

LANGHAM

HOSPITALITY INVESTMENTS

2013 INTERIM REPORT
2013年中期報告

Stock Code 股份代號：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

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.

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 ”





**LANGHAM
PLACE**
MONGKOK, HONG KONG

LANGHAM PLACE HOTEL
HONG KONG

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.

HKTB rating

High Tariff A

666 rooms

580
GFA ('000 sq.ft)



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





EATON HONG KONG

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.

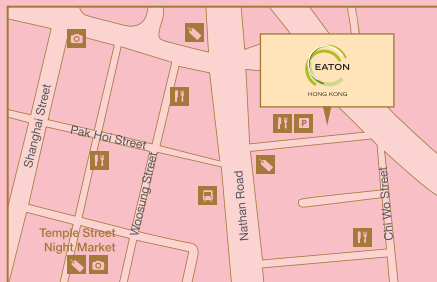
HKTB rating

High Tariff B

465 rooms

339
GFA ('000 sq.ft)

“ 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

(as 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)

Trustee-Manager

LHIL Manager Limited

(as Trustee-Manager of Langham Hospitality Investments)

Boards of Directors of the Trustee-Manager and the Company

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

3rd 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

Address Where the Principal Register of Members is Kept

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

Share Stapled Units Registrar

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

Website

www.langhamhospitality.com

Stock Code

1270

MANAGEMENT DISCUSSION AND ANALYSIS



Overview

This is the first financial report for Langham Hospitality Investments, which comprises of a portfolio of three high quality hotels located in Hong Kong's prime shopping and commercial areas. Langham Hospitality Investments has successfully completed its initial public offering and its listing on the Stock Exchange on 30 May 2013. Langham Hospitality Investments is listed under a fixed single investment trust group structure focusing principally on distributions. Its distribution policy is to pay out 100% of distributable income to the end of 2015 and not less than 90% of distributable income thereafter.

For the reporting period consisting of only 32 days from 30 May 2013 (the date of listing of the Trust Group) to 30 June 2013, distributable income of the Trust Group amounted to HK\$39.1 million with distribution per Share Stapled Unit being HK2.11 cents, although there was an unaudited loss after tax of HK\$6.6 million over the reporting period. The loss was primarily due to the booking of a one-off item relating to the listing expense for the Trust Group. The listing expense will be settled by proceeds raised from the initial public offering and does not have an impact on distributable income. Given the listing expense has already been budgeted for in the profit forecasts stated in the prospectus, this one-off item does not have an impact on profit or distributable income forecasts for 2013.

Although the financial figures for the reporting period are compiled from the listing date to the end of June 2013, the operational performances of the hotels are based on a six-month period from January to June of 2013 for a more meaningful comparative analysis. Compared with the same period last year, all three hotels in the portfolio showed continued improvement in Revenue Per Available Room (the “RevPAR”) for the first six months of 2013, which outperformed their respective high tariff A and high tariff B hotel markets in Hong Kong.

For our hotel portfolio, demand from arrivals from the long haul markets such as Europe remained soft over the first half of 2013. Nonetheless, arrivals from Mainland China and most Southeast Asia countries continued to grow, driving occupancy and average room rates of the portfolio. Our performance is expected to steadily improve with higher variable rental income in the second half of 2013, a traditionally peak season for hotels in Hong Kong.

Despite increased volatility in the global financial markets since the listing of the Trust Group, the fundamentals of the hospitality sector in Hong Kong have remained stable. On the demand side, arrivals from the Mainland are expected to have continuous growth. With planned infrastructure projects and further expansion of existing projects such as the cruise terminal in Kai Tak, more leisure and business arrivals should be expected. Along with a low level of completion of new hotels from 2014 to at least 2016, we anticipate the performance of our hotels to be well supported by the favourable hotel market dynamics.

In the long run, we aim to deliver stable and sustainable long-term distribution growth as well as to seek value enhancement of our hotel portfolio by deploying both an active asset management strategy and an acquisition growth strategy. On the acquisition front, management is constantly evaluating new investment opportunities to augment its initial portfolio by focusing on the quality of the properties, the strength of the underlying operations, potential for capital appreciation as well as the potential for increasing value through improved property, revenue and yield management.

“ ALL THREE HOTELS SHOWED CONTINUED IMPROVEMENT IN REVPAR FOR THE FIRST SIX MONTHS OF 2013, WHICH OUTPERFORMED THEIR RESPECTIVE MARKETS IN HONG KONG ”



MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

The following discussion highlights selected financial information for the Trust Group from the listing date to the end of June 2013 (32 days in total).

It should be noted that the Trust Group does not manage the daily operations of the hotels itself. Instead, the hotels are leased to GE (LHIL) Lessee Limited as the Lessee under the master lease agreements. In return, the Trust Group receives rent in the form of a pre-determined fixed base rent (pro-rata at HK\$225 million per annum) and a variable rent, which is calculated at 70% of the hotels' aggregate gross operating profit before deduction of the global marketing fees. The base rent will serve to provide a level of downside protection to Holders of Share Stapled Units, who can participate 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 Lessee, the Trust Group also receives rental income directly from the retail shops located on the street level of Eaton, Hong Kong that are leased to independent third parties.

Income from base rent and variable rent during the reporting period were HK\$19.7 million and HK\$35.7 million respectively. There was also HK\$0.4 million of rental income which the Trust Group receives directly from the tenants of the retail shops at Eaton, Hong Kong. All-in-all, total rental income for the Trust Group was HK\$55.8 million for the reporting period from the listing date to end of June 2013.

“ ALL-IN-ALL, TOTAL RENTAL INCOME FOR THE TRUST GROUP WAS HK\$55.8 MILLION FOR THE REPORTING PERIOD FROM THE LISTING DATE TO END OF JUNE 2013 ”

On the expense side, if we exclude the listing expense, total operational, net finance and tax expenses incurred by the Trust Group over the reporting period would be HK\$27.7 million. After deducting the total expense of HK\$27.7 million from the total rental income of HK\$55.8 million, there would have been a profit after tax of HK\$28.1 million for the Trust Group. However, after taking into account the listing expense of HK\$34.7 million that is settled from the proceeds from the initial public offering, this accounting entry turned profit after tax to a loss after tax of HK\$6.6 million for the Trust Group over the reporting period. However, this item does not have an impact on distributable income.

In addition to the adjustment on the listing expense, other non-cash items which are primarily hotel management fee paid in unit, amortisation of debt upfront fee and deferred taxation are added back for distribution purposes, although there is one subtraction adjustment related to cash contribution to the furniture, fixtures and equipment reserve. Overall, distributable income of the Trust Group amounted to HK\$39.1 million and distribution per Share Stapled Unit after distributions waived by the Great Eagle Group was HK2.11 cents for the period from the listing date to 30 June 2013. Distribution would have been HK1.95 cents per Share Stapled Unit before the impact of distributions waived.

Hotels performance

While the financial performance above is compiled from the listing date to end of June 2013, it should be noted that the following discussion on operational performance of the hotels is based on a six-month period from January to June of 2013. The comparisons based on a six-month period minimize distortions arising from seasonality and thus provide a more meaningful comparative operational performance analysis of the hotels.

