have recommended the payment of a final distribution of HK18.8 cents per Share Stapled Unit for the period from 30 May 2013 to 31 December 2013 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 14 May 2014, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed. Subject to the approval of the Holders of Share Stapled Units at the forthcoming 2014 AGM, the payment of the final distribution will be made on 29 May 2014.

No dividend was recommended by the Trustee-Manager Board for the year ended 31 December 2013.

Financial Summary

A summary of the results and of the assets and/or liabilities of the Trust Group is set out on page 142 of this Annual Report.

Movements in reserves

Details of the movements in the reserves of the Trust Group during the year ended 31 December 2013 are set out in the consolidated statement of changes in equity and note 31 to the consolidated financial statements.

Fixed Assets

Details of the movements in the property, plant and equipment of the Trust Group during the year are set out in note 18 to the consolidated financial statements of the Trust Group.

Investment Properties

Movements in the investment properties of the Trust Group during the year ended 31 December 2013 are set out in note 19 to the consolidated financial statements. All of the Trust Group's investment properties were revalued by independent professional property valuer as at 31 December 2013 using the income capitalisation method which is determined based on the future cash flow of market rentals at market yield expected by the property investor and applicable discount rate. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

Details of the investment properties of the Trust Group as at 31 December 2013 are set out in the Schedule of Investment Properties on page 141 of this Annual Report.

Issued Share Stapled Units

On 30 August 2013, 1,389,932 new Share Stapled Units were issued at HK\$3.93 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees (collectively "Hotel Manager's Fees") of approximately HK\$5,462,000 for the period from 30 May 2013 to 30 June 2013 pursuant to the Hotel Management Agreements and Trademark Licence Agreements in respect of The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong (collectively the "Hotel Agreements"). The Hotel Manager, Langham Hotel International Limited has nominated its fellow subsidiary, LHIL Assets Holdings Limited, to take up all the Share Stapled Units purportedly to be issued directly to the Hotel Manager by way of physical scrip pursuant to the Hotel Agreements.

REPORT OF DIRECTORS



The payment of the Hotel Manager's Fees by way of Share Stapled Units is in accordance with the terms of the Trust Deed and does not require specific prior approval of the Holders of Share Stapled Units pursuant to a waiver granted by the Stock Exchange. Principal provisions regarding the Hotel Manager's Fees and the waiver conditions have been set out in details in the prospectus dated 16 May 2013 in connection with the initial public offering of the Share Stapled Units. The basis of determination of the 1,389,932 Share Stapled Units as payment of Hotel Manager's Fees is consistent with the relevant provisions of the Hotel Agreements and the total number of Share Stapled Units issued as payment of Hotel Manager's Fees for the period from 30 May 2013 to 30 June 2013 represents approximately 0.07% of the total number of Share Stapled Units in issue as at 31 December 2013.

Except for the above, no new Share Stapled Unit was issued between the Listing Date and 31 December 2013. As at 31 December 2013, the total number of issued Share Stapled Units was 2,001,389,932.

Details of the movements in the issued capital of the Trust and the Company during the year ended 31 December 2013 are set out in note 30 to the consolidated financial statements of the Trust Group.

Details of the share capital of the Trustee-Manager are set out in note 6 to the financial statements of the Trustee-Manager.

Use of Proceeds from Initial Public Offering

The net proceeds from the global offering were approximately HK\$4,102 million, of which HK\$3,496 million were paid to the three indirect wholly-owned subsidiaries of Great Eagle for the partial settlement and cancellation of the promissory notes issued to them as consideration for the acquisition of Hotels and the remainder have been earmarked to fund the asset enhancements project at the Hotels and for working capital and other general corporate purposes.

Buy-back, Sale or Redemption of Share Stapled Units

Except for the buy-back or redemption of the Preferences Shares in the event of the exercise of the Exchange Right (as defined in the Trust Deed) or the termination of the Trust, the Trustee-Manager is prohibited under the Trust Deed from buying back or redeeming 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 SFC from time to time and only with the agreement of the Company and in circumstances where the Company buys back or redeems the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be bought back or redeemed.

Under the Trust Deed, the Holders of Share Stapled Units have no right to demand for buy-back or redemption of their Share Stapled Units.

During the year ended 31 December 2013, none of the Trust, the Trustee-Manager, the Company nor the Company's subsidiaries had bought back, sold or redeemed any Share Stapled Units.

Directors

In accordance with Clause 29.1(a) of the Trust Deed, the Directors of the Trustee-Manager shall be the same individuals who serve as Directors of the Company. The Directors of the Company Board and the Trustee-Manager Board since the listing and up to the date of this Report are set out as follows:

Name of Directors	Date of Appointment
Non-executive Directors	
Dr. LO Ka Shui (<i>Chairman</i>)	(appointed on 25 February 2013* and 29 January 2013#)
Ms. LO Bo Lun, Katherine	(appointed on 25 February 2013* and 27 February 2013#)
Executive Director	
Ms. Katherine Margaret BENSON (<i>Chief Executive Officer</i>)	(appointed on 25 February 2013* and 27 February 2013#)
Independent Non-executive Directors	
Dr. LIN Syaru, Shirley	(appointed on 5 April 2013**)
Mr. SO Yiu Wah, Eric	(appointed on 25 February 2013* and 27 February 2013#)
Mr. WONG Kwai Lam	(appointed on 2 April 2013**)

* Date of appointment to the Trustee-Manager Board

Date of appointment to the Company Board

Pursuant to Article 16.3 of the Company's amended and restated articles of association and Clause 29.2(g) of the Trust Deed, any Director appointed as an addition to the Company Board and the Trustee-Manager Board shall hold office only until the next following AGM and shall then be eligible for re-election at that meeting. Accordingly, all Directors of the Trustee-Manager and the Company shall retire from office at the forthcoming 2014 AGM and, being eligible, offer themselves for re-election.

The independence of Independent Non-executive Directors of the Trustee-Manager and the Company has been assessed by the Nomination Committee of the Company, and an annual confirmation of his/her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors had been received. The Company Board and the Trustee-Manager Board consider all the Independent Non-executive Directors of the Trustee-Manager and the Company to be independent.

Directors' and Senior Management's Biographies

The biographical details of the Directors of the Trustee-Manager and the Company, and the Senior Management of the Company are set out on pages 21 to 23 of this Annual Report.

Directors' Service Contracts

None of the Directors has a service contract with the Trustee-Manager or the Company or any of the subsidiaries of the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensations).

Directors' Emoluments

Details of emoluments of the Directors of the Company are set out in note 15 to the consolidated financial statements of the Trust Group.

Pursuant to the terms of letters of appointment/employment contract, all emoluments of the Directors shall be borne by the Company.

REPORT OF DIRECTORS



Directors' Interests and Short Positions in Share Stapled Units, Underlying Share Stapled Units and Debentures

As at 31 December 2013, 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	Number of SSUs Held	Number of Underlying SSUs Held	Total	Percentage of Issued SSUs ⁽³⁾
Lo Ka Shui	1,155,180,932 ⁽¹⁾	–	1,155,180,932 ⁽¹⁾	57.72
Katherine Margaret Benson	7,000 ⁽²⁾	–	7,000 ⁽²⁾	0.00

Notes:

- (1) These 1,155,180,932 Share Stapled Units were indirectly held by Great Eagle through two of its wholly-owned subsidiaries, LHIL Assets Holdings Limited and Great Eagle Nichemus Limited. Dr. Lo Ka Shui is the Chairman, the Managing Director and a substantial shareholder of Great Eagle holding 21.64% voting rights in its share capital.
- (2) These 7,000 Share Stapled Units were held by an Australian Pension Fund of which Ms. Katherine Margaret Benson is the founder.
- (3) This percentage has been compiled based on the total number of Share Stapled Units in issue as at 31 December 2013 of 2,001,389,932 Share Stapled Units.

Long Positions in Shares and Underlying Shares of Associated Corporations

GREAT EAGLE

As at 31 December 2013, Great Eagle owned 57.72% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The shareholdings of Directors of the Trustee-Manager and the Company in Great Eagle are disclosed as follows:

Name of Director	Number of Ordinary Shares				Number of Underlying Shares	Share Options	Total	Percentage of Issued Share Capital ⁽³⁾
	Personal Interests	Family Interests	Corporate Interests	Other Interests				
Lo Ka Shui	55,659,886	–	3,668,806 ⁽¹⁾	290,704,322 ⁽²⁾	1,141,390	1,258,000	352,432,404	55.13
Katherine Margaret Benson	65,000	–	–	15,677	–	123,000	203,677	0.03
So Yiu Wah, Eric	446	–	–	–	–	–	446	0.00

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) These 290,704,322 shares comprise:
 - (i) 211,695,169 shares owned by a discretionary trust of which Dr. Lo Ka Shui is one of the discretionary beneficiaries; and
 - (ii) 79,009,153 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.
- (3) This percentage has been compiled based on the total number of shares of Great Eagle in issue as at 31 December 2013 of 639,275,964 shares.

CHAMPION REIT

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at 31 December 2013, Great Eagle owned 60.35% interests in Champion REIT. While the definition of “associates” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the holdings of Directors of the Trustee-Manager and the Company in Champion REIT are disclosed as follows:

Name of Director	Number of Units				Number of Underlying Units	Total	Percentage of Issued Units ⁽⁴⁾
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Lo Ka Shui	–	–	3,450,043,418 ⁽¹⁾	6,200,000 ⁽²⁾	37,659,666 ⁽³⁾	3,493,903,084	61.15
Katherine Margaret Benson	10,000	–	–	–	–	10,000	0.00
So Yiu Wah, Eric	400,873	60,000	–	–	–	460,873	0.01

Notes:

- (1) These 3,450,043,418 units comprise:
 - (i) 3,448,143,418 units were indirectly held by Great Eagle of which Dr. Lo is a substantial shareholder, the Chairman and Managing Director. Dr. Lo's interests in Great Eagle are disclosed above on page 64; and
 - (ii) 1,900,000 units were held by two companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.
- (2) These interests were held by a discretionary trust. Dr. Lo is the settler and a member of the Advisory Committee and Management Committee of the trust.
- (3) These underlying units were indirectly held by Great Eagle of which Dr. Lo is a substantial shareholder, the Chairman and Managing Director. Dr. Lo's interests in Great Eagle are disclosed above on page 64.
- (4) This percentage has been compiled based on the total number of units of Champion REIT in issue as at 31 December 2013 of 5,713,864,647 units.

Save as disclosed above, as at 31 December 2013, 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.



Directors' Interest in Competing Businesses

The interests of Directors (other than Independent Non-executive Directors) in a business apart from the business of the Trust Group which competes or is likely to compete either directly or indirectly with the Trust Group's business as informed by the relevant Directors pursuant to Rule 8.10(2) of the Listing Rules are as follows:

- (i) Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, is a substantial shareholder, the Chairman and Managing Director of Great Eagle and a director of various subsidiaries of the Great Eagle Group. Great Eagle Group, as an associated corporation of the Trust and the Company and a controlling Holder of Share Stapled Units, develops, invests in and manages high quality offices, retail, residential, furnished apartments, hotel properties, restaurants and fitness centres in Asia, Australia, New Zealand, North America and Europe. Dr. Lo Ka Shui is also the Chairman and Non-executive Director of Eagle Asset Management (CP) Limited, the manager of Champion REIT and a director of all special purpose vehicles of Champion REIT. The interests of Dr. Lo held in Great Eagle and Champion REIT are disclosed in the section headed "Long Positions in Shares and Underlying Shares of Associated Corporations".
- (ii) Ms. Lo Bo Lun, Katherine, being the Non-executive Director of the Trustee-Manager and the Company, is a director of certain subsidiaries of Great Eagle including Langham Hospitality Group Limited, being the parent

company of Langham Hotels International Limited, the Hotel Manager of the three hotels of the Company, namely The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong.

