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# LANGHAM

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## HOSPITALITY INVESTMENTS

INTERIM REPORT 2014  
2014 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 HONG KONG TOURISM BOARD, WITH HIGH TARIFF A BEING THE HIGHEST CATEGORY AND HIGH TARIFF B BEING THE SECOND HIGHEST CATEGORY. EACH OF THE HOTELS IS LOCATED ON THE KOWLOON PENINSULA IN HONG KONG, A VIBRANT COMMERCIAL AND LEISURE HUB WHICH OFFERS A VARIETY OF ACTIVITIES RANGING FROM SHOPPING, FOOD AND BEVERAGE, 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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DEFINITIONS





# CORPORATE INFORMATION



## Trust

### Langham Hospitality Investments

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

## Company

### Langham Hospitality Investments Limited

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

## Listing

The Share Stapled Units of the Trust and the Company are listed on the Stock Exchange

## Trustee-Manager

### LHIL Manager Limited

*(as Trustee-Manager of the Trust)*

## Board of Directors

### Non-executive Directors

LO Ka Shui *(Chairman)*

LO Bo Lun, Katherine

### Executive Director

IP Yuk Keung, Albert *(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

Conyers Dill & Pearman (Cayman) Limited

Mayer Brown JSM

## Compliance Advisor

Guotai Junan Capital Limited

## Principal Bankers

Citibank, N.A.

Deutsche Bank AG

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Oversea-Chinese Banking Corporation Limited

## Registered Office of the Company

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## Principal Place of Business in Hong Kong

Suite 2702, 27th Floor

Great Eagle Centre

23 Harbour Road

Wanchai, Hong Kong

Tel: (852) 2186 2500

Fax: (852) 2186 9867

## Principal Share Registrar

Codan Trust Company (Cayman) Limited

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## Share Stapled Units Registrar & Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

## Website

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

## Stock Code

1270

# DISTRIBUTION NOTICE AND KEY DATES



## Interim Distribution

The Company Board and the Trustee-Manager Board have resolved to declare an interim distribution of HK14.6 cents per Share Stapled Unit for the six-month period ended 30 June 2014, payable on 7 October 2014 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 18 September 2014, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed.

## Closure of Registers

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Monday, 15 September 2014 to Thursday, 18 September 2014, both days inclusive, during which period no transfer of Share Stapled Units will be registered.

In order to qualify for the 2014 interim distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 September 2014.

## Key Dates

2014 Interim Results Announcement	:	7 August 2014
Closure of Registers	:	15 September 2014 – 18 September 2014 <i>(both days inclusive)</i>
Record Date for 2014 Interim Distribution	:	18 September 2014
Payment of 2014 Interim Distribution of HK14.6 cents per Share Stapled Unit	:	7 October 2014

# FINANCIAL HIGHLIGHTS



(in HK\$ million, unless otherwise specified)

	1H 2014	1H 2013 (30 May to 30 June)
Total Rental Income	<b>368.3</b>	55.8
Net Property Income	<b>305.3</b>	46.2
Profit attributable to Holders of Share Stapled Units	<b>192.3</b>	(6.6)
Distributable Income	<b>272.6</b>	39.1
Distribution per Share Stapled Unit (Before distribution waiver)	<b>HK13.5 cents</b>	HK2.0 cents
Distribution per Share Stapled Unit (After distribution waiver)	<b>HK14.6 cents</b>	HK2.1 cents

	As at 30 Jun 2014	As at 31 Dec 2013
Gross Value of Hotel Portfolio	<b>16,719</b>	16,696
Net Asset Value per Share Stapled Unit	<b>HK\$5.24</b>	HK\$5.33
Gearing Ratio	<b>38.8%</b>	38.7%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

The hospitality industry in Hong Kong faced more stable macroeconomic conditions during the first half of 2014 as compared with last year when there were greater volatilities in the capital market at that time. As such, there was growth in RevPAR at High Tariff hotels in Hong Kong during the first half of this year as compared with their flat to declining performance in the same period last year. All three hotels of the Trust Group continued to deliver year-on-year RevPAR growth during the first half of 2014, which led to steady distribution income to our Holders of Share Stapled Units.