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2013	1H 2012	1H 2013	1H 2012	1H 2013	1H 2012	1H 2013	1H 2012
The Langham, Hong Kong	495	495	85.4%	81.6%	2,254	2,221	1,924	1,811
Langham Place Hotel, Hong Kong	652	654	87.7%	85.8%	1,846	1,850	1,619	1,587
Eaton, Hong Kong	440	461	93.3%	92.5%	1,159	1,141	1,082	1,055

The underlying performances of the hotels during the reporting period all recorded positive year-on-year growth in RevPARs for the first six months of 2013. With a diversified guest segment, the hotels were able to adjust their guest mix towards markets that continued to show growth over the first six months of 2013. As a result, occupancy for the portfolio grew by 2.2 percentage points to an average of 88.8% in the first six months of 2013. With the improvement in RevPARs, comparable first half adjusted gross operating margins of hotels also improved reflecting the Hotel Manager's effectiveness at translating incremental revenues into bottom line profits.



In terms of the operational performance of the individual hotels, **The Langham, Hong Kong** had a good start to the year. While there was continued slow-down in travellers from Europe, there was some rebound in travellers from the U.S. over the first six months of 2013. At the same time, The Langham, Hong Kong continued to accommodate more individual tourist arrivals from Mainland China and other Asia-Pacific regions, which helped The Langham, Hong Kong to outperform the market in RevPAR

MANAGEMENT DISCUSSION AND ANALYSIS

growth in the first six-month period. Although there were signs of a slow-down in revenue growth in May 2013 amidst uncertainties in the world economies, improved performance was witnessed in June. Overall, occupancy increased by 3.8 percentage points in the first six months of 2013 to 85.4% (1H 2012: 81.6%) while average room rate increased 1.5% year-on-year to HK\$2,254 (1H 2012: HK\$2,221).

Revenue from food and beverages rose 7% year-on-year in the first six months of 2013 for The Langham, Hong Kong, which was mainly driven by an increase in average check achieved. In addition, there was also an improvement in the catering business relating to wedding banquets and corporate events.

Langham Place Hotel, Hong Kong achieved a higher average occupancy of 87.7% (1H 2012: 85.8%) for the first six months of 2013. The increase was primarily driven by rising corporate and leisure travellers from Mainland China and other Asian countries. Except for arrivals from the UK, arrivals from the long haul markets remained weak. Similar to the experience at The Langham, Hong Kong, Langham Place Hotel, Hong Kong also witnessed reduced demand in May, but there was a recovery in demand in June. Average room rate for the first six months of 2013 came to HK\$1,846 (1H 2012 HK\$1,850).

For Langham Place Hotel, Hong Kong, there was a modest increase in revenue from food and beverages for the first six months of 2013. The increase was supported by the steady catering business and higher average check achieved. Business at the refurbished Michelin-starred Chinese restaurant has gained momentum over the six-month period with revenue at the restaurant having reached pre-refurbishment level.



At **Eaton, Hong Kong**, the renovation on approximately one-fifth of the guest rooms from the second quarter of 2013 has negatively impacted the performance of the hotel. Average occupancy came to 93.3% on an average of 440 rooms available for the first six months of 2013, as compared to 92.5% achieved on an average of 461 rooms available in the first six months of 2012. The average room rate for the first six months came to HK\$1,159 (1H 2012 HK\$1,141). Upon completion of the renovations targeted at the early part of July 2013, the new rooms will help to increase the competitiveness of the hotel, and they should underpin further growth in its market share.

Revenue from food and beverages rose 7% year-on-year in the first six months for Eaton, Hong Kong, mainly from improved business at the restaurants, as well as improved revenue from catering business arising from wedding banquets.

Balance sheet

As for the Trust Group's balance sheet, net debt was approximately HK\$6,178 million as at the end of June 2013 comprised of debt of HK\$6,800 million, offset by HK\$622 million of cash. Our debt service coverage ratio is strong at about 4 times. The large portion of the cash balance of HK\$622 million arose from the initial public offering, and has been primarily earmarked for value added asset enhancement programmes. Through targeted and strategically deployed asset enhancement expenditures, we believe the operating performance 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.

Outlook

As we move through the remainder of 2013, we are confident in the performance of our portfolio, given the high quality of the hotels, as well as their prime locations. Thus far, the hotels are witnessing encouraging booking pace, although the forward booking window is short. 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 are either yield accretive to the Trust Group or assets that possess strong long term growth prospects.

Lo Ka Shui

Chairman

Hong Kong, 16 August 2013



FINANCIAL REVIEW



Upon listing of the Trust Group on 30 May 2013, a total of 2,000,000,000 Share Stapled Units were issued. The issue price per Share Stapled Unit was HK\$5. Equity capital raised amounted to approximately HK\$10,000 million (including Share Stapled Units to the Great Eagle Group, 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.

Distributions

The total distribution of the Trust Group for the period was HK\$39,055,000. It is the intention of the Directors to distribute 100% of 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 not less than 90% of total distributable income in respect of each financial year thereafter.

The first distribution paid to Holders of Share Stapled Units will be based on the 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 any period before the listing date. No interim distribution has been declared for the period from 30 May 2013 to 30 June 2013.

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

Debt Profile

A secured term loan facility of HK\$6,800 million was drawn on the listing date and remained outstanding as at 30 June 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 30 June 2013, total gross assets of the Trust Group were HK\$17,320 million. The gearing ratio, calculated as total borrowings as a percentage of gross assets, was 39.3%.

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. There is no change for the property valuation as at 30 June 2013 as compared to 30 May 2013.

Net Assets Attributable to Holders of Share Stapled Units

Net assets attributable to Holders of Share Stapled Units was HK\$10,382 million or HK\$5.19 per Share Stapled Unit as at 30 June 2013, representing a 28.8% premium to the closing unit price of HK\$4.03 as at 28 June 2013.

Cash Position

As at 30 June 2013, the Trust Group had a cash balance of HK\$622 million to satisfy its working capital and operating requirements.

Pledge of Assets

As at 30 June 2013, investment properties of the Trust Group with a fair value of HK\$16,661 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 30 June 2013, the Trust Group had capital expenditures in respect of authorised hotel renovation expenditure amounting to HK\$18,170,000 of which HK\$2,158,000 were contracted for.

New Share Stapled Units Issued

There is no new Share Stapled Unit issued after the listing date up to 30 June 2013.

IPO Adjustments and Post-Completion Adjustments for the Acquisition

Reference was made to the announcement (“Announcement”) dated 4 June 2013 jointly issued by Great Eagle and the Trust Group in relation to IPO Adjustments for the Acquisition. Capitalized terms used herein shall have the same meanings given to them in the Announcement. It is announced that according to the agreed-upon procedures report to the post-completion statement issued by the auditor subsequent to the announcement of the 2013 interim results of the Trust Group in accordance with the sales and purchase agreements each dated 10 May 2013 entered into between the Great Eagle Group and the Group in relation to the sale of the entire issued share capital of Rowan Enterprises Limited, Braveforce Investments Limited, Baxter Investment Limited and Glendive Investment Limited by the Great Eagle Group regarding the reorganization of the Group in preparation for the listing, the IPO Adjustments for the Acquisition were determined to be approximately HK\$1,126 million. Taking into account the Post-Completion Adjustments in the amount of approximately HK\$2 million (being net balance payable by Great Eagle Group to the Group), the amount of the Acquisition Consideration was therefore adjusted to approximately HK\$16,035 million.

GOVERNANCE AND COMPLIANCE

Structure of the Trust Group and the Share Stapled Units

Langham Hospitality Investments 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.

All of the issued ordinary shares of the Company are held by LHIL Manager Limited 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 and confer a beneficial interest in that specifically identified ordinary share such that a transfer of a unit is effective to transfer the beneficial interest in the ordinary share.

Each unit in the Trust issued by the Trustee-Manager must be stapled to a specifically identified preference share, with the preference share to be held by the Unitholder (along with the unit) as full legal and beneficial owner so that one cannot be traded without the other.