The two Non-executive Directors assume a strategic role in formulating the development plans of the Trust and the Company and in particular, the development of possible further synergies between the Trust Group and the Great Eagle Group for the mutual benefit of both groups. They are not involved in the day-to-day management of the Group. The rest of the other Board members do not have ongoing executive roles in the Great Eagle Group. Ms. Katherine Margaret Benson, who is the sole Executive Director and Chief Executive Officer of the Company is primarily responsible for the overall day-to-day management of the Group and has oversight of the performance of the Master Lessee and the Hotel Manager. The management team and staff of the Group report to Ms. Benson and she is accountable to the Board without risk of conflict of interest.

In addition, the Trust Group has established various corporate governance measures as disclosed in the Corporate Governance Report under the section headed "Corporate Governance Measures to address Potential Conflicts of Interest" to address any potential conflict of interest of the common Directors of the Trust Group and the Great Eagle Group.

In view of the above, the Directors believe that the Trust Group is able to operate independently with the Great Eagle Group and has been capable of carrying on its businesses at arm's length from the businesses of Great Eagle Group.

Directors' Interest in Contracts of Significance

Details of the connected transactions and continuing connected transactions are set out in this report and note 39 to the consolidated financial statements. Save for the above, no contracts of significance to which the Trustee-Manager, the Company or its subsidiaries, its substantial Holders of Share Stapled Units, its holding company or any of its fellow subsidiaries was a party and in which a Director of the Trustee-Manager and the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Disclosure of Connected Transactions and/or Continuing Connected Transactions Pursuant to Chapter 14A of the Listing Rules

As disclosed in the prospectus issued on 16 May 2013, members of the Trust Group have entered into certain transactions prior to the date of listing with members of the Great Eagle Group. Upon listing, Great Eagle is the holding company of the Trust and the Company and a connected person of the Trust and the Company as defined in the Listing Rules. Set out below are the details of the transactions which constitute continuing connected transactions of the Trust and the Company under the Listing Rules:

	Aggregate Transaction Amount for the period from 30 May 2013 to 31 December 2013 (HK\$'000)
(1) Master Lease Agreements	
– Base Rent	133,151
– Variable Rent	335,649
(2) Hotel Management Agreements	
– Base fee	14,966*
– Incentive fee	22,147*
(3) Centralized Services and Marketing Agreements	
– Reimbursement of Cost	6,420
– Global Marketing fees	11,612
– Reservation fees	2,371
(4) Trademark Licence Agreements	9,977*
(5) Deed of Mutual Covenant and Management Agreement	1,057
(6) Lease Agreement at Langham Place Office Tower	3,039

* For the period from and including the Listing Date to 31 December 2017, the fees will be settled in the form of Share Stapled Units.

REPORT OF DIRECTORS



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 hotels 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 will assume all responsibilities as “owner” under the Hotel Management Agreements and bear 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 delegate 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 will 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 between 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 business 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:

- (i) *Base Fee*: a fixed percentage of 1.5% of the total revenue of the relevant Hotel.
- (ii) *Incentive Fee*: a fixed percentage of 5% of the 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.

3. **Centralized Services and Marketing Agreements** – three separate centralized services and marketing agreements each dated 10 May 2013 entered into between 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 Stapled 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 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 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 the 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 non-transferable 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

REPORT OF DIRECTORS



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.

5. **Property Management Services Agreement** – a Deed of Mutual Covenant and Management Agreement dated 27 June 2005 entered into between The Great Eagle Properties Management Company, Limited (“GEPM”) and Langham Place Hotel (HK) Limited, an indirect wholly-owned subsidiary of the Company. As GEPM is an indirect wholly-owned subsidiary of Great Eagle, which is a controlling Holder of Share Stapled Units of the Trust and the Company, it is a connected person of the Company under the Listing Rules.

Pursuant to the Property Management Services Agreement, GEPM shall provide property management services in respect of common areas and facilities at the lot of land on which Langham Place Hotel, Hong Kong is situated, the cost of which Langham Place Hotel (HK) Limited, an indirect wholly-owned subsidiary of the Company, is required to contribute in proportion to the number of management shares allocated to it. 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 continue for an indefinite term until it is terminated pursuant to the terms of the Deed of Mutual Covenant and Management Agreement.

The annual service fee payable is determined based on the annual budget prepared by GEPM, taking into account the actual cost incurred, plus remuneration to GEPM and the management shares allocated to Langham Place Hotel, Hong Kong in respect of the lot of land on which it is situated. The fee is in line with the fee charged by GEPM in respect of such services rendered to other tenants in accordance with the allocated management shares.

Annual caps in respect of the aggregate value of the services to be provided by GEPM for each of the financial years ended/ending 31 December 2013, 2014 and 2015 are HK\$2.0 million, HK\$2.6 million and HK\$3.3 million respectively.

6. **Lease Agreement for Lease of Office at Langham Place Office Tower** – an agreement dated 1 June 2010 entered into among Langham Place Hotel (HK) Limited, an indirect wholly-owned subsidiary of the Company, Benington Limited and Renaissance City Development Company Limited, which are wholly-owned subsidiaries of Champion REIT, which is in turn a non-wholly-owned subsidiary of Great Eagle and therefore a connected person of the Company under the Listing Rules.

Pursuant to the Lease Agreement, Benington Limited and Renaissance City Development Company Limited provide for the leasing of and building management services for Suites 1001–1003, 1005–1008 and 1015 on Level 10 of the office tower at Langham Place, Hong Kong at 8 Argyle Street, Kowloon, Hong Kong to Langham Place Hotel (HK) Limited as office

premises at a monthly rent of HK\$380,544. The said agreement has an initial term of 3 years from 1 June 2010 to 31 May 2013 and has been renewed for a further term of 3 years at a monthly rent of HK\$380,544 and management fee of HK\$50,541 per month from 1 June 2013.

Annual caps under the Lease Agreement for each of the financial years ended/ending 31 December 2013, 2014 and 2015 are HK\$5.2 million, HK\$6.0 million and HK\$6.1 million respectively.

Waivers

The transactions described in paragraphs 1 to 4 above constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and normally are required to be announced, reported on, subject to annual review and approved by independent Holders of Share Stapled Units. Rule 14A.35(1) of the Listing Rules also requires that the period for the agreement in respect of non-exempt continuing connected transactions must be fixed and, except in special circumstances, must not exceed three years.

Note (1) to Rule 13.36(2)(b) of the Listing Rules provides further that independent shareholders' approval shall be obtained for an issue of securities to a connected person pursuant to a general mandate given to the directors of an issuer by the existing shareholders.

The transactions described in paragraphs 5 and 6 above constitute non-exempt continuing connected transactions under Rule 14A.34 of the Listing Rules and normally are required to be announced and reported on but would be exempt from the approval of the independent Holders of Share Stapled Units.

Waiver from requirements to obtain approval of independent Holders of Share Stapled Units and make announcements

The Trustee-Manager and the Company have applied for, and the Stock Exchange has granted to the Trustee-Manager and the Company, a waiver from strict compliance with the announcement and, if applicable, the approval of independent Holders of Share Stapled Units requirements of the Listing Rules in respect of each of the above non-exempt continuing connected transactions for the entire duration of each of those transactions, other than, in the case of the Hotel Management Agreements and the Trademark Licence Agreements, the payment of fees payable by way of Share Stapled Units, which shall only be subject to a waiver until 31 December 2017 (but the payment of fees in cash shall be subject to a waiver for the duration of the Hotel Management Agreements and the Trademark Licence Agreements).

Waiver from requirement to set a monetary cap

The Trustee-Manager and the Company have also applied for, and the Stock Exchange has granted to the Trustee-Manager and the Company, a waiver from the setting of a monetary cap for the variable rent payable under the Master Lease Agreements and the fees payable under the Hotel Management Agreements, the Centralised Services and Marketing Agreements and the Trademark Licence Agreements for the duration of these agreements more particularly set out in the description of these transactions in paragraphs 1 to 5 above.

REPORT OF DIRECTORS



Waiver from compliance with Rule 13.36(1)(a) of the Listing Rules

The Trustee-Manager and the Company have applied for, and the Stock Exchange has granted to the Trustee-Manager and the Company, a waiver from strict compliance with Rule 13.36(1)(a) of the Listing Rules in respect of the Share Stapled Units that may be issued to the Hotel Manager pursuant to the Hotel Management Agreements and the Trademark Licence Agreements, during the period from the Listing Date until 31 December 2017.

Further details and the conditions of the waivers were disclosed in the initial public offering prospectus.

Review of Connected Transactions

In accordance with Rule 14A.37 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Trustee-Manager and the Company have reviewed the above continuing connected transactions for the period ended 31 December 2013 and confirmed they have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or on terms no less favourable to the Trust Group than terms available to or obtained from the independent third parties; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole.

The auditor of the Trustee-Manager and the Company was engaged to report on the above continuing connected transactions of the Trust Group in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note

740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Trust Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor’s letter has been provided by the Trustee-Manager and the Company to the Stock Exchange.

The Trustee-Manager Board has also confirmed that the charges paid or payable out of the Trust Property (as defined in the Trust Deed) of the Trust to the Trustee-Manager are in accordance with the Trust Deed; and they are not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the Holders of Share Stapled Units as a whole.

Interests of Substantial Holders of Share Stapled Units

As at 31 December 2013, 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	Number of SSUs Held	Number of Underlying SSUs Held	Total	Percentage of Issued SSUs ⁽³⁾
LHIL Assets Holdings Limited	1,149,215,932	–	1,149,215,932	57.42
Great Eagle Holdings Limited	1,155,180,932 ⁽¹⁾	–	1,155,180,932 ⁽¹⁾	57.72
HSBC International Trustee Limited	1,155,087,500 ⁽²⁾	–	1,155,087,500 ⁽²⁾	57.71

Notes:

- (1) These 1,155,180,932 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; and
 - (ii) 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 24 June 2013) received from HSBC International Trustee Limited ("HITL"). HITL in its capacity as a trustee of a discretionary trust held 33.11% interests in Great Eagle as at 31 December 2013.
- (3) This percentage has been compiled based on the total number of Share Stapled Units in issue as at 31 December 2013 of 2,001,389,932 Share Stapled Units.

Save as disclosed above, as at 31 December 2013, no person (other than Directors of the Trustee-Manager and the Company as set out on pages 64) 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 XV of the SFO, or which were recorded in the register required under Section 336 of the SFO.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's amended and restated articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Share Stapled Units on a pro-rata basis to existing Holder of Share Stapled Units.

Major Customers and Suppliers

During the period, the aggregate amount of purchases attributable to the Trust Group's five largest suppliers accounted for less than 30% of the Trust Group's total purchases.

Revenue of approximately HK\$471,764,000 was derived from the lease of three retail outlets at Eaton, Hong Kong and the lease of the Hotels to Master Lessee. Breakdown of the revenue is set out in note 6 to the consolidated financial statements of the Trust Group contained in this Annual Report. Master Lessee is an indirect wholly-owned subsidiary of Great Eagle, which indirectly owned 57.72% interests in the Trust and the Company as at 31 December 2013. Dr. Lo Ka Shui, the Chairman and Non-executive Director of the Trustee-Manager and the Company, is a director of the Master Lessee.