During the first half period, RevPAR growth of the two High Tariff A hotels (considered as 5-star rated hotels), The Langham, Hong Kong, and Langham Place Hotel, Hong Kong averaged 5.9%, which is slightly better than their respective High Tariff A hotel market, which grew 5.8% year-on-year over the first half period. A 4.2% RevPAR growth for Eaton, Hong Kong was behind its respective High Tariff B hotel market (considered as 4-star rated hotel), which grew 6.6% year-on-year over the same period. However, it should be noted that Eaton, Hong Kong had generated a 10.2% increase in room revenue in the first half, as the hotel had more available rooms after the renovation was completed in the second half of last year.

For the first half period ended 30 June 2014, net profit of the Trust Group reached HK\$192.3 million, which included an increase in fair value of investment properties amounting to HK\$3.9 million.

Excluding the fair value change on investment properties, net profit would have been HK\$188.4 million. Distributable income, which was adjusted for non-cash items including fair value change of investment properties, reached HK\$272.6 million. Distribution per Share Stapled Unit before distribution waived by the Great Eagle Group is HK13.5 cents and HK14.6 cents after the impact of distribution waiver being reflected.

The Trust Group's hotel property portfolio was valued at HK\$16,719 million as at 30 June 2014 and the Trust Group has HK\$6,800 million of bank loan in place. Net Asset Value of the Trust Group amounted to HK\$10,554 million or HK\$5.24 per Share Stapled Unit, down from HK\$5.33 per Share Stapled Unit as at the end of December 2013. The decline in Net Asset Value per Share Stapled Unit was due to an increase in number of Share Stapled Units issued for the payment of hotel management and licence fees. As at 30 June 2014, the Trust Group's gearing ratio was at a comfortable level of 38.8% with an adequate interest coverage ratio of around 5 times. The Trust Group had no financing requirements until May 2016.

In order to further optimize operational performance and profitability, all three hotels have put in place a series of asset enhancement programs that will be funded by equity raised at the time of the initial public offering. In fact, the first phase of the renovation program at The Langham, Hong Kong, which comprised of about 100 rooms, had begun mid-June 2014 with completion expected to be in September 2014. Rooms renovated will be made available during the traditional peak season in the fourth quarter, with higher room rates to be expected.



“ THE HOSPITALITY INDUSTRY IN  
HONG KONG FACED MORE STABLE MACROECONOMIC  
CONDITIONS DURING THE FIRST HALF OF 2014  
AS COMPARED WITH LAST YEAR ”

Major renovations at Langham Place Hotel, Hong Kong and Eaton, Hong Kong have been scheduled to commence in 2015. The renovation projects are expected to lift the performance of these hotels in the near term. In order to foster organic growth, it is one of our strategies to deploy asset enhancement expenditures, so as to constantly enhance the operating performance of the portfolio, thereby resulting in progressive distributions to Holders of Share Stapled Units, and also serving to enhance the underlying value of these hotels.

Apart from the aforementioned asset enhancement initiatives, we will consider acquisitions as a possible strategic means to achieve growth for the Trust Group. While the current yield provided by the Company sets a high hurdle to consummate acquisition opportunities, our management is constantly evaluating new investment opportunities in order to identify suitable acquisitions for the Company.

Lastly, the Board of Directors would like to thank Ms. Katherine Benson for her contribution to the Trust Group. Ms. Benson had returned to the parent group as the vice president in charge of Great Eagle's hotel

portfolio in the U.S.A. At the same time, the Board of Directors would like to welcome Mr. Ip Yuk Keung, Albert as the Chief Executive Officer of the Trust Group. Mr. Ip's extensive knowledge in debt and equity markets as well as his experience in the real estate and hotel markets will benefit the Trust Group going forward.