The terms and conditions of the Trust Deed and all deeds supplemental to it shall be binding on each Holder of a Share Stapled Unit. The rights and interests of Holders of Share Stapled Units are contained in the Trust Deed. Under the Trust Deed, those rights and interests are safeguarded by the Trustee-Manager.

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 Trust Deed is available for download from the websites of Langham and the Stock Exchange.

Corporate Governance Practice

The Trust, the Company and the Trustee-Manager embrace 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. The Corporate Governance Statement sets out the governance framework of the Trust Group and serves as an ongoing guidance for the Directors in performing and fulfilling their respective roles and obligations to the Trust Group. The statement is reviewed from time to time in light of the latest statutory regime and governance practices.

GOVERNANCE AND COMPLIANCE

Throughout the period from 30 May 2013 (date of listing) to 30 June 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 Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. 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 the Directors of the Company. Since the Directors of the Trustee-Manager are not entitled to any remuneration under the terms of the letters of appointment and the Trustee-Manager does not have any employees, the requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager.

Compliance With the Model Code

The Trust Group has adopted its own Code of Conduct regarding Securities Transactions by Directors and Relevant Employees 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 have confirmed that they have fully complied with the Code of Conduct for Securities Transactions during the period ended 30 June 2013.

Conflicts of Interest and Business Competition With Great Eagle

As at 30 June 2013, the Great Eagle Group held an interest in 57.69% of the Share Stapled Units in the Trust Group. The Great Eagle Group is the Hotel Manager and responsible for the management of and all sales, marketing and advertising activities in relation to the existing three hotel properties of the Group. The Great Eagle Group engaged principally in the development, management and investment in the high quality office, retail, residential and hotel properties in Asia, Australia, North America and Europe.

The Great Eagle Group will continue to be engaged in hotel related operations. It intends to focus on further capitalizing on its resources and expertise in developing its hotel management services operations and brand building. There may arise certain circumstances where the Group competes with the Great Eagle Group in respect of the hotel operations and conflicts of interests arising from the connected transactions of the two groups. However, the economic alignment in interests between Great Eagle and other Holders of Share Stapled Units resulting from Great Eagle holding over 50% of the Share Stapled Units mitigates the risk of Great Eagle acting in a way that may prejudice the interests of Holders of Share Stapled Units.

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

Currently, the Great Eagle Group does not own any hotel properties in Hong Kong but owns an extensive international hotel portfolio under "The Langham" brand located outside Asia, save for a multi-used development project in Dalian and The Langham Xintiandi in Shanghai which the Great Eagle Group owns 33.3% interest. On the other hand, the Group focuses on optimizing the performance of the three existing hotel properties, and on an acquisition growth strategy of investing in completed stand-alone hotels in Asia. It is expected that the two groups will form two distinct platforms with a distinct business focus of their own that can fully leverage on each other on a complementary basis to optimize growth for the mutual benefit of both groups.

The Group has established the following corporate governance measures to seek 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, and to safeguard the interests of independent Holders of Share Stapled Units:

1. 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;
2. 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 the Unitholders of the Trust as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of Unitholders as a whole and that of the Trustee-Manager;
3. 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;

GOVERNANCE AND COMPLIANCE

4. where the Boards of Directors of the Company and the Trustee-Manager are required to determine matters under the Great Eagle ROFR Deed, such matters will be referred to the Independent Non-executive Directors and/or to those Directors who do not have a material interest in the matter. Specific corporate governance measures have also been put in place in respect of the operation of the Great Eagle ROFR Deed 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 review the implementation of the Great Eagle ROFR Deed;
 - 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;
 - 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 Group's annual report 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; and
5. the Audit Committees of the Trustee-Manager and the Company shall be responsible for overseeing the implementation of the above measures.

The Trustee-Manager and 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 two of the six members of the Boards are directors of the Great Eagle Group, the four remaining members of the Boards 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 Group in the event that the other two Directors are required to abstain from voting on matters relating to the Great Eagle Group. In addition, the Boards comprise three Independent Non-executive Directors, out of a total board size of six. The Boards 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.

The following table sets out the information in respect of the continuing connected transactions subject to reporting, announcement and independent Unitholders' approval requirement of the Trust Group:

	Total Transaction Amount during the period from 30 May 2013 to 30 June 2013 (HK\$)
Master Lease Agreements ⁽¹⁾	
– Base Rent	19,726,027.40
– Variable Rent	35,675,216.50
Hotel Management Agreements ⁽²⁾	
– Base Fee	1,885,164.45*
– Incentive Fee	2,320,485.87*
Centralized Services and Marketing Agreements ⁽³⁾	
– Reimbursement of Costs	Nil
– Global Marketing Fees	1,412,937.22
– Reservation Fees	Nil
Trademark Licence Agreements ⁽⁴⁾	1,256,776.29*

* Payment in form of Share Stapled Units

Notes:

- (1) **Master Lease Agreements** – the separate lease agreements each dated 10 May 2013 entered into between each of Harvest Star International Limited, Langham Place Hotel (HK) Limited, Grow On Development Limited (the “Hotel Companies”) as the Lessors and GE (LHIL) Lessee Limited as the Master Lessee.

Pursuant to which the Lessors have agreed to lease the three hotels owned by them (excluding three retail outlets at Eaton, Hong Kong) to the Master Lessee for a term of 14 years from and including the listing date 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.

Under the Master Lease Agreements, the Master Lessee has agreed to pay the Hotel Companies an aggregate 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 Hotel's aggregate gross operating profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies.

GOVERNANCE AND COMPLIANCE

- (2) **Hotel Management Agreements** – the 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.

Pursuant to which 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 the listing date 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 at the relevant time.

The service fee payable to the Hotel Manager under the Hotel Management Agreements shall be linked to the operating profit and revenue of the Hotels on the following basis:

Base Fee: a fixed percentage of 1.5% of the total revenue of the relevant Hotel

Incentive Fee: a fixed percentage of 5% of the adjusted gross operating profit (being gross operating profit less the base fee (mentioned above) and Licence Fees payable under the relevant Trademark Licence Agreement)

- (3) **Centralized Services and Marketing Agreements** – the 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.

Pursuant to which 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 the listing date and may, subject to compliance with the relevant Listing Rules 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 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: incurred on behalf of the Hotel: at cost to be paid by the Master Lessee as an operating expense of the Hotels

Global Marketing Fees: a fixed percentage of 2% of the total room revenue of the relevant Hotel to be paid by each Hotel Company

Reservation Fees: a fixed US\$ amount and percentage of revenue for each materialized reservation, depending on means through which reservation is made, to be paid by the Master Lessee as an operating expense of the Hotels

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

Pursuant to which 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 the listing date and may, subject to compliance with the relevant Listing Rules at the relevant time, be renewed for a term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Trademark Licence Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules 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.

Review of Interim Results

The unaudited consolidated financial statements of the Trust Group and unaudited financial statements of the Trustee-Manager for the period ended 30 June 2013 were prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA and have also been reviewed by the Audit Committees of the Trustee-Manager and the Company. Such financial information has been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Trustee-Manager and the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

Disclosure of Directors’ Information Pursuant to Rule 13.51B(1) of the Listing Rules

Changes in the information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the prospectus dated 16 May 2013 jointly issued by the Trust and the Company are set out below:

Dr. Lo Ka Shui, Chairman and Non-executive Director of the Trustee-Manager and the Company, stepped down as Chairman after serving for four years and was elected as the Vice-Chairman of The Chamber of Hong Kong Listed Companies with effect from 27 June 2013.