Save as disclosed above, none of the other Directors, their associates or any Holders of Share Stapled Units (which to the knowledge of the Trustee-Manager Board and the Company Board own more than 5% of the issued Share Stapled Units) has any interest in the Trust Group's customers.

REPORT OF DIRECTORS



Donations

The Trust Group made no charitable and other donations during the period.

Auditor

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Trustee-Manager and the Company will be proposed at the forthcoming AGM to be held on 30 April 2014.

Sufficiency of Public Float

As at the date of this report, based on information that is publicly available and within the knowledge of the Directors of the Trustee-Manager and the Company, the Trust Group maintains a sufficient public float with more than 25% of the issued Share Stapled Units being held by the public.

Corporate Governance

The Trust, the Trustee-Manager and the Company embraced the importance of maintaining and developing a high standard of corporate governance practices to sustain and protect the interests of Holders of Share Stapled Units. Throughout the period ended 31 December 2013, the Trustee-Manager and the Company have complied with all the applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the CG Code.

Details on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 34 to 59 of this Annual Report.

Corporate Social Responsibility

Corporate Social Responsibility has been integral to the Trust Group's business. Our commitment to Corporate Social Responsibility stems from a core belief that our business will prosper as the community and environment around us flourish. A report on Corporate Social Responsibility is set out on pages 24 to 33 of this Annual Report.

On behalf of the boards of
LHIL Manager Limited
(as trustee-manager of the Trust) and
Langham Hospitality Investments Limited



LO Ka Shui
Chairman

Hong Kong, 18 February 2014

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INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY



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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)

We have audited the consolidated financial statements of Langham Hospitality Investments (the “Trust”) and Langham Hospitality Investments Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) and of the Company and its subsidiaries (collectively referred to as the “Company Group”) set out on pages 78 to 132 (hereinafter collectively referred to as “the Trust and the Company’s consolidated financial statements”). As explained in note 1 to the Trust and the Company’s consolidated financial statements, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together. The Trust and the Company’s consolidated financial statements together comprise the consolidated statement of financial position of the Group and of the Company Group and the statement of financial position of the Company as at 31 December 2013 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and of the Company Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors’ responsibility for the Trust and the Company’s consolidated financial statements

The directors of LHIL Manger Limited (the “Trustee-Manager”) (in its capacity as the trustee-manager of the Trust) and the directors of the Company are responsible for the preparation of the Trust and the Company’s consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the Trust and the Company’s consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Trust and the Company's consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group and the Company Group as at 31 December 2013, and of the Group and the Company Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2013



	Notes	2013 HK\$'000	2012 HK\$'000
Continuing operation			
Revenue	6	471,764	-
Property related expenses		(18,670)	-
Service fees		(58,702)	-
		394,392	-
Other income	8	9,606	-
Increase in fair value of investment properties	19	25,554	-
Trust and other expenses		(42,839)	-
Finance costs	9	(76,755)	-
Profit before tax		309,958	-
Income tax expense	10	(37,571)	-
Profit for the year attributable to holders of Share Stapled Units		272,387	-
Discontinued operation			
Profit for the year from discontinued operation	13	172,888	397,491
Profit for the year	14	445,275	397,491
Basic and diluted earnings per Share Stapled Unit			
From continuing and discontinued operations	17	HK\$0.2690	HK\$0.3463
From continuing operation		HK\$0.1645	-

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

For the year ended 31 December 2013



	2013 HK\$'000	2012 HK\$'000
Profit for the year	445,275	397,491
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of owner occupied buildings upon change of use to investment properties	12,598,157	-
Items that may be reclassified to profit or loss:		
Fair value gain on available-for-sale investments	-	8,835
Reclassified upon disposal of available-for-sale investments	(23,555)	-
Other comprehensive income for the year	12,574,602	8,835
Total comprehensive income for the year	13,019,877	406,326

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

At 31 December 2013



	Notes	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment	18	9	4,060,113
Investment properties	19	16,696,000	–
Available-for-sale investments	21	–	54,601
Amount due from a fellow subsidiary	22	–	1,003,396
		16,696,009	5,118,110
Current assets			
Inventories	24	–	13,488
Debtors, deposits and prepayments	25	132,591	82,490
Amounts due from fellow subsidiaries	22	–	60,199
Tax recoverable		2,217	–
Bank balances and cash	26	751,932	31,555
		886,740	187,732
Current liabilities			
Creditors, deposits and accruals	27	69,450	256,981
Amounts due to fellow subsidiaries	22	–	525,737
Tax payable		35	4,192
Secured bank loans due within one year	28	–	29,530
		69,485	816,440
Net current assets (liabilities)		817,255	(628,708)
Total assets less current liabilities		17,513,264	4,489,402
Non-current liabilities			
Secured bank loans due after one year	28	6,718,016	158,943
Amounts due to fellow subsidiaries	22	–	4,912,640
Deferred tax liabilities	29	125,002	86,013
		6,843,018	5,157,596
NET ASSETS (LIABILITIES)		10,670,246	(668,194)
Capital and reserves			
Issued capital	30	2,001	8
Reserves		10,668,245	(668,202)
TOTAL EQUITY (DEFICIT)		10,670,246	(668,194)

The consolidated financial statements on pages 78 to 132 were approved and authorised for issue by the Board of Directors on 18 February 2014 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

Katherine Margaret BENSON
DIRECTOR

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At 31 December 2013



	Notes	2013 HK\$'000
Non-current assets		
Investments in subsidiaries	20	219,052
Amounts due from subsidiaries	23	9,708,989
		9,928,041
Current assets		
Prepayments		66
Amounts due from subsidiaries	23	3,707
Bank balances		75
		3,848
Current liability		
Accruals		5,163
Net current liabilities		(1,315)
NET ASSETS		9,926,726
Capital and reserves		
Issued capital	30	2,001
Reserves	31	9,924,725
TOTAL EQUITY		9,926,726

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

For the year ended 31 December 2013



	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	8	-	-	-	14,720	(942,248)	(927,520)
Profit for the year	-	-	-	-	-	397,491	397,491
Fair value gain on available-for-sale investments	-	-	-	-	8,835	-	8,835
Total comprehensive income for the year	-	-	-	-	8,835	397,491	406,326
Dividend distributed	-	-	-	-	-	(147,000)	(147,000)
At 31 December 2012	8	-	-	-	23,555	(691,757)	(668,194)
Profit for the year	-	-	-	-	-	445,275	445,275
Surplus on revaluation of owner occupied buildings upon change of use to investment properties	-	-	-	12,598,157	-	-	12,598,157
Reclassified upon disposal of available-for-sale investments	-	-	-	-	(23,555)	-	(23,555)
Total comprehensive income (expense) for the year	-	-	-	12,598,157	(23,555)	445,275	13,019,877
Acquisition in connection with the Reorganisation	(8)	-	(11,562,543)	-	-	-	(11,562,551)
Issue of Share Stapled Units in exchange for interests in Hotel Holding Companies (see notes 2 and 30)	1,148	5,737,982	-	-	-	-	5,739,130
Issue of Share Stapled Units upon global offering of Share Stapled Units (see note 30)	852	4,260,018	-	-	-	-	4,260,870
Issue of Share Stapled Units (see notes 30 and 35)	1	5,461	-	-	-	-	5,462
Transaction costs attributable to issue of Share Stapled Units	-	(124,348)	-	-	-	-	(124,348)
At 31 December 2013	2,001	9,879,113	(11,562,543)	12,598,157	-	(246,482)	10,670,246

Note: Pursuant to the Reorganisation (as defined in note 2), certain businesses were transferred to the Groups. 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.

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

For the year ended 31 December 2013



	2013 HK\$'000	2012 HK\$'000
Operating activities		
Profit before tax	516,275	448,932
Adjustments for:		
Hotel management fees and licence fee payable in form of Share Stapled Units	47,090	–
Increase in fair value of investment properties	(25,554)	–
Listing expense	34,748	–
Interest expense	77,188	65,865
Interest income	(9,443)	(13,098)
Depreciation on property, plant and equipment	62,107	154,620
Amortisation on loan front-end fee	21,544	470
Net exchange gain	(4,452)	–
Gain on disposal of available-for-sale investments	(23,555)	–
Loss on disposal of property, plant and equipment	–	657
Dividend income	–	(2,223)
Operating cash flows before movements in working capital	695,948	655,223
Decrease in inventories	13,488	1,597
Increase in debtors, deposits and prepayments	(49,650)	(11,950)
Increase in amounts due from fellow subsidiaries	–	(3,567)
(Decrease) increase in creditors, deposits and accruals	(242,976)	2,103
Decrease in amounts due to fellow subsidiaries	–	(55,316)
Cash generated from operations	416,810	588,090
Interest paid	(76,925)	(65,865)
Hong Kong Profits Tax paid	(38,386)	(38,869)
Net cash from operating activities	301,499	483,356

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

For the year ended 31 December 2013



Note	2013 HK\$'000	2012 HK\$'000
Investing activities		
Additions of property, plant and equipment	(64,846)	(106,463)
Proceeds from disposal of available-for-sale investments	54,601	–
Interest received	8,992	13,098
Proceeds from disposal of property, plant and equipment	–	15
Dividend received from available-for-sale investments	–	2,223
Advance to a fellow subsidiary	–	(28,388)
Net cash used in investing activities	(1,253)	(119,515)
Financing activities		
Cash considerations paid in connection with the Reorganisation 2(iii)	(10,295,814)	–
Repayments of secured bank loans	(190,000)	(870,000)
Expenses on issue of Share Stapled Units	(154,988)	–
Payment of loan front-end fee	(102,000)	–
New secured bank loans raised	6,800,000	840,000
Proceeds from issue of Share Stapled Units	4,260,870	–
Advances from fellow subsidiaries	97,611	–
Repayments of advances from fellow subsidiaries	–	(342,509)
Net cash from (used in) financing activities	415,679	(372,509)
Net increase (decrease) in cash and cash equivalents	715,925	(8,668)
Cash and cash equivalents at the beginning of the year	31,555	40,223
Effect of foreign exchange rate changes	4,452	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash	751,932	31,555

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

For the year ended 31 December 2013



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’s parent company is LHIL Assets Holdings Limited, a limited liability company incorporated in the British Virgin Islands. The Directors consider the Trust and 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. The addresses of the registered offices of the Trustee-Manager and of the Company and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

The 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 consolidated financial statements for the year ended 31 December 2013 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the “Group”). The Company’s consolidated financial statements for the year ended 31 December 2013 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Company Group”), and the statement of financial position of the Company.

The Trust controls the Company and the sole activity of the Trust during the year ended 31 December 2013 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the 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 consolidated financial statements of the Trust and the Company together. The consolidated financial statements of the Trust and the 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 consolidated financial statements”.

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

For the year ended 31 December 2013



2. Basis of Presentation and Preparation (Continued)

The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statements of cash flows, significant accounting policies and the related explanatory information are identical to the Trust and the Company. The Company's consolidated financial statements also include the stand-alone statement of financial position of the Company, and the relevant explanatory information in notes 20, 23, 31 and 33 where information specific to the Company are disclosed separately.

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

In preparation for the Listing, a group reorganisation (the "Reorganisation") as summarised below was implemented by Great Eagle Holdings Limited and the Groups in May 2013.