### Operational Review

As the hotels of the Trust Group are leased to the Master Lessee, an indirect wholly-owned subsidiary of Great Eagle, the Trust Group receives rent in the form of a pre-determined fixed base rent (pro-rata at HK\$225 million per annum) and a variable rent, which is calculated at 70% of the hotels' aggregate gross operating profit before deduction of the global marketing fees. The base rent serves to provide a level of downside protection to Holders of Share Stapled Units, whilst allowing participation in the upside performance of the hotels through the sharing of the hotels' profit under the variable rent component. In addition to the fixed base and variable rental income from the Master Lessee, the Trust Group also receives rental income directly from the retail shops located at Eaton, Hong Kong that are leased to independent third parties.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2014, total rental income of the Trust Group was HK\$368.3 million, of which base rental income was HK\$111.6 million, variable rental income was HK\$254.2 million and rental income from the retail shops at Eaton, Hong Kong was

HK\$2.5 million. It should be noted that variable rental income, which is pegged to the performance of the hotels, translated to 69% of total rental income received by the Trust Group over the reporting period.

	(in HK\$ million)	
	1H 2014	1H 2013 (30 May to 30 June)
Variable rental income (70% of the hotels' aggregate gross operating profit before deduction of global marketing fees)	<b>254.2</b>	35.7
Base rental income (prorated based on HK\$225 million per annum)	<b>111.6</b>	19.7
Rental income from the retail shops at Eaton, Hong Kong	<b>2.5</b>	0.4
<b>Total Rental Income to the Trust Group</b>	<b>368.3</b>	55.8

As the Trust Group primarily owns the hotels and leases them out for rental income, the operating expenses incurred by the Trust Group are predominantly service fees and hotel properties related expenses. Service fees comprised of hotel management fee, licence fee and global marketing fee. Hotel management fee of HK\$28.9 million accounted for the largest share of service fees. It

should be noted that when calculating the distributable income, global marketing fee is paid in cash, while hotel management fee and licence fee are paid in the form of Share Stapled Units until the end of 2017. Thereafter, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both.

	(in HK\$ million)	
	1H 2014	1H 2013 (30 May to 30 June)
Hotel management fee (comprised of a base fee at 1.5% of the total hotel revenue and an incentive fee at 5% of the adjusted gross operating profit of the hotels)	<b>28.9</b>	4.2
Licence fee (1% of the total revenue of the hotels)	<b>8.2</b>	1.3
Global marketing fee (2% of the total room revenue of the hotels)	<b>9.5</b>	1.4
<b>Total service fees</b>	<b>46.6</b>	6.9

Hotel properties related expenses are comprised of building management fee, insurance and property taxes and rates. Property taxes and rates represented the bulk of hotel properties related expenses and had increased in the second quarter of 2014, as compared with the first quarter of 2014.

The increase in property taxes and rates payable was in line with the increase in the reassessed rateable values of the hotel properties starting on 1 April 2014. Building management fee, insurance and other hotel property related expenses borne by the Trust Group amounted to HK\$16.4 million over the first six months of 2014.

	(in HK\$ million)	
	1H 2014	1H 2013 (30 May to 30 June)
Total rental income	<b>368.3</b>	55.8
Hotel property related expenses	<b>(16.4)</b>	(2.7)
Service fees	<b>(46.6)</b>	(6.9)
<b>Net property income</b>	<b>305.3</b>	46.2

Finance cost is the largest single cost item to the Trust Group which was HK\$64.8 million for the first six months of 2014. The finance cost incurred for the period was comprised of i) amortization of the upfront fees, which is a fixed amount and is a non-cash item, and ii) interest expense payable for the period. Interest expense was calculated based on a spread of 120 basis points over HIBOR. For the first six months of 2014, it was based on one month HIBOR, which remained low throughout the reporting period.

In 2013, as the asset enhancement works were still in design stages, the Trust Group converted the majority of its idle cash into higher interest bearing Renminbi deposits. As a result, the majority of the HK\$9.8 million

interest income earned was derived from the Trust Group's deposits in Renminbi during the first six months of 2014. The deposit rates for Renminbi averaged more than 3% p.a. during the first half period, which is 2 percentage points higher than the deposit rates of Hong Kong dollar deposits. While an unforeseen 2.4% depreciation in Renminbi during the first six months of 2014 had resulted in an exchange loss of HK\$13.8 million for 2014's interim results, the negative impact of the exchange loss was partially neutralized by accumulated interest income earned on the Trust Group's Renminbi deposits. It is important to note that such unrealized exchange loss for the period is a non-cash item and does not have an impact on distributable income.