GOVERNANCE AND COMPLIANCE

Share Stapled Units Capital

On the listing date of the Trust Group on 30 May 2013, the total number of issued Share Stapled Units was 2,000,000,000 Share Stapled Units. 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:

- (1) a unit in the Trust;
- (2) the beneficial interest in a specifically identified ordinary share of the Company of HK\$0.0005 each that linked to the unit and held by the Trustee-Manager; and
- (3) a specifically identified preference share of the Company of HK\$0.0005 each that stapled to the unit.

Between the listing date and 30 June 2013, no new Share Stapled Units have been issued by the Trust Group.

Purchase, Sale or Redemption of Share Stapled Units

Pursuant to the Trust Deed, the Holders of Share Stapled Units have no right to demand for repurchase or redemption of their Share Stapled Units. Unless and until expressly permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time, the Trustee-Manager shall not repurchase or redeem any Share Stapled Units on behalf of the Trust.

During the period ended 30 June 2013, none of the Trust, the Trustee-Manager, the Company nor the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

Public Float

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

Employees

The Company has employed a team of professional staff for its daily operation. The remuneration package of our employees includes salary, bonuses and allowances. In Hong Kong, we are subject to the Employment Ordinance, Employees' Compensation Ordinance, Mandatory Provident Fund Schemes Ordinance and Minimum Wage Ordinance.

Pursuant to the hotel management agreements, Langham Hotels International Limited, a wholly owned subsidiary of the Great Eagle Group, is the hotel manager and responsible for the management of and all sales, marketing and advertising activities in relation to the hotels subject to the overall management and supervision of the Trustee-Manager. The hotel manager has a team of well-experienced operational staff exclusively dedicated to providing services to the hotels.

The following tables show the breakdown of the employees of the hotel manager and its subsidiaries who were engaged in the operation and management of the hotels as at 30 June 2013:

Hotel	Number of Employees
The Langham, Hong Kong	471
Langham Place Hotel, Hong Kong	560
Eaton, Hong Kong	321
Total	1,352

Function	Number of Employees
Rooms	441
Food and beverage	546
Sales and marketing	70
Others	295
Total	1,352

GOVERNANCE AND COMPLIANCE

Corporate Social Responsibility

The Hotels and the Hotel Manager recognise the potential environmental and social impact that the Hotels' business, products and services have on the environment and local communities and values the importance of preserving our community and environment for our future generations by operating the hotels responsibly. This belief is essential to the Hotel Manager's sustainability commitment and is ingrained in the day-to-day practices of the Hotels. To ensure the adoption of these principles, values and objectives regarding environmental and social responsibility, there are designated employees in each Hotel who are responsible for ensuring ongoing environmental performance of the Hotels and implementing environmental and social sustainability measures. The Hotels and the Hotel Manager have launched the "Guests of the Earth" and "Green Team" programmes to invite guests and employees to take proactive steps in protecting the environment. The Hotels have also been partnering with an association to provide vocational training for adults with intellectual disabilities. The trainees of the association work at the back of house areas, supporting day-to-day operations such as housekeeping, cleaning and laundry services.

The Hotels' operations are subject to various environmental laws. Historically, the Hotels have complied with such laws, and going forward, the Hotel Manager is required under the hotel management agreements to ensure that the Hotels continue to comply with applicable environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control and noise control. None of the members of the Trust Group has ever received any material fines or penalties associated with the breach of any environmental laws or regulations.

DISCLOSURE OF INTERESTS

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

As at 30 June 2013, the interests and short positions of the Directors of the Trustee-Manager and the Company in the SSUs, underlying SSUs and debentures of Langham 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 set out in Appendix 10 to the Listing Rules, 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 of Langham

Name	Number of SSUs Held	Number of Underlying SSUs Held	Total	Percentage of Issued SSUs ⁽³⁾
Lo Ka Shui	1,153,791,000 ⁽¹⁾	–	1,153,791,000 ⁽¹⁾	57.69
Katherine Margaret Benson	7,000 ⁽²⁾	–	7,000 ⁽²⁾	0.00

Notes:

- (1) These 1,153,791,000 SSUs deemed to be held by Dr. Lo Ka Shui were held by LHIL Assets Holdings Limited, a wholly owned subsidiary of Great Eagle. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. His interests in Great Eagle are set out in the table under the section headed "Long Positions in Shares and Underlying Shares of Associated Corporations of Langham".
- (2) These 7,000 SSUs 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 SSUs of Langham in issue as at 30 June 2013 of 2,000,000,000 SSUs.

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

Great Eagle is the holding company of Langham. As at 30 June 2013, Great Eagle owned 57.69% interests in Langham and therefore, an associated corporation of Langham. The holdings 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	51,565,910	–	3,658,806 ⁽¹⁾	288,669,322 ⁽²⁾	4,294,000	1,258,000	349,446,038	54.67
Katherine Margaret Benson	65,000	–	–	15,677	–	123,000	203,677	0.03
So Yiu Wah, Eric	446	–	–	–	–	–	446	0.00

DISCLOSURE OF INTERESTS

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 288,669,322 shares comprise:
- (i) 211,695,169 shares owned by a discretionary trust of which Dr. Lo Ka Shui is one of the eligible beneficiaries; and
 - (ii) 76,974,153 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 30 June 2013 of 639,249,964 shares.

Champion REIT is a subsidiary of Great Eagle, the holding company of Langham. As at 30 June 2013, Great Eagle owned 58.15% 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 ⁽³⁾
	Personal interests	Family interests	Corporate interests	Other interests			
Lo Ka Shui	1,660,000	–	3,313,926,958 ⁽¹⁾	6,200,000 ⁽²⁾	–	3,321,786,958	58.29
Katherine Margaret Benson	10,000	–	–	–	–	10,000	0.00
So Yiu Wah, Eric	400,873	60,000	–	–	–	460,873	0.01

Notes:

- (1) These 3,313,926,958 interests comprise:
- (i) 3,313,686,958 units deemed to be owned by Great Eagle of which Dr. Lo is a substantial shareholder, the Chairman and Managing Director. Dr. Lo’s interests in Great Eagle are set out in the table above on p.29; and
 - (ii) 240,000 units held by a company wholly-owned by Dr. Lo Ka Shui who is also a director of this company.
- (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) This percentage has been compiled based on the total number of units of Champion REIT in issue as at 30 June 2013 of 5,698,895,187 units.

Save as disclosed above, as at 30 June 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 SSUs, underlying SSUs or debentures of Langham 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.

Interests of Substantial Holders of Share Stapled Units

As at 30 June 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 SSUs or underlying SSUs of Langham 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 SSUs of Langham are as follows:

Name	Number of SSUs Held	Number of Underlying SSUs Held	Total	Percentage of Issued SSUs ⁽³⁾
Great Eagle Holdings Limited	1,153,791,000 ⁽¹⁾	–	1,153,791,000 ⁽¹⁾	57.69
Jolly Trend Limited	1,153,791,000 ⁽¹⁾	–	1,153,791,000 ⁽¹⁾	57.69
GE (LHIL) Holdings Limited	1,153,791,000 ⁽¹⁾	–	1,153,791,000 ⁽¹⁾	57.69
LHIL Assets Holdings Limited	1,153,791,000 ⁽¹⁾	–	1,153,791,000 ⁽¹⁾	57.69
HSBC International Trustee Limited	1,155,087,500 ⁽²⁾	–	1,155,087,500 ⁽²⁾	57.75

Notes:

- (1) These 1,153,791,000 SSUs were directly held by LHIL Assets Holdings Limited, a wholly owned subsidiary of Great Eagle Holdings Limited.
- (2) The number of SSUs held by HSBC International Trustee Limited (HITL) disclosed was based on the latest Disclosure of Interest Form dated 24 June 2013 received from HITL. Among 1,155,087,500 SSUs held by HITL, 1,153,791,000 SSUs were the same parcel of SSUs held by Great Eagle referred to in Note (1) above. HITL in its capacity as a trustee of a discretionary trust held 33.12% interests in Great Eagle as at 30 June 2013. Dr. Lo Ka Shui (who is also the director of the Trustee-Manager and the Company) is one of the eligible beneficiaries of the discretionary trust. Dr. Lo Ka Shui in his own capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 20.68% voting rights in the capital of Great Eagle.
- (3) This percentage has been compiled based on the total number of SSUs of Langham in issue as at 30 June 2013 of 2,000,000,000 SSUs.