- (i) GE (LHIL) Holdings Limited, a wholly-owned subsidiary of Great Eagle Holdings Limited, transferred the one issued share in the Company (re-designated as one ordinary share) held by it to the Trustee-Manager (in its capacity as trustee-manager of the Trust). In consideration for such transfer, the Trustee-Manager and the Company jointly issued one Share Stapled Unit to LHIL Assets Holdings Limited, a wholly-owned subsidiary of Great Eagle Holdings Limited, at the direction of GE (LHIL) Holdings Limited;
- (ii) Certain assets and liabilities relating to the hotel operations and employees were transferred to certain wholly-owned subsidiaries of Great Eagle Holdings Limited (see note 13);
- (iii) LHIL (LHK) Limited, LHIL (LPHK) Limited and LHIL (EHK) Limited (the "Purchaser Companies"), wholly-owned subsidiaries of the Company, entered into the sale and purchase agreements with, among others, Orwell Enterprises Limited, Bondcity Investments Limited and Hamni Properties Limited (the "Vendor Companies"), wholly-owned subsidiaries of Great Eagle Holdings Limited, pursuant to which the Purchaser Companies conditionally agreed to:
 - (a) acquire the entire issued share capital of Baxter Investment Limited, Braveforce Investments Limited, Glendive Investment Limited and Rowan Enterprises Limited (the "Hotel Holding Companies"), of which their wholly-owned subsidiaries together own the hotels, namely The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong (the "Hotels") ("Shares of the Hotel Holding Companies"); and
 - (b) accept an assignment of the shareholders' loans due by the Hotel Holding Companies to the Vendor Companies ("Loans due to the Vendor Companies").

The aggregate considerations for the above acquisitions amounted to HK\$16,034,944,000, which comprised the consideration for Shares of the Hotel Holding Companies of HK\$11,562,551,000 and the consideration for Loans due to the Vendor Companies of HK\$4,472,393,000. Out of the aggregate considerations of HK\$16,034,944,000, an amount of HK\$10,295,814,000 was paid in cash and the remaining amount of HK\$5,739,130,000 was settled through the issue of 1,147,825,999 Share Stapled Units to the Vendor Companies (see notes 30 and 35).

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

For the year ended 31 December 2013



2. Basis of Presentation and Preparation (Continued)

The Trustee-Manager and the Company jointly issued Share Stapled Units to LHIL Assets Holdings Limited and the investors in the global offering of Share Stapled Units.

The Reorganisation was merely a reorganisation of the intermediate owners of the Hotels with no change in the management and the ultimate owners of the Hotels. Therefore, the Trust and Company's consolidated financial statements have been prepared by applying the principle of merger accounting which is consistent with the principle as stated in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Trust and Company's consolidated statement of financial position as of 31 December 2012 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended 31 December 2013 and 2012 have been prepared as if the Trust, the Company, Hotel Holding Companies and their subsidiaries are regarded as a single reporting entity in existence as at that date or through those periods.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Groups have applied the following new and revised HKFRSs issued by HKICPA that are relevant for the preparation of the Trust and the Company's consolidated financial statements for the first time in the current year:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Groups' financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

For the year ended 31 December 2013



3. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

HKFRS 13 “Fair Value Measurement”

The Groups have applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Groups have not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 19, 21 and 33 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”

The Groups have applied the amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”. Upon the adoption of the amendments to HKAS 1, the Groups’ ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed as the ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

For the year ended 31 December 2013



3. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

The Groups have not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Groups.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and available-for-sale investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Groups take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

For the year ended 31 December 2013



4. Significant Accounting Policies (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Groups reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Groups obtain control over the subsidiary and ceases when the Groups lose control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Groups gain control until the date when the Groups cease to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Groups are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

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

For the year ended 31 December 2013



4. Significant Accounting Policies (Continued)

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Rental income from operating lease is recognised in the profit or loss on a straight-line basis over the terms of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Groups and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

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4. Significant Accounting Policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Groups as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

The Groups as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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4. Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered the service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Groups' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint arrangements, except where the Groups are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

For the year ended 31 December 2013



4. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Groups expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Groups' financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other debtors, amounts due from fellow subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Equity securities held by the Groups that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Groups' rights to receive the dividends are established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (continued)

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

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

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4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Groups after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including creditors, amounts due to fellow subsidiaries and secured bank loans) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Groups derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Groups derecognise financial liabilities when, and only when, the Groups' obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Groups review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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

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5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Groups' accounting policies, which are described in note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Directors have made in the process of applying the Groups' accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Groups' investment property portfolios and concluded that the Groups' investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Groups' deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Groups have not recognised any deferred taxation on changes in fair value of investment properties as the Groups are not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

Investment properties are stated at fair value of HK\$16,696,000,000 (2012: nil) based on the valuations performed by independent professional valuers.

In determining the fair value of investment properties situated in Hong Kong, the valuer has used income capitalisation method which involves estimates of future cash flow determined by current leases and future leases with reference to current market conditions as of the end of the reporting period.

In relying on those valuation reports, the Directors have exercised their judgments and are satisfied that the methods of valuations are reflective of the current market conditions.

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

For the year ended 31 December 2013



5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Fair value measurements and valuation processes

Some of the Groups' assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Groups use market-observable data to the extent it is available. Where Level 1 inputs are not available, the Groups engage third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the board of directors of the Trustee-Manager and of the Company half yearly to explain the cause of fluctuations in the fair value of the assets.

The Groups use valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 19 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

6. Revenue

	2013 HK\$'000	2012 HK\$'000
Continuing operation		
Rental income from GE (LHIL) Lessee Limited ("Master Lessee") (see note 39(a))		
Base rent	133,151	–
Variable rent	335,649	–
	468,800	–
Rental income from retail shops in Eaton, Hong Kong	2,964	–
	471,764	–

7. 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.

After the execution of the master lease agreements, the Groups' business changed from hotel operations to property investment operation. Therefore, hotel operations were discontinued on the Listing Date (see note 13). The segment information reported below does not include any amounts from the discontinued operation, which would be described in more details in note 13. The Groups' results from continuing operation are derived from property investment operation, which relates to the operating results from leasing of the three Hotels and represents three operating segments under HKFRS 8.

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

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7. Segment Information (Continued)

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.

For the period from the Listing Date to 31 December 2013

Continuing operation

	The Langham, Hong Kong HK\$'000	Langham Place Hotel, Hong Kong HK\$'000	Eaton, Hong Kong HK\$'000	Consolidated HK\$'000
Segment revenue	170,199	202,301	99,264	471,764
Segment results	143,503	166,327	84,562	394,392
Other income				9,606
Increase in fair value of investment properties				25,554
Trust and other expenses				(42,839)
Finance costs				(76,755)
Profit before tax				309,958
Income tax expense				(37,571)
Profit for the year attributable to holders of Share Stapled Units				272,387

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

Continuing operation

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, Langham Place Hotel, Hong Kong and Eaton, Hong Kong were HK\$6,080,000,000, HK\$7,030,000,000 and HK\$3,586,000,000, respectively.

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

Geographical information

All of the Groups' revenue is derived from activities and customers located in Hong Kong and the Groups' non-current assets are all located in Hong Kong.

Information about major customers

Revenue from the Master Lessee is HK\$468,800,000, contributing over 10% of the total revenue of the Groups for the period from the Listing Date to 31 December 2013.

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

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8. Other Income

	2013 HK\$'000	2012 HK\$'000
Continuing operation		
Interest on bank deposits	5,154	-
Net exchange gain	4,452	-
	9,606	-

9. Finance Costs

	2013 HK\$'000	2012 HK\$'000
Continuing operation		
Interest on bank borrowings wholly repayable within five years	56,739	-
Loan front-end fee amortisation	20,016	-
	76,755	-

10. Income Tax Expense

	2013 HK\$'000	2012 HK\$'000
Continuing operation		
Current tax:		
Hong Kong Profits Tax:		
Current year	18,035	-
Underprovision in prior years	53	-
	18,088	-
Deferred tax (note 29):		
Current year	19,536	-
Overprovision in prior years	(53)	-
	19,483	-
	37,571	-

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

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10. Income Tax Expense (Continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2013 HK\$'000	2012 HK\$'000
Profit before tax	309,958	–
Tax at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	51,143	–
Tax effect of expenses not deductible for tax purposes	10,558	–
Tax effect of income not taxable for tax purposes	(5,810)	–
Utilisation of tax losses previously not recognised	(18,320)	–
Tax charge for the year	37,571	–

11. Total Distributable Income

Total distributable income is the profit for the year 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 consolidated statement of profit or loss for the relevant period. The adjustments to arrive at the total distributable income for the current year are set out below:

	Listing Date to 31 December 2013 HK\$'000
Profit for the year attributable to holders of Share Stapled Units	272,387
Adjustments:	
Add:	
Listing expenses charged to profit or loss	34,748
Depreciation	1
Deferred tax	19,483
Non-cash finance costs	20,016
Hotel management fees and licence fee payable in the form of Share Stapled Units (see notes 35 and 39(b))	47,090
Less:	
Increase in fair value of investment properties	(25,554)
Non-cash net exchange gain	(4,452)
Reserve for furniture, fixtures and equipment	(14,966)
Total distributable income	348,753

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

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12. Final Distribution

	Note	Listing Date to 31 December 2013 HK\$'000
Final distribution period (note a)		
Total distributable income	11	348,753
Percentage of distributable income for distribution (note b)		100%
Distributable income for final distribution period		348,753
Proposed final distribution (note c)		348,753
Distribution per Share Stapled Unit		
Proposed final distribution per Share Stapled Unit to be paid		
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.174
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.188

Notes:

- The first distribution paid to holders of Share Stapled Units will be based on total distributable income for the period from the Listing Date to 31 December 2013 and accordingly, holders of Share Stapled Units will not receive distributions for the period before the Listing Date.
- The Trust Deed and the articles of association of the Company state that it is the current intention of the Directors to declare and distribute (i) 100% of the total distributable income in respect of the period from the Listing Date to 31 December 2013 and each financial year ending 31 December 2014 and 2015, and (ii) not less than 90% of the total distributable income in respect of each financial year thereafter.
- The final distribution proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2013.
- The proposed final distribution per Share Stapled Unit of HK\$0.174 for the final distribution period in 2013 is calculated based on the proposed final distribution to be paid of HK\$348,753,000 for the period and 2,001,389,932 Share Stapled Unit. The proposed final distribution will be paid to holders of Share Stapled Units on or before 29 May 2014.
- Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, immediate holding company of the Company after the Listing, 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 below (the "Distribution Waiver"):

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

After taking into account of the 150,000,000 units held by LHIL Assets Holdings Limited, the number of units entitled for the proposed final distribution should be 1,851,389,932.

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13. Discontinued Operation

Upon completion of the Listing, the Hotels were leased to Master Lessee pursuant to the master lease agreements. The Hotels were reclassified from property, plant and equipment to investment properties. The hotel operations were discontinued on the Listing Date.