# MANAGEMENT DISCUSSION AND ANALYSIS

Since June 2014, Renminbi had gradually appreciated against Hong Kong dollar, whilst certain asset enhancement works had also commenced. Going into the fourth quarter of 2014, it is anticipated that a portion of Renminbi deposits will be gradually converted to Hong Kong dollars to fund the payments of the asset enhancement programs.

Included in 2014's interim results was an increase in fair value of investment properties amounting to HK\$3.9 million, which is a non-cash item, and will be deducted from the calculation of the distributable income. Income tax expense incurred by the Trust Group during the first six months of 2014 was HK\$42.8 million, and profit attributable to Holders of Share Stapled Units reached HK\$192.3 million.

	(in HK\$ million)	
	1H 2014	1H 2013 (30 May to 30 June)
Net property income	<b>305.3</b>	46.2
Other income (interest income)	<b>9.8</b>	0.2
Net exchange loss	<b>(13.8)</b>	–
Increase in fair value of investment properties	<b>3.9</b>	–
Finance costs	<b>(64.8)</b>	(11.4)
Trust and other expense	<b>(5.3)</b>	(35.9)
<b>Profit before tax</b>	<b>235.1</b>	(0.9)
Income tax expense	<b>(42.8)</b>	(5.7)
<b>Profit attributable to Holders of Share Stapled Units</b>	<b>192.3</b>	(6.6)

In order to derive the Trust Group's distributable income, non-cash items are added back to profit. These items include hotel management and licence fees paid in Share Stapled Units, amortisation of debt upfront fee, exchange losses relating to Renminbi deposits and deferred taxation. However, there are two deduction

adjustments relating to i) cash contribution to the furniture, fixtures and equipment reserve, which is based on 1.5% of total revenue of the hotels and ii) increase in fair value of investment properties. Overall, distributable income of the Trust Group amounted to HK\$272.6 million.

	(in HK\$ million)	
	1H 2014	1H 2013 (30 May to 30 June)
Profit attributable to Holders of Share Stapled Units	<b>192.3</b>	(6.6)
Adjustments:		
Add:		
Hotel management fee (base and incentive fees paid in Share Stapled Units)	<b>28.9</b>	4.2
Licence fee	<b>8.2</b>	1.3
Amortization of debt upfront fee, a non-cash cost	<b>17.0</b>	3.0
Listing expenses	-	34.7
Deferred tax	<b>28.5</b>	4.4
Non-cash net exchange loss	<b>13.8</b>	-
Less:		
Change in fair value of investment properties	<b>(3.9)</b>	-
Cash contribution to furniture, fixtures and equipment reserve	<b>(12.2)</b>	(1.9)
<b>Distributable income</b>	<b>272.6</b>	39.1

It should be noted that the sponsor of the Trust Group, the Great Eagle Group, has agreed to waive its entitlement to receive distributions payable in respect of its 150 million Share Stapled Units (representing approximately 7.5% of the issued Share Stapled Units of the Trust Group as at 30 June 2014) for the financial

year 2014. The number of Distribution Waiver Units will decrease to 100 million Share Stapled Units for the financial years 2015 and 2016, 50 million Share Stapled Units for the financial year 2017 and all of the sponsor's holdings of Share Stapled Units will be entitled to receive distribution payable from 2018 onward.



# MANAGEMENT DISCUSSION AND ANALYSIS

The purpose of the distribution waiver is to minimize the dilution impact on the yield of the Trust Group, as additional Share Stapled Units were issued at the time of the initial public offering, with the majority of the surplus additional funds raised being set aside for asset enhancement works of the three hotels.

For the first six months ended 30 June 2014, distribution per Share Stapled Unit was HK13.5 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK14.6 cents.

As at 30 June 2014, net debt was approximately HK\$6,093 million, which was comprised with debt of HK\$6,800 million that was offset by cash of HK\$707 million.

The debt, which was drawn to finance the acquisition of the hotel properties, will mature on 29 May 2016. At 30 June 2014, the gearing ratio of the Trust Group was 38.8% and debt service coverage was approximately 5 times. Of the cash balance of HK\$707 million, a large portion was raised from the initial public offering being used to fund planned asset enhancement works for the three hotels.