Save as disclosed above, as at 30 June 2013, no person (other than Directors of the Trustee-Manager and the Company as set out on page 29) was interested (or deemed to be interested) or held any short position in the SSUs or underlying SSUs of Langham 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.

FINANCIAL INFORMATION

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

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

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

Introduction

We have reviewed the condensed consolidated financial statements of Langham Hospitality Investments (the “Trust”) and Langham Hospitality Investments Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) and of the Company and its subsidiaries (collectively referred to as the “Company Group”) set out on pages 34 to 63 (hereinafter collectively referred to as “the Trust’s and the Company’s condensed consolidated financial statements”). As explained in note 1 to the Trust’s and the Company’s condensed consolidated financial statements, the condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together. The Trust’s and the Company’s condensed consolidated financial statements together comprise the condensed consolidated statement of financial position of the Group and of the Company Group as of 30 June 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company Group for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The Trustee-Manager of the Trust and directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2012 and the relevant explanatory notes included in the Trust’s and the Company’s condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 August 2013

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

For the six months ended 30 June 2013

	Notes	Six Months Ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operation			
Revenue	4	55,823	–
Property related expenses		(2,725)	–
Service fees		(6,875)	–
		46,223	–
Other income		201	–
Trust and other expenses		(35,882)	–
Finance costs	6	(11,405)	–
Loss before tax		(863)	–
Income tax expense	7	(5,741)	–
Loss for the period attributable to holders of Share Stapled Units		(6,604)	–
Discontinued operation			
Profit for the period from discontinued operation	10	172,888	171,770
Profit for the period	11	166,284	171,770
Basic and diluted earnings (loss) per Share Stapled Unit			
From continuing and discontinued operations	12	HK\$0.1280	HK\$0.1496
From continuing operation		HK\$(0.0051)	–
From discontinued operation		HK\$0.1331	HK\$0.1496

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

For the six months ended 30 June 2013

	Six Months Ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period	166,284	171,770
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 loss on available-for-sale investments	-	(3,177)
Reclassified upon disposal of available-for-sale investments	(23,555)	-
Other comprehensive income (expense) for the period	12,574,602	(3,177)
Total comprehensive income for the period	12,740,886	168,593

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

At 30 June 2013

	Notes	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	13	5	4,060,113
Investment properties	14	16,661,000	–
Available-for-sale investments		–	54,601
Amount due from a fellow subsidiary	22	–	1,003,396
		16,661,005	5,118,110
Current assets			
Inventories		–	13,488
Debtors, deposits and prepayments	15	36,176	82,490
Amounts due from fellow subsidiaries	22	–	60,199
Bank balances and cash		622,322	31,555
		658,498	187,732
Current liabilities			
Creditors, deposits and accruals	16	107,332	256,981
Amounts due to fellow subsidiaries	22	–	525,737
Tax payable		19,486	4,192
Secured bank loans due within one year	17	–	29,530
		126,818	816,440
		531,680	(628,708)
Net current assets (liabilities)			
Total assets less current liabilities		17,192,685	4,489,402
Non-current liabilities			
Secured bank loans due after one year	17	6,701,016	158,943
Amounts due to fellow subsidiaries	22	–	4,912,640
Deferred tax liabilities		109,889	86,013
		6,810,905	5,157,596
NET ASSETS (LIABILITIES)		10,381,780	(668,194)
Capital and reserves			
Issued capital	18	2,000	8
Reserves		10,379,780	(668,202)
TOTAL EQUITY (DEFICIT)		10,381,780	(668,194)

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

For the six months ended 30 June 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 period	-	-	-	-	-	171,770	171,770
Fair value loss on available-for-sale investments	-	-	-	-	(3,177)	-	(3,177)
Total comprehensive (expense) income for the period	-	-	-	-	(3,177)	171,770	168,593
At 30 June 2012 (unaudited)	8	-	-	-	11,543	(770,478)	(758,927)
At 1 January 2013	8	-	-	-	23,555	(691,757)	(668,194)
Profit for the period	-	-	-	-	-	166,284	166,284
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 for the period	-	-	-	12,598,157	(23,555)	166,284	12,740,886
Acquisition in connection with the Reorganisation	(8)	-	(11,564,677)	-	-	-	(11,564,685)
Issue of Share Stapled Units in exchange for interests in Hotel Holding Companies (see notes 2 and 18)	1,148	5,737,982	-	-	-	-	5,739,130
Issue of Share Stapled Units upon global offering of Share Stapled Units (see note 18)	852	4,260,018	-	-	-	-	4,260,870
Transaction costs attributable to issue of Share Stapled Units	-	(126,227)	-	-	-	-	(126,227)
At 30 June 2013 (unaudited)	2,000	9,871,773	(11,564,677)	12,598,157	-	(525,473)	10,381,780

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.

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

For the six months ended 30 June 2013

	Note	Six Months Ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Cash generated from (used in) operations		163,812	(83,029)
Interest paid		(28,052)	(33,039)
Net cash from (used in) operating activities		135,760	(116,068)
Investing activities			
Additions of property, plant and equipment		(64,841)	(34,993)
Proceeds from disposal of available-for-sale investments		54,899	–
Interest received		4,292	6,493
Proceeds from disposal of property, plant and equipment		21	–
Dividend received from available-for-sale investments		–	2,223
Advance to a fellow subsidiary		–	(26,419)
Net cash used in investing activities		(5,629)	(52,696)
Financing activities			
Cash considerations paid in connection with the Reorganisation	2(iii)	(10,297,948)	–
Repayments of secured bank loans		(190,000)	(15,000)
Expenses on issue of Share Stapled Units		(107,897)	–
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		–	(676,630)
Net cash from financing activities		460,636	148,370
Net increase (decrease) in cash and cash equivalents		590,767	(20,394)
Cash and cash equivalents at the beginning of the period		31,555	40,223
Cash and cash equivalents at the end of the period, represented by bank balances and cash		622,322	19,829

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

For the six months ended 30 June 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 acts as an investment holding company. The principal activity of the Group (as defined in note 2 below) is property investment.

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

2. Basis of Presentation and Preparation

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2013 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2013 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Company Group").

The Trust controls the Company and the sole activity of the Trust during the six months ended 30 June 2013 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust are identical to the condensed consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust and the Company together. The condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as "the Trust's and the Company's condensed consolidated financial statements".

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 10);

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

For the six months ended 30 June 2013

2. Basis of Presentation and Preparation (Continued)

- (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, the Orwell Enterprises Limited, Bondcity Investments Limited and Hamni Properties Limited pursuant to the "Vendor Companies" 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\$16,037,078,000, which comprised the consideration for Shares of the Hotel Holding Companies of HK\$11,564,685,000 and the consideration for Loans due to the Vendor Companies of HK\$4,472,393,000. Out of the aggregate considerations of HK\$16,037,078,000, an amount of HK\$10,297,948,000 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 18 and 19).