The profit and cash flows from the discontinued operation for the current and prior years are set out as follows:

Profit for the year from discontinued operation

	1 January 2013 to Listing Date HK\$'000	2012 HK\$'000
Revenue	657,356	1,623,459
Operating expenses	(394,926)	(964,086)
Operating profit before depreciation and amortisation	262,430	659,373
Depreciation and amortisation	(62,106)	(154,620)
Operating profit	200,324	504,753
Other income	4,477	15,821
Gain on disposal of available-for-sale investments	23,555	–
Administrative expenses	(136)	(1,622)
Finance costs	(21,903)	(70,020)
Profit before tax	206,317	448,932
Income tax expense	(33,429)	(51,441)
Profit for the year from discontinued operation	172,888	397,491

Cash flows from discontinued operation

	1 January 2013 to Listing Date HK\$'000	2012 HK\$'000
Net cash from operating activities	126,436	483,356
Net cash used in investing activities	(5,946)	(119,515)
Net cash used in financing activities	(92,389)	(372,509)
Net increase (decrease) in cash flows	28,101	(8,668)

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14. Profit for the Year

	Continuing operation		Discontinued operation		Total	
	Listing Date to 31 December 2013	2012	1 January 2013 to Listing Date	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging (crediting):						
Staff costs (including directors' emoluments)						
Retirement benefits scheme contribution	164	-	7,370	16,057	7,534	16,057
Other staff cost	3,457	-	172,551	415,527	176,008	415,527
	3,621	-	179,921	431,584	183,542	431,584
Depreciation	1	-	62,106	154,620	62,107	154,620
Auditor's remuneration	1,180	-	404	768	1,584	768
Allowance for doubtful debts	-	-	21	60	21	60
Operating lease payments on rented premises	3,518	-	1,752	4,233	5,270	4,233
Listing expenses	34,748	-	-	-	34,748	-
Cost of inventories recognised as an expense	-	-	67,641	170,320	67,641	170,320
Loss on disposal of property, plant and equipment	-	-	-	657	-	657
Dividend income from listed investments	-	-	-	(2,223)	-	(2,223)
Net exchange gain	(4,452)	-	(415)	(1,067)	(4,867)	(1,067)

15. Directors' and Chief Executive's Emoluments

The emoluments paid or payable to each of the six Directors and the chief executive were as follows:

	2013				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses (note a) HK\$'000	Retirement benefits scheme contributions HK\$'000	
Dr. LO Ka Shui (note b)	175	-	-	-	175
Ms. LO Bo Lun, Katherine (note c)	101	-	-	-	101
Ms. Katherine Margaret BENSON (note d)	30	1,492	212	134	1,868
Dr. LIN Syaru, Shirley (note e)	180	-	-	-	180
Mr. SO Yiu Wah, Eric (note f)	189	-	-	-	189
Mr. WONG Kwai Lam (note g)	204	-	-	-	204
	879	1,492	212	134	2,717

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

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15. Directors' and Chief Executive's Emoluments (Continued)

Notes:

- (a) Discretionary bonuses are determined by the remuneration committee of the Company from time to time by reference to the prevailing market conditions, the performance of the Company as well as the individual performance.
- (b) Appointed as a non-executive director and the chairman of the Trustee-Manager and the Company with effect from 25 February 2013 and 29 January 2013, respectively.
- (c) Appointed as a non-executive director of the Trustee-Manager and the Company with effect from 25 February 2013 and 27 February 2013, respectively.
- (d) Appointed as an executive director and the chief executive officer of the Trustee-Manager and the Company with effect from 25 February 2013 and 27 February 2013, respectively.
- (e) Appointed as an independent non-executive director of the Trustee-Manager and the Company with effect from 5 April 2013.
- (f) Appointed as an independent non-executive director of the Trustee-Manager and the Company with effect from 25 February 2013 and 27 February 2013, respectively.
- (g) Appointed as an independent non-executive director of the Trustee-Manager and the Company with effect from 2 April 2013.

No directors' emoluments were paid or payable by the Groups for the year ended 31 December 2012. The Directors received remuneration from Great Eagle Holdings Limited. There was no such allocation of expenses to the Groups by Great Eagle Holdings Limited (see note 39).

16. Employees' Emoluments

Of the five individuals with the highest emoluments in the Groups, 1 (2012: nil) was Director and the chief executive of the Trustee-Manager and the Company whose emoluments are included in the disclosures in note 15 above. The emoluments of the remaining 4 (2012: 5) individuals were as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	3,845	9,625
Discretionary bonuses	300	2,031
Retirement benefits scheme contributions	387	440
	4,532	12,096

	2013 Number of employee	2012 Number of employee
Bands:		
Nil – HK\$1,000,000	3	–
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	–	1
	4	5

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17. Basic and Diluted Earnings Per Share Stapled Unit

From continuing and discontinued operations

The calculation of basic and diluted earnings per Share Stapled Unit from continuing and discontinued operations attributable to holders of Share Stapled Units is based on the following data:

	2013 HK\$'000	2012 HK\$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	445,275	397,491

	2013 '000	2012 '000
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	1,655,419	1,147,826

For the year ended 31 December 2013 and 2012, the weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit has been taken into account the Share Stapled Units issued pursuant to the Reorganisation as disclosed in note 2 as if it had been effective on 1 January 2012.

From continuing operation

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

	2013 HK\$'000	2012 HK\$'000
Earnings		
Profit for the year attributable to holders of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	272,387	–

The denominator used is the same as that detailed above for both basic and diluted earnings per Share Stapled Unit.

From discontinued operation

Basic and diluted earnings per Share Stapled Unit from discontinued operation attributable to holders of Share Stapled Units is HK\$0.1045 (2012: HK\$0.3463), based on the profit for the year from discontinued operation of HK\$172,888,000 (2012: HK\$397,491,000) and the denominators detailed above for both basic and diluted earnings per Share Stapled Unit.

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18. Property, Plant and Equipment

	Leasehold land HK\$'000	Hotel buildings HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
THE GROUPS				
COST				
At 1 January 2012	2,243,249	3,227,724	236,508	5,707,481
Additions	–	12,082	94,381	106,463
Disposals	–	(775)	(2,382)	(3,157)
At 31 December 2012	2,243,249	3,239,031	328,507	5,810,787
Additions	–	7,289	57,557	64,846
Transfer to investment properties	(2,243,249)	(3,246,320)	(386,054)	(5,875,623)
At 31 December 2013	–	–	10	10
DEPRECIATION				
At 1 January 2012	645,746	769,932	182,086	1,597,764
Depreciation	44,605	74,372	35,643	154,620
Eliminated on disposals	–	–	(1,710)	(1,710)
At 31 December 2012	690,351	844,304	216,019	1,750,674
Depreciation	18,346	30,715	13,046	62,107
Eliminated on transfer to investment properties	(708,697)	(875,019)	(229,064)	(1,812,780)
At 31 December 2013	–	–	1	1
CARRYING VALUES				
At 31 December 2013	–	–	9	9
At 31 December 2012	1,552,898	2,394,727	112,488	4,060,113

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives on the following basis:

Leasehold land	Over the term of the lease
Hotel buildings	
Hotel buildings	Over the shorter of the term of the lease, or 50 years
Hotel machinery	4% per annum
Furniture and fixtures	
Hotel renovation	10% per annum
Other furniture and fixtures	10 – 20% per annum

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18. Property, Plant and Equipment (Continued)

Included in the additions of furniture and fixtures and hotel buildings of HK\$57,557,000 (2012: HK\$94,381,000) and HK\$7,289,000 (2012: HK\$12,082,000) respectively during the year ended 31 December 2013 are additions of hotel renovation and hotel machinery amounting to HK\$31,758,000 (2012: HK\$50,934,000) and HK\$7,289,000 (2012: HK\$12,082,000) of which the Directors estimate useful lives of 10 years and 25 years respectively.

Leasehold land and hotel buildings are situated in Hong Kong and held under medium-term leases.

19. Investment Properties

	THE GROUPS	
	2013 HK\$'000	2012 HK\$'000
FAIR VALUE		
At the beginning of the year	–	–
Transfer from property, plant and equipment during the year	16,661,000	–
Additions	9,446	–
Increase in fair value recognised in profit or loss	25,554	–
At the end of the year	16,696,000	–

The fair values of the Groups' investment properties of HK\$16,661,000,000 as of the date of change in use and HK\$16,696,000,000 as at 31 December 2013 (2012: nil) 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 valuations for investment properties were arrived at by using income capitalisation method which is determined based on the future cash flow of market rentals at market yield expected by the property investor and applicable discount rates. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. There has been no change to the valuation technique during the year.

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

The key inputs used in valuing the investment properties were the discount rates used at 8.50% and average daily rates, which ranged from HK\$1,267 to HK\$2,316 per room per night. A slight increase in the discount rate used would result in a significant decrease in fair value measurement of the investment properties, and vice versa. There is no indication that a slight increase in the average daily rate used would result in a significant increase in fair value measurement of the investment properties, and vice versa. The following table details the Groups' sensitivity to a 50 basis points increase/decrease in discount rate holding all other variables constant.

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19. Investment Properties (Continued)

	Discount rate	
	50 basis points increase HK\$'000	50 basis points decrease HK\$'000
The Langham, Hong Kong	(480,000)	460,000
Langham Place Hotel, Hong Kong	(480,000)	540,000
Eaton, Hong Kong	(240,000)	280,000
	(1,200,000)	1,280,000

Details of the Groups' investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
The Langham, Hong Kong	–	–	6,080,000	6,080,000
Langham Place Hotel, Hong Kong	–	–	7,030,000	7,030,000
Eaton, Hong Kong	–	–	3,586,000	3,586,000
	–	–	16,696,000	16,696,000

There were no transfers into or out of Level 3 during the year.

The carrying amounts of investment properties comprise properties situated on medium-term lease land in Hong Kong.

20. Investments In Subsidiaries

	THE COMPANY 2013 HK\$'000
Unlisted shares, at cost	–
Deemed contribution	219,052
	219,052

Particulars regarding the subsidiaries are set out in note 40.

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For the year ended 31 December 2013



21. Available-For-Sale Investments

	THE GROUPS	
	2013 HK\$'000	2012 HK\$'000
Listed equity securities in Hong Kong	–	54,601

At the end of the reporting period, all listed securities are stated at fair value which have been determined by reference to quoted bid prices quoted in active markets.

22. Amounts Due From/To Fellow Subsidiaries

	Notes	THE GROUPS	
		2013 HK\$'000	2012 HK\$'000
Amount due from a fellow subsidiary			
The Great Eagle Finance Company, Limited	(a)	–	1,003,396
Amounts due from fellow subsidiaries			
Langham Hotels International Limited	(b) & (c)	–	60,151
Bondcity Investments Limited	(b)	–	40
Hamni Properties Limited	(b)	–	8
		–	60,199
Amounts due to fellow subsidiaries			
The Great Eagle Company, Limited	(b)	–	519,188
Langham Hotels International Limited	(b) & (c)	–	6,329
Kekina Group Limited	(b)	–	208
Orwell Enterprises Limited	(b)	–	12
		–	525,737
Amounts due to fellow subsidiaries			
The Great Eagle Company, Limited	(d)	–	2,863,090
Profit Lord Limited	(e)	–	2,049,550
		–	4,912,640

Notes:

- (a) The amount was unsecured, bore interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1% per annum and was repayable on demand.
- (b) The amounts were unsecured, interest-free and repayable on demand.
- (c) The amounts were in trade nature and aged within 30 days.
- (d) The amount was unsecured, bore interest at HIBOR plus 1% per annum and had no fixed term of repayment. The fellow subsidiary had agreed not to demand for repayment at least 12 months from the end of the reporting period.
- (e) The amount was unsecured, bore interest at HIBOR plus 1.01% per annum and had no fixed term of repayment. The fellow subsidiary had agreed not to demand for repayment at least 12 months from the end of the reporting period.

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23. Amounts Due From Subsidiaries

The Company

The amounts of HK\$9,708,989,000 were unsecured, interest-free and had no fixed term of repayment. The Company had agreed not to demand for repayment at least 12 months from the end of the reporting period. The amounts recognised were determined using an effective interest rate.

The amounts of HK\$3,707,000 were unsecured, interest-free and repayable on demand.

24. Inventories

	THE GROUPS	
	2013 HK\$'000	2012 HK\$'000
Food and beverage	–	8,739
Consumables	–	4,749
	–	13,488

25. Debtors, Deposits and Prepayments

	THE GROUPS	
	2013 HK\$'000	2012 HK\$'000
Trade debtors	128,527	68,188
Less: Allowance for doubtful debts	–	(555)
	128,527	67,633
Interest receivable	451	–
Deposits and prepayments	3,613	13,240
Other debtors	–	1,617
	132,591	82,490

At 31 December 2013, rentals receivable from Master Lessee are payable on presentation of invoices. At 31 December 2012, trade debtors represented service income receivable from customers and the Groups allowed a credit period of 30 days to certain customers for hotel revenue.

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

	2013 HK\$'000	2012 HK\$'000
0–3 months	128,527	68,074
3–6 months	–	114
	128,527	68,188

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25. Debtors, Deposits and Prepayments (Continued)

At 31 December 2012, included in the Groups' trade debtors balances were debtors with aggregate carrying amount of HK\$3,228,000 which were past due as at the reporting date for which the Groups had not provided for impairment loss as there were no significant changes in credit quality and the amount was still considered recoverable. The Groups did not hold any collateral over these balances.

Aging analysis of debtors based on the invoice date which are past due but not impaired is as follows:

	2013 HK\$'000	2012 HK\$'000
Overdue:		
0-3 months	-	3,139
3-6 months	-	89
	-	3,228

Included in trade debtors is an amount due from a fellow subsidiary of HK\$128,527,000 (2012: nil) which is unsecured, interest-free and payable on presentation of invoices. Included in deposits and prepayments is an amount due from a fellow subsidiary of HK\$1,336,000 (2012: nil) which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

26. Bank Balances and Cash

The Groups

Bank balances and cash comprised short-term bank deposits carrying interest at prevailing annual deposit rates which range from 0.001% to 3.5% (2012: 0.005% to 0.1%) per annum.

27. Creditors, Deposits and Accruals

	THE GROUPS	
	2013 HK\$'000	2012 HK\$'000
Trade creditors	45,737	60,477
Deposits received	1,334	74,584
Other creditors	2,710	8,045
Accruals and other payables	19,669	113,875
	69,450	256,981

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27. Creditors, Deposits and Accruals (Continued)

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

	2013 HK\$'000	2012 HK\$'000
0-3 months	28,532	59,330
3-6 months	17,205	1,041
Over 6 months	-	106
	45,737	60,477

Accruals and other payables mainly consist of accrued listing expenses and accrued renovation expenses for the Hotels (2012: accrued operating expenses for hotel operations).

Included in trade creditors is amounts due to fellow subsidiaries of HK\$45,737,000 (2012: nil) which is unsecured, interest-free and payable on presentation of invoices. Included in other creditors is an amount due to a fellow subsidiary of HK\$15,000 (2012: nil) which is unsecured, interest-free and payable on presentation of invoices. Included in accruals and other payables is an amount due to a fellow subsidiary of HK\$3,609,000 (2012: nil) which is unsecured, interest-free and payable on presentation of invoices.

28. Secured Bank Loans

	THE GROUPS	
	2013 HK\$'000	2012 HK\$'000
Secured term loans	6,800,000	190,000
Loan front-end fee	(81,984)	(1,527)
	6,718,016	188,473
Less: Amount due within one year shown under current liabilities	-	(29,530)
Amount due after one year	6,718,016	158,943

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

	2013 HK\$'000	2012 HK\$'000
Within one year	-	30,000
More than one year but not exceeding two years	-	30,000
More than two years but not exceeding three years	6,800,000	30,000
More than three years but not exceeding four years	-	100,000
	6,800,000	190,000

At 31 December 2013, the secured bank loans of HK\$6,800,000,000 are variable-rate borrowings, bearing interests at HIBOR plus 1.2% per annum and are repayable on 29 May 2016. Bank loans are secured by the Groups' investment properties.

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28. Secured Bank Loans (Continued)

At 31 December 2012, the secured bank loans of HK\$190,000,000 were variable-rate borrowings, bearing interests at HIBOR plus 0.7% per annum and are repayable by semi-annual instalments. Bank loans were secured by debentures incorporating mortgages over the Groups' hotel properties with carrying values of HK\$2,461,933,000, a floating charge over all their undertakings and assets, assignments of revenue, assignments of hotel management agreement and insurances, together with the unconditional guarantees from Great Eagle Holdings Limited. The loans were fully repaid on 27 May 2013.

29. Deferred Tax Liabilities

The following are the deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
THE GROUPS			
At 1 January 2012	181,233	(112,593)	68,640
Charge to profit or loss	6,802	10,578	17,380
Overprovision in prior years	(7)	-	(7)
At 31 December 2012	188,028	(102,015)	86,013
Charge to profit or loss	14,747	24,295	39,042
Under(over)provision in prior years	1,200	(1,253)	(53)
At 31 December 2013	203,975	(78,973)	125,002

At the end of the reporting period, the Groups have unutilised tax losses of HK\$478,640,000 (2012: HK\$729,317,000) available for offset against future profits respectively. A deferred tax asset has been recognised in respect of HK\$478,640,000 (2012: HK\$618,286,000) of such losses respectively. At 31 December 2012, no deferred tax asset has been recognised in respect of the remaining HK\$111,031,000 due to unpredictability of future profit streams.

30. Issued Capital

	Number of Shares	Nominal Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.0005 each		
At 29 January 2013 (date of incorporation of the Company)	760,000,000	380
Increase during the period (note)	4,240,000,000	2,120
At 31 December 2013	5,000,000,000	2,500
Preference shares of HK\$0.0005 each		
At 29 January 2013 (date of incorporation of the Company)	-	-
Increase during the period (note)	5,000,000,000	2,500
At 31 December 2013	5,000,000,000	2,500

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30. Issued Capital (Continued)

Note:

Pursuant to the written resolutions of the Company dated 19 April 2013, it is resolved that with effect from 8 May 2013, the share capital structure of the Company be changed by increasing authorised share capital of the Company from HK\$380,000 divided into 760,000,000 shares of HK\$0.0005 each, to HK\$5,000,000 divided into 10,000,000,000 shares of HK\$0.0005 each, by the creation of 9,240,000,000 shares with a par value of HK\$0.0005 each, of which 5,000,000,000 shares (including all existing shares in the authorised and issued share capital of the Company) be designated as ordinary shares with a par value of HK\$0.0005 each and 5,000,000,000 shares designated as preference shares with a par value of HK\$0.0005 each, in each case with the rights, preferences, privileges and restrictions as set out in the Company's amended and restated memorandum of association and the Company's articles.

	Number of Shares	Nominal Value HK\$
Issued and fully paid:		
Ordinary shares of HK\$0.0005 each (note a)		
At 29 January 2013 (date of incorporation of the Company) (note b)	1	–
Issue of ordinary shares in exchange for interests in Hotel Holding Companies (note c)	1,147,825,999	573,913
Issue of ordinary shares upon global offering of Share Stapled Units (note d)	852,174,000	426,087
Issue of ordinary shares as payment of hotel management fees and licence fee (note e)	1,389,932	695
At 31 December 2013	2,001,389,932	1,000,695
Preference shares of HK\$0.0005 each		
At 29 January 2013 (date of incorporation of the Company)	–	–
Issue of preference share (note b)	1	–
Issue of preference shares in exchange for interests in Hotel Holding Companies (note c)	1,147,825,999	573,913
Issue of preference shares upon global offering of Share Stapled Units (note d)	852,174,000	426,087
Issue of preference shares as payment of hotel management fees and licence fee (note e)	1,389,932	695
At 31 December 2013	2,001,389,932	1,000,695

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) On 29 January 2013, one ordinary share was transferred from the initial subscriber to GE (LHIL) Holdings Limited. GE (LHIL) Holdings Limited transferred the one issued share at par in the Company (re-designated as one ordinary share) held by it to the Trustee-Manager (in its capacity as trustee-manager of the Trust) on 8 May 2013. In consideration for such transfer, the Company issued one preference share at par to LHIL Assets Holdings Limited and the Trustee-Manager issued one unit linked to that ordinary share held by the Trustee-Manager and stapled to that preference share to LHIL Assets Holdings Limited to form one Share Stapled Unit (see note 2(i)).
- (c) On 29 May 2013, 1,147,825,999 Share Stapled Units were issued at HK\$5 each to the Vendor Companies in exchange for interests in Hotel Holding Companies.
- (d) On the Listing Date, 852,174,000 Share Stapled Units were issued at HK\$5 each and received proceeds of HK\$4,260,870,000.

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30. Issued Capital (Continued)

Notes: (Continued)

- (e) Details of Share Stapled Units issued during the year as payment of hotel management fees and licence fee are as follows (see notes 35 and 39(b)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$'000	Number of Shares
30 August 2013	Listing Date to 30 June 2013	3.93	5,462	1,389,932

The Groups

For the purpose of the presentation of the consolidated statement of financial position at 31 December 2012, the balances of share capital at 31 December 2012 which represented the aggregate issued share capital of the Hotel Holding Companies existed at that date and the movement during the year ended 31 December 2012 are as follows:

	Number of Shares	Nominal Value HK\$'000
Ordinary shares of United States dollars 1 each		
Authorised:		
At 1 January 2012 and 31 December 2012	101,000	783
Issued and fully paid:		
At 1 January 2012 and 31 December 2012	1,002	8

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31. Reserves

	Share premium HK\$'000	Retained profit HK\$'000	Total HK\$'000
THE COMPANY			
At 29 January 2013 (date of incorporation)	-	-	-
Issue of Share Stapled Units in exchange for interests in Hotel Holding Companies (see notes 2 and 30)	5,737,982	-	5,737,982
Issue of Share Stapled Units upon global offering of Share Stapled Units (see note 30)	4,260,018	-	4,260,018
Issue of Share Stapled Units (see notes 30 and 35)	5,461	-	5,461
Transaction costs attributable to issue of Share Stapled Units	(124,348)	-	(124,348)
Profit for the period	-	45,612	45,612
At 31 December 2013	9,879,113	45,612	9,924,725

32. Capital Risk Management Policies and Objectives

The Company and the Groups manage their capital to ensure that entities in the Groups will be able to continue as a going concern while maximising the return to holders of Share Stapled Units through the optimisation of the debt and equity balances. The Groups' overall strategy remains unchanged from prior year.

The capital structure of the Groups consists of net debt, which includes amounts due to fellow subsidiaries and bank borrowings disclosed in notes 22 and 28, net of cash and cash equivalents and equity attributable to holders of Share Stapled Units, comprising issued share capital, reserves and accumulated losses. The capital structure of the Company consists of equity attributable to holders of Share Stapled Units, comprising issued share capital, reserve and retained profit.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Company and the Groups will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

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33. Financial Instruments

(a) Categories of financial instruments

	THE GROUPS	
	2013 HK\$'000	2012 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Trade debtors	128,527	67,633
Interest receivable	451	–
Other debtors	–	1,617
Amounts due from fellow subsidiaries	–	1,063,595
Bank balances and cash	751,932	31,555
	880,910	1,164,400
<i>Available-for-sale financial assets</i>		
Available-for-sale investments	–	54,601
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade creditors	45,737	60,477
Other creditors	2,710	8,045
Amounts due to fellow subsidiaries	–	5,438,377
Secured bank loans	6,718,016	188,473
	6,766,463	5,695,372

	THE COMPANY
	2013 HK\$'000
Financial assets	
<i>Loans and receivables</i>	
Amounts due from subsidiaries	9,712,696
Bank balances	75
	9,712,771

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33. Financial Instruments (Continued)

(a) Categories of financial instruments (Continued)

The Groups' major financial instruments include available-for-sale investments, trade and other debtors, amounts due from fellow subsidiaries, bank balances and cash, trade and other creditors, amounts due to fellow subsidiaries and secured bank loans. The Company's major financial instruments include amounts due from subsidiaries and bank balances. Details of the financial instruments are disclosed in respective notes. The risks associated with the Groups' financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The risk associated with the Company's financial instruments is credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(b) Financial risk management objectives and policies

Market risk

(i) Currency risk

The Groups have foreign currency bank balances, which expose the Groups to foreign currency risk.