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's and Company's condensed 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's and Company's condensed consolidated statement of financial position as of 31 December 2012 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 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.

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

3. Significant Accounting Policies

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

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's financial information for each of the three years ended 31 December 2010, 2011 and 2012 as contained in the accountants' report set out in appendix I of the prospectus for the global offering of Share Stapled Units of the Trust and the Company dated 16 May 2013.

3. Significant Accounting Policies (Continued)

Property, plant and equipment

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.

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 their fair values. Gains or losses arising from changes in the fair value of investment properties 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 asset is determined as the difference between the net disposal proceeds and the carrying amount 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.

Taxation

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 Income Taxes (i.e. based on the expected manner as to how the properties will be recovered).

In addition, in the current interim period, the Groups have also applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Trust's and the Company's condensed consolidated financial statements.

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
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

For the six months ended 30 June 2013

3. Significant Accounting Policies (Continued)

HKFRS 13 “Fair Value Measurement”

The Groups have applied HKFRS 13 in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies 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, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer 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. Also, HKFRS 13 includes extensive disclosure requirements.

The Directors have made an assessment on the impact of the adoption of HKFRS 13 to the measurement and disclosures in the Trust's and the Company's condensed consolidated financial statements and concluded that the adoption of HKFRS 13 has had no material impact on the Trust's and the Company's condensed consolidated financial statements.

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

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a 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. However, 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 existing 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.

Except as described above, the application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. Revenue

	Six Months Ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operation		
Rental income from GE (LHIL) Lessee Limited ("Master Lessee") (see note 22(a))		
Base rent	19,726	–
Variable rent	35,675	–
	55,401	–
Rental income from retail shops in Eaton, Hong Kong	422	–
	55,823	–

5. Segment Information

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

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 10). The segment information reported below does not include any amounts from the discontinued operation, which would be described in more details in note 10. 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'S AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

5. 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 30 June 2013

Continuing operation

	The Langham, Hong Kong HK\$'000 (unaudited)	Langham Place Hotel, Hong Kong HK\$'000 (unaudited)	Eaton, Hong Kong HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	21,275	23,923	10,625	55,823
Segment results	17,836	19,354	9,033	46,223
Other income				201
Trust and other expenses				(35,882)
Finance costs				(11,405)
Loss before tax				(863)
Income tax expense				(5,741)
Loss for the period attributable to holders of Share Stapled Units				(6,604)

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\$6,070,000,000, HK\$7,020,000,000 and HK\$3,571,000,000, respectively.

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

6. Finance Costs

	Six Months Ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operation		
Interest on bank borrowings wholly repayable within five years	8,389	–
Loan front-end fee amortisation	3,016	–
	11,405	–

7. Income Tax Expense

	Six Months Ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operation		
Current tax:		
Hong Kong Profits Tax:		
Current period	1,370	–
Deferred tax:		
Current period	4,371	–
	5,741	–

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

8. Total Distributable Income

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

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

For the six months ended 30 June 2013

8. Total Distributable Income (Continued)

	Listing Date To 30 June 2013 HK\$'000 (unaudited)
Loss for the period attributable to holders of Share Stapled Units	(6,604)
Adjustments:	
Add:	
Hotel management fees payable in form of Share Stapled Units (see notes 19 and 22(b))	5,462
Non-cash finance costs	3,016
Deferred tax	4,371
Listing expenses charged to profit or loss	34,695
Less:	
Reserve for furniture, fixtures and equipment	(1,885)
Total distributable income	39,055

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:

	Number of Share Stapled Units '000 (unaudited)
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

9. Distribution Statement

- (a) 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.
- (b) 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.

10. 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 preceding interim periods are set out as follows:

Profit for the period from discontinued operation

	1 January 2013 To Listing Date HK\$'000 (unaudited)	Six Months Ended 30 June 2012 HK\$'000 (unaudited)
Revenue	657,356	764,733
Operating expenses	(394,926)	(471,038)
Operating profit before depreciation and amortisation	262,430	293,695
Depreciation and amortisation	(62,106)	(72,632)
Operating profit	200,324	221,063
Other income	4,477	8,965
Gain on disposal of available-for-sale investments	23,853	–
Administrative expenses	(136)	(404)
Finance costs	(22,201)	(35,102)
Profit before tax	206,317	194,522
Income tax expense	(33,429)	(22,752)
Profit for the period from discontinued operation	172,888	171,770

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

For the six months ended 30 June 2013

10. Discontinued Operation (Continued)

Cash flows from discontinued operation

	1 January 2013 To Listing Date HK\$'000 (unaudited)	Six Months Ended 30 June 2012 HK\$'000 (unaudited)
Net cash from (used in) operating activities	126,117	(116,068)
Net cash used in investing activities	(5,627)	(52,696)
Net cash (used in) from financing activities	(92,389)	148,370
Net increase (decrease) in cash flows	28,101	(20,394)

11. Profit for the Period

	Continuing operation		Discontinued operation		Total	
	Listing Date To 30 June 2013 HK\$'000 (unaudited)	Six Months Ended 30 June 2012 HK\$'000 (unaudited)	1 January 2013 To Listing Date HK\$'000 (unaudited)	Six Months Ended 30 June 2012 HK\$'000 (unaudited)	Six Months Ended 30 June 2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):						
Staff costs (including directors' emoluments)	430	–	179,921	216,431	180,351	216,431
Depreciation	–	–	62,106	72,632	62,106	72,632
Listing expenses	34,695	–	–	–	34,695	–
Dividend income from listed investments	–	–	–	(2,223)	–	(2,223)
Interest income	(201)	–	(4,289)	(6,493)	(4,490)	(6,493)

12. Basic and Diluted Earnings (Loss) 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:

	Six Months Ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Earnings		
Profit for the period for the purpose of basic and diluted earnings per Share Stapled Unit	166,284	171,770

	At 30 June 2013 '000	At 31 December 2012 '000
	Number of Share Stapled Units	
Weighted average number of Share Stapled Units for the purpose of basic and diluted earnings per Share Stapled Unit	1,298,606	1,147,826

For the six months ended 30 June 2013 and 2012, the weighted average number of Share Stapled Units for the purpose of basic and diluted earnings per Share Stapled Unit have 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 loss per Share Stapled Unit from continuing operation attributable to holders of Share Stapled Units is based on the following data:

	Six Months Ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Loss		
Loss for the period attributable to holders of Share Stapled Units for the purpose of basic and diluted loss per Share Stapled Unit	(6,604)	–

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

From discontinued operation

The calculation of basic and diluted earnings per Share Stapled Unit from discontinued operation attributable to holders of Share Stapled Units is based on the profit for the period from discontinued operation of HK\$172,888,000 (six months ended 30 June 2012: HK\$171,770,000) and the denominators detailed above for both basic and diluted earnings per Share Stapled Unit.

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

For the six months ended 30 June 2013

13. Property, Plant and Equipment

During the current interim period, the Groups had additions of structural improvement work on hotel properties of HK\$31,758,000 (six months ended 30 June 2012: HK\$13,030,000). The additions of other property, plant and equipment were HK\$33,083,000 (six months ended 30 June 2012: HK\$21,963,000).