The carrying amounts of the Groups' foreign currency denominated monetary assets at the end of the reporting period are as follows:

	THE GROUPS	
	2013 HK\$'000	2012 HK\$'000
Renminbi	509,150	–

The Groups manage the foreign currency risk by closely monitoring the movement of the foreign currency rate.

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33. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Groups are mainly exposed to Renminbi. The following table details the Groups' sensitivity to a 5% (2012: nil) increase and decrease in Hong Kong dollars against the relevant foreign currency. 5% (2012: nil) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2012: nil) change in foreign currency rate. A positive number below indicates an increase in profit for the year where Hong Kong dollars weaken 5% (2012: nil) against the relevant currency. For a 5% (2012: nil) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

	2013 HK\$'000	2012 HK\$'000
Renminbi	15,065	-

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Groups are exposed to cash flow interest rate risk in relation to bank deposits, variable-rate amounts due to fellow subsidiaries and secured bank loans. Interest rate risk is managed by the management on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Interest rate risk on bank deposits is considered immaterial and therefore has been excluded from the sensitivity analysis below. The Groups' cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Groups' variable-rate amounts due to fellow subsidiaries and secured bank loans.

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33. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for amounts due to fellow subsidiaries and secured bank loans at the end of the reporting period. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

If the interest rates had been 50 basis points (2012: 50 basis points) higher or lower and all other variables were held constant, the Groups' profit for the year would decrease/increase by HK\$16,801,000 (2012: HK\$17,108,000). This is mainly attributable to the Groups' exposure to interest rates on its floating rate amounts due to fellow subsidiaries and secured bank loans.

(iii) Other price risk

The Groups were exposed to equity price risk through its listed available-for-sale investments in 2012. In order to mitigate such risk, the Groups would monitor the price risk and will consider hedging the risk exposure should the need arise.

Other price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

At 31 December 2012, if the prices of the listed available-for-sale investments had been 10% higher/lower, investment revaluation reserve would increase/decrease by HK\$5,460,000 for the Groups as a result of the changes in fair value of listed available-for-sale investments.

Credit risk

At 31 December 2013, the Groups and the Company's maximum exposure to credit risk which will cause a financial loss to the Groups and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position.

In order to minimise the credit risk, the management of the Groups has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Groups review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Groups' credit risk is significantly reduced.

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

For the year ended 31 December 2013



33. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on liquid funds is limited because counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

With respect to credit risk arising from the Groups' trade debtors which mainly due from the Master Lessee and amounts due from fellow subsidiaries and the Company's amounts due from subsidiaries, the Groups and the Company's exposure to credit risk arising from default of the counterparties is limited as the counterparties have good history of repayment and the Groups and the Company do not expect to incur a significant loss arising from trade debtors, amounts due from fellow subsidiaries and amounts due from subsidiaries.

The Groups have concentration of credit risk as all of the trade debtors were due from the Master Lessee.

Other than concentration of credit risk on trade debtors which mainly due from the Master Lessee, amounts due from fellow subsidiaries, amounts due from subsidiaries and liquid funds which are deposited with several banks with high credit-ratings, the Groups and the Company do not have any other significant concentration of credit risk.

Liquidity risk

In management of the liquidity risk, the Groups monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Groups' operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

At 31 December 2012, the Groups had net current liabilities of HK\$628,708,000 and net liabilities of HK\$668,194,000, respectively. At 31 December 2013, the Company has net current liabilities of HK\$1,315,000. Taking into account of the internally generated funds, the capital commitment of the Groups as disclosed in note 36 and the continuous financial support from Great Eagle Holdings Limited, the management of the Groups and the Company was of the opinion that the Groups and the Company would be able to meet their financial obligations when they fall due.

Liquidity risk analysis

The following table details the Groups' contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Groups can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

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

For the year ended 31 December 2013



33. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity risk analysis (Continued)

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2013 HK\$'000
Non-derivative financial liabilities							
Trade creditors	N/A	45,737	-	-	-	45,737	45,737
Other creditors	N/A	2,710	-	-	-	2,710	2,710
Secured bank loans							
- variable rate	1.41%	23,969	71,909	95,878	6,839,294	7,031,050	6,718,016
		72,416	71,909	95,878	6,839,294	7,079,497	6,766,463

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2012 HK\$'000
Non-derivative financial liabilities							
Trade creditors	N/A	60,477	-	-	-	60,477	60,477
Other creditors	N/A	8,045	-	-	-	8,045	8,045
Amounts due to fellow subsidiaries							
- interest-free	N/A	525,737	-	-	-	525,737	525,737
- variable rate	1.31%	16,110	48,330	4,912,640	-	4,977,080	4,912,640
Secured bank loans							
- variable rate	1.00%	472	31,293	31,616	132,221	195,602	188,473
		610,841	79,623	4,944,256	132,221	5,766,941	5,695,372

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

For the year ended 31 December 2013



33. Financial Instruments (Continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Groups determine fair values of various financial assets and financial liabilities.

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2013 HK\$'000	31 December 2012 HK\$'000		
Financial assets				
Listed available-for-sale investments	–	54,601	Level 1	Quoted bid prices in an active market.

There were no transfers between Levels 1 and 2 in the current and prior years.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

Fair value hierarchy as at 31 December 2013 and 2012:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
2013				
Available-for-sale investments	–	–	–	–
2012				
Available-for-sale investments	54,601	–	–	54,601

34. Pledge of Assets

At 31 December 2013, all of the Groups' investment properties have been pledged to secure banking facilities granted to the Groups. At 31 December 2012, banking facilities of the Groups were secured by debentures incorporating mortgages over the Groups' hotel properties with carrying values of HK\$2,461,933,000, a floating charge over all their undertakings and assets, assignments of revenue, assignments of hotel management agreement and insurances, together with the unconditional guarantees from Great Eagle Holdings Limited in respect of rental and utility deposits of HK\$11,012,000 in aggregate.

In January 2013, mortgages over the leasehold land and hotel buildings in respect of Langham Place Hotel, Hong Kong, with an aggregate carrying amount of HK\$1,827,551,000 at 31 December 2012 were discharged.

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

For the year ended 31 December 2013



35. Major Non-Cash Transaction

Other than those disclosed in note 2(iii), the Groups incurred hotel management fees and licence fee payable to Langham Hotels International Limited from the Listing Date to 31 December 2013 of HK\$47,090,000 (2012: nil) (see note 39(b)), of which HK\$5,462,000 has been settled by Share Stapled Units. The remaining balance of HK\$41,628,000 will also be settled by Share Stapled Units subsequent to the end of the reporting period.

36. Commitments

At 31 December 2013, the Groups had capital expenditures in respect of authorised hotel renovation expenditure amounting to HK\$20,028,000 (2012: HK\$14,548,000) of which HK\$8,169,000 (2012: HK\$12,731,000) were contracted for.

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

37. 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:

	2013 HK\$'000	2012 HK\$'000
With Master Lessee		
Within one year	225,000	–
In the second to fifth year	900,000	–
Over five years	225,000	–
	1,350,000	–
With other tenants		
Within one year	2,364	5,538
In the second to fifth year	–	1,333
	2,364	6,871

Leases in respect of the retail shops in Eaton, Hong Kong are negotiated for a term of one to three years at fixed monthly rentals. At 31 December 2013, 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 39(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 consolidated financial statements.

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

For the year ended 31 December 2013



37. Operating Lease Commitments (Continued)

The Groups as lessee

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

	2013 HK\$'000	2012 HK\$'000
With Renaissance City Development Company, Limited		
Within one year	4,566	1,367
In the second to fifth year	6,469	–
	11,035	1,367
With other landlords		
Within one year	200	1,015
In the second to fifth year	–	507
	200	1,522

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

38. Retirement Benefits Scheme

The Groups have established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Groups operate several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Groups' assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administration Region in 2000.

From 1 December 2000 onwards, new staff in Hong Kong joining the Groups are required to join the new Mandatory Provident Fund Scheme. The Groups are required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the scheme, capped at HK\$1,000 before 1 June 2012 and HK\$1,250 effective from 1 June 2012.

Total contributions to retirement fund schemes for the year ended 31 December 2013 charged to the consolidated statement of profit or loss amounted to HK\$7,534,000 (2012: HK\$16,057,000). As at 31 December 2012, contributions of HK\$13,000 due in respect of the year had not been paid over to the schemes.

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

For the year ended 31 December 2013



39. Connected and Related Party Disclosures

Other than as disclosed in notes 22, 23, 25, 27 and 37, the Groups had the following significant transactions with related parties during the year. 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 Staped Units dated 16 May 2013.

	Notes	2013 HK\$'000	2012 HK\$'000
Continuing operation			
Rental income			
Master Lessee	(a)	468,800	–
Hotel management fees and licence fee			
Langham Hotels International Limited	(b)	47,090	–
Global marketing fees			
Langham Hotels Services Limited	(c)	11,612	–
Lease agency fee			
The Great Eagle Estate Agents Limited	(d)	162	–
Property management services fee			
The Great Eagle Properties Management Company, Limited	(e)	1,057	–
Administrative support service fee			
The Great Eagle Company, Limited	(f)	420	–
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(g)	3,039	–
The Great Eagle Company, Limited	(h)	299	–
Discontinued operation			
Agency commission fee			
The Great Eagle Company, Limited	(i)	332	1,310
Bon Project Limited	(i)	245	827
Zamanta Investments Limited	(i)	495	1,151

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

For the year ended 31 December 2013



39. Connected and Related Party Disclosures (Continued)

	Notes	2013 HK\$'000	2012 HK\$'000
Discontinued operation (Continued)			
Sundry income			
The Great Eagle Company, Limited	(i)	3	11
Bon Project Limited	(i)	4	14
Zamanta Investments Limited	(i)	4	12
Repair and maintenance fee			
Keyesen Engineering Company Limited	(j)	21	84
The Great Eagle Engineering Company Limited	(j)	–	4
Proceeds from disposal of available-for-sale investments			
The Great Eagle Company, Limited	(i)	54,601	–
Interest income			
The Great Eagle Finance Company, Limited	(i)	4,289	13,098
Interest expenses			
Profit Lord Limited	(i)	8,349	27,957
The Great Eagle Company, Limited	(i)	11,433	32,562
Management fee income			
Eaton House Management Limited	(i)	189	523
Management fee			
Langham Hotels International Limited	(i)	13,084	32,304
Global marketing fee			
Langham Hotels International Limited	(i)	13,084	32,304
Hotel service fee for provision of staff services			
Langham Hotels (LHK) Limited	(j)	13,057	–
Langham Hotels (LPHK) Limited	(j)	14,529	–
Langham Hotels (EHK) Limited	(j)	7,594	–
Lease agency fee			
The Great Eagle Estate Agents Limited	(d) & (k)	140	175
Property management services fee			
The Great Eagle Properties Management Company, Limited	(e) & (k)	738	140
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(g) & (k)	1,599	3,872
The Great Eagle Company, Limited	(h) & (k)	239	369

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

For the year ended 31 December 2013



39. 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 from the Listing Date to 31 December 2013. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees of HK\$479,499,000 earned by Master Lessee from the Listing Date to 31 December 2013.

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:

	Listing Date to 31 December 2013 HK\$'000
Hotels' aggregate gross operating profit before deduction of global marketing fees	479,499
70% thereon, variable rent	335,649
Base rent	133,151
Add:	
Rental income from retail shops in Eaton, Hong Kong	2,964
Groups' segment revenue	471,764
Less:	
Hotel management fees (i.e. base fee and incentive fee)	(37,113)
Licence fee	(9,977)
Global marketing fees	(11,612)
Property related expenses	(18,670)
Groups' segment profit	394,392

- (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 30 and 35).

	Listing Date to 31 December 2013 HK\$'000
(A) Total revenue of relevant hotel	997,748
(B) Adjusted Hotel's aggregate gross operating profit	442,944
(i) Base fee (A x 1.5%)	14,966
(ii) Licence fee (A x 1%)	9,977
(iii) Incentive fee (B x 5%)	22,147
Total fees	47,090

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

For the year ended 31 December 2013



39. Connected and Related Party Disclosures (Continued)

Notes: (Continued)

- (c) Global marketing fees were payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$580,607,000) under centralised services fees and marketing agreements.
- (d) 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.
- (e) 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 Langham Place Hotel, Hong Kong in respect of the lot of land on which it is situated.
- (f) 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.
- (g) 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.
- (h) The rental was charged by The Great Eagle Company, Limited for the right to use a designated area on 3/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong and ATL Logistics Centre, Berth 3, Kwai Chung, Hong Kong.
- (i) These transactions ceased after the Listing Date.
- (j) The transactions were charged to hotel operating expenses borne by Master Lessee instead of owner of hotel after the Listing Date.
- (k) The transactions were charged to hotel operating expenses borne by the Groups before the Listing Date.

The remuneration of Directors and other members of key management during the year was as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other short-term employee benefits	2,583	-
Post-employment benefits	134	-
	2,717	-

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

For the year ended 31 December 2012, the Groups' key management personnel were all Directors, who were also Directors of Great Eagle Holdings Limited. No directors' emoluments were paid or payable by the Groups. The Directors received remuneration from Great Eagle Holdings Limited. There was no such allocation of expenses to the Groups by Great Eagle Holdings Limited.

At 31 December 2012, rental and utility deposits of HK\$11,012,000 in aggregate were provided to various utility suppliers and Renaissance City Development Company, Limited as lessor of rented premises by the unconditional guarantees from Great Eagle Holdings Limited. The unconditional guarantees were released prior to the Listing Date.

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

For the year ended 31 December 2013



40. Particulars of the Subsidiaries

Details of the Company's subsidiaries at 31 December 2013 are set out below:

Direct subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated in the British Virgin Islands:			
LHIL Properties Limited	1 share of US\$1	Investment holding	100%
– incorporated and operating in Hong Kong:			
LHIL Company Limited	1 share of HK\$1	Investment holding	100%

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated in the British Virgin Islands:			
Braveforce Investments Limited	1 share of US\$1	Investment holding	100%
LHIL Finance Holdings Limited	1 share of US\$1	Investment holding	100%
LHIL (EHK) Limited	1 share of US\$1	Investment holding	100%
LHIL (LHK) Limited	1 share of US\$1	Investment holding	100%
LHIL (LPHK) Limited	1 share of US\$1	Investment holding	100%
Rowan Enterprises Limited	1 share of US\$1	Investment holding	100%
– incorporated and operating in Hong Kong:			
Grow On Development Limited	5,000 shares of HK\$1 each	Property investment	100%
Harvest Star International Limited	2 shares of HK\$1 each	Property investment	100%
Langham Place Hotel (HK) Limited	2 shares of HK\$1 each	Property investment	100%
LHIL Finance Limited	1 share of HK\$1	Financing	100%
– incorporated in Liberia:			
Baxter Investment Limited	500 shares of US\$1 each	Investment holding	100%
Glendive Investment Limited	500 shares of US\$1 each	Investment holding	100%

None of the subsidiaries had any debt securities subsisting at 31 December 2013 or at any time during the year.

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED



Deloitte.

德勤

TO THE SOLE SHAREHOLDER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of LHIL Manager Limited (the “Company”) set out on pages 135 to 140, which comprise the statement of financial position as at 31 December 2013 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 25 January 2013 (date of incorporation) to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Directors’ responsibility for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED



Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2013, and of its result and cash flows for the period from 25 January 2013 (date of incorporation) to 31 December 2013 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 February 2014

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

For the period from 25 January 2013 (date of incorporation) to 31 December 2013



	Notes	HK\$
Revenue		-
Administrative expenses		(23,030)
Less: Amount borne by a fellow subsidiary		23,030
Profit or loss before tax	4	-
Income tax	5	-
Profit or loss and other comprehensive income/expense for the period		-

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 31 December 2013



	Note	HK\$
Current asset		
Cash on hand		1
NET ASSET		1
Capital		
Share capital	6	1
TOTAL EQUITY		1

The financial statements on pages 135 to 140 were approved and authorised for issue by the Board of Directors on 18 February 2014 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

Katherine Margaret BENSON
DIRECTOR

STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 31 December 2013



	Share capital HK\$
At 25 January 2013 (date of incorporation) and 31 December 2013	1

STATEMENT OF CASH FLOWS OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 31 December 2013



	HK\$
Net cash from operating activity	-
Cash from financing activity	Issue of ordinary share
	1
Net increase in cash and cash equivalent and balance at the end of the period, represented by cash on hand	1

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 31 December 2013



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.

No comparative financial information is shown as this is the first set of financial statements of the Company since its date of incorporation.

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

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 31 December 2013



2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The Company has not early applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that have been issued but are not yet effective:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Company.

3. Significant Accounting Policies

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The significant accounting policies are set out below.

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 31 December 2013



3. Significant Accounting Policies (Continued)

Financial instruments

Financial asset

Financial asset represents cash on hand.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instrument issued by the Company is recognised at the proceeds received, net of direct issue costs.

4. Profit or Loss Before Tax

	HK\$
Profit or loss before tax has been arrived at after charging:	
Auditor's remuneration	20,000

5. Income Tax

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

6. Share Capital

	Number of Ordinary Shares	Nominal Value HK\$
Ordinary shares of HK\$1 each		
Authorised:		
At 25 January 2013 (date of incorporation) and 31 December 2013	10,000	10,000
Issued and fully paid:		
At 25 January 2013 (date of incorporation) and 31 December 2013	1	1

The Company was incorporated with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. At the time of incorporation, 1 ordinary share of HK\$1 was issued at par to a subscriber.

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 31 December 2013



7. Capital Risk Management Policies and Objectives

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the equity balance.

The capital structure of the Company consists of cash and cash equivalent and equity attributable to shareholder, comprising issued share capital.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks. Based on recommendations of the Directors, the Company will balance its overall capital structure through new share issues and share buy-backs.

8. Financial Instrument

(a) Category of financial instrument

	HK\$
Financial asset	
<i>Loans and receivables</i>	
Cash on hand	1
	1

(b) Financial risk management objectives and policies

The Company's financial instrument represents cash on hand. The risk associated with the Company's financial instrument is limited.

9. Related Party Disclosures

Transaction with a fellow subsidiary is disclosed in the 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.

SCHEDULE OF INVESTMENT PROPERTIES



The Trust Group has 100% interest in the investment properties listed below, which are held under medium term leases.

Name and Location	Use	Gross Floor Area (sq.ft.)
The Langham, Hong Kong 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hotel / Commercial	375,000
Langham Place Hotel, Hong Kong 555 Shanghai Street, Mong Kok, Kowloon, Hong Kong	Hotel	580,000
Eaton, Hong Kong 380 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	Hotel / Commercial	339,000

FINANCIAL SUMMARY



	For the year ended 31 December				
	2010	2011	2012	2013	
	Discontinued operation HK\$'000	Discontinued operation HK\$'000	Discontinued operation HK\$'000	Discontinued operation HK\$'000	Continuing operation HK\$'000
RESULTS					
Revenue	1,265,715	1,490,539	1,623,459	657,356	471,764
Profit before tax	256,448	388,656	448,932	206,317	309,958
Income tax expense	(23,718)	(34,410)	(51,441)	(33,429)	(37,571)
Profit for the year attributable to holders of shares of the Company/Share Stapled Units	232,730	354,246	397,491	172,888	272,387

	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
ASSETS AND LIABILITIES				
Total assets	5,341,953	5,312,971	5,305,842	17,582,749
Total liabilities	(6,510,005)	(6,240,491)	(5,974,036)	(6,912,503)
Net (liabilities) assets	(1,168,052)	(927,520)	(668,194)	10,670,246

Note:

The above financial summary only included the Groups' financial results for the years ended 31 December 2010, 2011, 2012 and 2013, as no financial information of the Groups has been published for the year ended 31 December 2009. After the execution of the master lease agreements, the Groups' business changed from hotel operations to property investment. Therefore, hotel operations were discontinued on the Listing Date. As such, the Groups' 2013 consolidated results were not directly comparable to the results for the year ended 31 December 2010, 2011 and 2012.

DEFINITIONS



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

Terms	Definition
“AGM”	The annual general meeting of the Trust and the Company to be held on a combined basis
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Champion REIT”	Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorized under section 104 of the SFO, in which Great Eagle had an interest of approximately 60.35% as at 31 December 2013
“Code of Conduct for Securities Transactions”	Code of Conduct regarding Securities Transactions by Directors and relevant employees 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
“Company Board”	The board of directors of the Company
“Distribution Waiver Deed”	The deed dated 10 May 2013 entered into between LHIL Assets Holdings Limited, Great Eagle and the Trustee-Manager in relation to the distribution waiver by LHIL Assets Holdings Limited of its entitlement to receive any distributions payable by the Trustee-Manager
“Distribution Waiver Units”	Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Waiver Deed
“Great Eagle”	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust and the Company, which held 57.72% interest in the Trust and the Company as at 31 December 2013
“Great Eagle Group”	Great Eagle and its subsidiaries
“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
“HITL”	HSBC International Trustee Limited
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	Hong Kong Financial Reporting Standard
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKTB”	Hong Kong Tourism Board
“Holder(s) of Share Stapled Units”	Person(s) registered in the Share Stapled Units Register of the Trust and the Company
“Hotel Companies”	The companies which own the Hotels, being Harvest Star International Limited, Langham Place Hotel (HK) Limited and Grow On Development Limited, and “Hotel Company” shall mean any of them

DEFINITIONS



Terms	Definition
“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, Langham Place Hotel, Hong Kong and Eaton, Hong Kong
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Listing Date”	30 May 2013, being the date of listing of the Trust and the Company 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
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Registers”	The Share Stapled Units Register, the Units Register, the Principal and Hong Kong Branch Registers of Members and the Register of Beneficial Interests
“Review Period”	For the period from 30 May 2013 (date of listing) to 31 December 2013
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Stapled Unit(s)” or “SSU(s)”	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: <ul style="list-style-type: none"> (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager; and (c) a specifically identified preference share of the Company stapled to the unit.
“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
“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

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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)

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LANGHAM HOSPITALITY INVESTMENTS LIMITED

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