During the current interim period, property, plant and equipment of HK\$4,062,843,000 were transferred to investment properties due to change in use from owner occupation to earning rental. At the date of change in use, the fair value of the property was HK\$16,661,000,000, the excess of fair value over the carrying value of the property at that date of HK\$12,598,157,000 was recognised in property revaluation reserve.

At 31 December 2012, the Directors conducted an impairment assessment on hotel properties, no impairment loss was recognised.

14. Investment Properties

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	–	–
Transfer from property, plant and equipment during the period/year	16,661,000	–
At the end of the period/year	16,661,000	–

The fair values of the Groups' investment properties of HK\$16,661,000,000 as of the date of change in use and 30 June 2013 (31 December 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.

15. Debtors, Deposits and Prepayments

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Trade debtors	35,675	68,188
Less: Allowance for doubtful debts	–	(555)
	35,675	67,633
Interest receivable	198	–
Deposits and prepayments	303	13,240
Other debtors	–	1,617
	36,176	82,490

At 30 June 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 allow 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:

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
0-3 months	35,675	68,074
3-6 months	–	114
	35,675	68,188

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

For the six months ended 30 June 2013

16. Creditors, Deposits and Accruals

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Trade creditors	11,774	60,477
Deposits received	1,313	74,584
Other creditors	10,777	8,045
Accruals and other payables	83,468	113,875
	107,332	256,981

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

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
0-3 months	11,774	59,330
3-6 months	-	1,041
Over 6 months	-	106
	11,774	60,477

Accruals and other payables mainly consist of accrued listing expenses and accrued renovation expenses for the Hotels (31 December 2012: accrued operating expenses for hotel operations).

17. Secured Bank Loans

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Secured term loans	6,800,000	190,000
Loan front-end fee	(98,984)	(1,527)
	6,701,016	188,473
Less: Amount due within one year shown under current liabilities	–	(29,530)
Amount due after one year	6,701,016	158,943

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

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
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 30 June 2013, the secured bank loans of HK\$6,800,000,000 are variable-rate borrowings, bearing interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.2% per annum and are repayable on 29 May 2016. Bank loans are secured by the Groups' investment properties.

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.

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

For the six months ended 30 June 2013

18. Issued Capital

	Number of Shares (unaudited)	Nominal Value HK\$'000 (unaudited)
Authorised:		
Ordinary shares of HK\$0.0005 each		
At 25 January 2013 (date of incorporation of the Company)	–	–
Increase during the period (note)	5,000,000,000	2,500
At 30 June 2013	5,000,000,000	2,500
Preference shares of HK\$0.0005 each		
At 25 January 2013	–	–
Increase during the period (note)	5,000,000,000	2,500
At 30 June 2013	5,000,000,000	2,500

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.

18. Issued Capital (Continued)

	Number of Shares (unaudited)	Nominal Value HK\$'000 (unaudited)
Issued and fully paid:		
<i>Ordinary shares of HK\$0.0005 each (note a)</i>		
At 25 January 2013	–	–
Issue of ordinary share (note b)	1	–
Issue of ordinary shares in exchange for interests in Hotel Holding Companies (note c)	1,147,825,999	574
Issue of ordinary shares upon global offering of Share Stapled Units (note d)	852,174,000	426
At 30 June 2013	2,000,000,000	1,000
<i>Preference shares of HK\$0.0005 each</i>		
At 25 January 2013	–	–
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	574
Issue of preference shares upon global offering of Share Stapled Units (note d)	852,174,000	426
At 30 June 2013	2,000,000,000	1,000

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 8 May 2013, one Share Stapled Unit was issued at par to LHIL Assets Holdings Limited, the initial subscriber (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.

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

For the six months ended 30 June 2013

18. Issued Capital (Continued)

For the purpose of the presentation of the condensed 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:

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

19. Major Non-Cash Transaction

Other than those disclosed in note 2(iii), the Groups incurred hotel management fees and license fee payable to Langham Hotels International Limited from the Listing Date to 30 June 2013 of HK\$5,462,000 (six months ended 30 June 2012: nil) (see note 22(b)), which will also be settled by Share Stapled Units subsequent to the end of the reporting period.

20. Commitments

At 30 June 2013, the Groups had capital expenditures in respect of authorised hotel renovation expenditure amounting to HK\$18,170,000 (31 December 2012: HK\$14,548,000) of which HK\$2,158,000 (31 December 2012: HK\$12,731,000) were contracted for.

21. Operating Lease Commitments

The Groups as lessor

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

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
With Master Lessee		
Within one year	225,000	–
In the second to fifth year	900,000	–
Over five years	337,500	–
	1,462,500	–
With other tenants		
Within one year	2,953	5,538
In the second to fifth year	347	1,333
	3,300	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 30 June 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 22(a)).

The above future minimum lease payments only include base rent as the variable rent cannot be determined as of the date of approval of the condensed consolidated financial statements.

The Groups as lessee

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

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Within one year	5,138	2,382
In the second to fifth year	8,753	507
	13,891	2,889

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

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

For the six months ended 30 June 2013

22. Connected and Related Party Disclosures

The Groups had the following significant connected and related party balances and transactions during the period. The transactions were carried out on terms mutually agreed between the parties.

Related companies are companies in which Dr. Lo Ka Shui, Director of the Company, has controlling interests. Transactions with the Groups were disclosed as related party transactions and also connected transactions as defined in the chapter 14A of the Listing Rules.

		Six Months Ended 30 June	
Notes		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operation			
Rental income			
Master Lessee	(a)	55,401	–
Hotel management fees and license fee			
Langham Hotels International Limited	(b)	5,462	–
Global marketing fees			
Langham Hotels Services Limited	(c)	1,413	–
Lease agency fee			
The Great Eagle Estate Agents Limited	(d)	30	–
Property management services fee			
The Great Eagle Properties Management Company, Limited	(e)	159	–
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(f)	452	–
The Great Eagle Company, Limited	(g)	88	–
Discontinued operation			
Agency commission fee			
The Great Eagle Company, Limited	(h)	332	602
Bon Project Limited	(h)	245	383
Zamanta Investments Limited	(h)	495	735
Sundry income			
The Great Eagle Company, Limited	(h)	3	4
Bon Project Limited	(h)	4	6
Zamanta Investments Limited	(h)	4	7

22. Connected and Related Party Disclosures (Continued)

	Notes	Six Months Ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Discontinued operation (Continued)			
Repair and maintenance fee			
Keysen Engineering Company Limited	(h)	21	41
The Great Eagle Engineering Company Limited	(h)	–	4
Selling of available-for-sale investments			
The Great Eagle Company, Limited	(i)	54,899	–
Interest income			
The Great Eagle Finance Company, Limited	(i)	4,289	6,493
Interest expenses			
Profit Lord Limited	(i)	8,349	14,402
The Great Eagle Company, Limited	(i)	11,433	14,875
Management fee income			
Eaton House Management Limited	(i)	189	270
Management fee			
Langham Hotels International Limited	(i)	13,084	15,212
Global marketing fee			
Langham Hotels International Limited	(i)	13,084	15,212
Lease agency fee			
The Great Eagle Estate Agents Limited	(d) & (j)	140	88
Property management services fee			
The Great Eagle Properties Management Company, Limited	(e) & (j)	738	694
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(f) & (j)	1,599	1,912
The Great Eagle Company, Limited	(g) & (j)	239	287

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

For the six months ended 30 June 2013

22. Connected and Related Party Disclosures (Continued)

Notes:

- (a) Rental income are 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 30 June 2013. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees of HK\$50,965,000 earned by Master Lessee from the Listing Date to 30 June 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 30 June 2013 HK\$'000 (unaudited)
Hotels' aggregate gross operating profit before deduction of global marketing fees	50,965
70% thereon, variable rent	35,675
Base rent	19,726
Add:	
Rental income from retail shops in Eaton, Hong Kong	422
Groups' segment revenue	55,823
Less:	
Hotel management fees (i.e. base fee and incentive fee)	(4,205)
License fee	(1,257)
Global marketing fees	(1,413)
Property taxes, rates and insurance	(2,553)
Other deductions	(172)
Groups' segment profit	46,223

- (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.

22. Connected and Related Party Disclosures (Continued)

Notes: (Continued)

(b)

		Listing Date To 30 June 2013 HK\$'000 (unaudited)
(A)	Total revenue of relevant hotel	125,678
(B)	Adjusted Hotel's aggregate gross operating profit	46,410
(i)	Base fee (A x 1.5%)	1,885
(ii)	License fee (A x 1%)	1,257
(iii)	Incentive fee (B x 5%)	2,320
Total fees		5,462

- (c) Global marketing fees were payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$70,647,000) 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) 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.
- (g) 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.
- (h) The transactions were charged to hotel operating expenses borne by Master Lessee instead of owner of hotel after the Listing Date.
- (i) These transactions ceased after the Listing Date.
- (j) The transactions were charged to hotel operating expenses borne by the Groups after the Listing Date.

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

For the six months ended 30 June 2013

22. Connected and Related Party Disclosures (Continued)

	Notes	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Balances with fellow subsidiaries at:			
Amount due from			
The Great Eagle Finance Company, Limited	(i)	-	1,003,396
Amount due from (included in debtors, deposits and prepayments)			
Master Lessee	(ii) & (iii)	35,675	-
Amounts due from			
Langham Hotels International Limited	(ii) & (iii)	-	60,151
Bondcity Investments Limited	(ii)	-	40
Hamni Properties Limited	(ii)	-	8
		-	60,199
Amounts due to (included in creditors, deposits and accruals)			
The Great Eagle Company, Limited	(ii)	9,554	-
Langham Hotels International Limited	(ii)	5,462	-
Langham Hotels Services Limited	(ii)	1,413	-
Master Lessee	(ii)	4,870	-
		21,299	-
Amounts due to			
The Great Eagle Company, Limited	(ii)	-	519,188
Langham Hotels International Limited	(ii) & (iii)	-	6,329
Kekina Group Limited	(ii)	-	208
Orwell Enterprises Limited	(ii)	-	12
		-	525,737
Amounts due to			
The Great Eagle Company, Limited	(iv)	-	2,863,090
Profit Lord Limited	(v)	-	2,049,550
		-	4,912,640

22. Connected and Related Party Disclosures (Continued)

Notes:

- (i) The amount was unsecured, bore interest at HIBOR plus 1% per annum and was repayable on demand.
- (ii) The amounts were unsecured, interest-free and repayable on demand.
- (iii) The amounts were in trade nature and aged within 30 days.
- (iv) The amount was unsecured, bore interest at HIBOR plus 1% per annum and had no fixed term of repayment. The related company had agreed not to demand for repayment at least 12 months from the end of the reporting period.
- (v) The amount was unsecured, bore interest at HIBOR plus 1.01% per annum and had no fixed term of repayment. The related company had agreed not to demand for repayment at least 12 months from the end of the reporting period.

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.

During the current interim period, the remuneration of directors and other members of key management represents directors' fees and other remunerations of HK\$130,000, which are paid or payable by the Groups.

During the six months ended 30 June 2012, no directors' emoluments were paid or payable by the Groups. The Groups' key management personnel were all Directors, who were also Directors of Great Eagle Holdings Limited. The Directors received remuneration from Great Eagle Holdings Limited. In the opinion of the Directors, the amount of directors' emoluments attributable to the services provided to the Groups concerned was considered insignificant and there was no such allocation of expenses to the Groups by Great Eagle Holdings Limited.

REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

TO THE SOLE SHAREHOLDER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed financial statements of LHIL Manager Limited (the “Company”) set out on pages 65 to 68, which comprise the condensed statement of financial position as of 30 June 2013 and the related condensed 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 30 June 2013, and certain explanatory notes. Pursuant to the deed of trust dated 8 May 2013 constituting Langham Hospitality Investments entered into between the Company and Langham Hospitality Investments Limited (the “Trust Deed”), the Company is required to prepare its interim financial information in accordance with The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which require the preparation of a report on interim financial information to be in compliance with the relevant provisions of and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 August 2013

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

For the period from 25 January 2013 (date of incorporation) to 30 June 2013

	Note	25 January 2013 to 30 June 2013 HK\$ (unaudited)
Revenue		-
Administrative expenses		(3,030)
Less: Amount borne by a fellow subsidiary		3,030
Profit or loss before tax		-
Income tax	4	-
Profit or loss and other comprehensive income/expense for the period		-

CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 30 June 2013

	Note	At 30 June 2013 HK\$ (unaudited)
Current asset		
Cash on hand		1
NET ASSET		1
Capital		
Share capital	5	1
TOTAL EQUITY		1

CONDENSED STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 30 June 2013

	Share capital HK\$ (unaudited)
At 25 January 2013 (date of incorporation) and 30 June 2013	1

CONDENSED STATEMENT OF CASH FLOWS OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 30 June 2013

	25 January 2013 to 30 June 2013 HK\$ (unaudited)
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 CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 30 June 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 3/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 condensed financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. Basis of Preparation

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies are set out below.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the period from 25 January 2013 (date of incorporation) to 30 June 2013

4. 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.

5. Share Capital

	At 30 June 2013 (unaudited)	
	Number of Ordinary Shares	Nominal Value HK\$
Ordinary shares of HK\$1 each		
Authorised:		
Increase during the period and balance carried forward	10,000	10,000
Issued and fully paid:		
Issue of share during the period and balance carried forward	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.

6. Related Party Disclosures

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

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

DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

Terms	Definition
“Code of Conduct for Securities Transactions”	Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Trustee-Manager and the Company
“Champion REIT”	Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorized under section 104 of SFO, in which Great Eagle had an interest of approximately 58.15% as at 30 June 2013
“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
“GFA”	Gross floor area
“Great Eagle”	Great Eagle Holdings Limited (Stock Code: 41), the holding company of Langham, which held 57.69% of Langham as at 30 June 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” or “Unitholders”	Persons who hold Share Stapled Units of Langham
“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

“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
“Langham”	The Trust and the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Lessee” or “Lessee”	GE (LHIL) Lessee Limited, 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
“RevPAR”	Revenue per available room
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Stapled Units” or “SSU(s)”	Share Stapled Unit(s) jointly issued by Langham. A Share Stapled Unit is the combination of the following securities or interests in securities which, subject to the provisions in the trust deed constituting the Trust, can only be dealt with together and may not be dealt with individually or one without the others: (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



LANGHAM HOSPITALITY INVESTMENTS

朗廷酒店投資

(as constituted pursuant to a deed of trust on 8 May 2013 under the laws of Hong Kong, the trustee of which is LHIL Manager Limited)

(根據香港法律按日期為二零一三年五月八日之信託契約組成，其受託人為朗廷酒店管理人有限公司)

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LANGHAM HOSPITALITY INVESTMENTS LIMITED

朗廷酒店投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

3rd Floor, Great Eagle Centre
23 Harbour Road, Wanchai, Hong Kong
Tel: 2186 2500 Fax: 2186 9867

香港灣仔港灣道23號
鷹君中心3樓
電話: 2186 2500 傳真: 2186 9867

www.langhamhospitality.com