## Hotel Performance

While the financial performance for the first half of 2013 is compiled from the Listing Date to the 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 were based on a six-month period for minimizing distortions arising from seasonality and thus providing a more meaningful comparative operational performance analysis of the hotels.

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2014	1H 2013	1H 2014	1H 2013	1H 2014	1H 2013	1H 2014	1H 2013
The Langham, Hong Kong	485	495	88.0%	85.4%	2,291	2,254	2,017	1,924
<i>year-on-year growth</i>			<i>+2.6ppt</i>		<i>+1.7%</i>		<i>+4.9%</i>	
Langham Place Hotel, Hong Kong	650	652	92.5%	87.7%	1,871	1,846	1,731	1,619
<i>year-on-year growth</i>			<i>+4.8ppt</i>		<i>+1.4%</i>		<i>+7.0%</i>	
Eaton, Hong Kong	465	440	95.7%	93.3%	1,178	1,159	1,127	1,082
<i>year-on-year growth</i>			<i>+2.4ppt</i>		<i>+1.7%</i>		<i>+4.2%</i>	
Hotels average	533	529	92.1%	88.5%	1,784	1,768	1,643	1,565
<i>year-on-year growth</i>			<i>+3.6ppt</i>		<i>+0.9%</i>		<i>+5.0%</i>	

	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2014	1H 2013	1H 2014	1H 2013	1H 2014	1H 2013
Hong Kong Hotel Markets						
High Tariff A	86.0%	84.0%	2,446	2,368	2,104	1,989
<i>year-on-year growth</i>	<i>+2.0ppt</i>		<i>+3.3%</i>		<i>+5.8%</i>	
High Tariff B	91.0%	88.0%	1,204	1,168	1,096	1,028
<i>year-on-year growth</i>	<i>+3.0ppt</i>		<i>+3.1%</i>		<i>+6.6%</i>	

The hotel portfolio achieved a RevPAR of HK\$1,643 during the first six months of 2014, which translated to a year-on-year growth of 5.0%. The growth in RevPAR was supported by an occupancy growth of 3.6 percentage points to 92.1% and a 0.9% increase in average daily rates to HK\$1,784. Room revenue accounted for 58% of total revenue of the three hotels over the first six months of 2014.

RevPAR growth of the two High Tariff A hotels, The Langham, Hong Kong, and Langham Place Hotel, Hong Kong averaged 5.9%, which is better than their respective High Tariff A hotel market. In addition, the two hotels maintained a higher average occupancy of over 90% compared to 86% in the market. However, due to a larger number of available rooms in the first half of 2014 versus the prior period, Eaton, Hong Kong underperformed its respective High Tariff B hotel market

in terms of RevPAR growth. However, Eaton, Hong Kong managed to achieve a 95.7% occupancy versus 91% in the market for its hotel segment.

Revenue from Food & Beverage (“F&B”) increased 3.6% year-on-year as compared with the first six months of last year. If there wasn’t a small decline in F&B revenue witnessed at The Langham, Hong Kong, the growth in F&B revenue would have been higher. F&B revenue accounted for 39% of total revenue of the three hotels during the first six months of 2014.

Adjusted gross operating profit of the portfolio grew less than the RevPAR growth of the hotels during the first six months of 2014, which was primarily attributable to the slower than expected growth in profit at the F&B division.

# MANAGEMENT DISCUSSION AND ANALYSIS

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Langham Place Hotel, Hong Kong	Eaton, Hong Kong	Total
Room	177.1	203.7	94.9	475.7
F&B	104.4	142.2	75.2	321.8
Others	7.1	9.9	1.6	18.6
<b>Total revenue</b>	<b>288.6</b>	<b>355.8</b>	<b>171.7</b>	<b>816.1</b>

As we analyzed the revenue breakdown during the first six months of 2014, there were signs showing the demand for rooms from the long haul and corporate segment was still weak during the reporting period. In terms of geographical origins, arrivals from our traditional core markets, such as Australia, the Americas and Europe, representing the three single largest arrival markets for our hotel portfolio after Mainland China, posted flat to a small decline on a year-on-year basis in the first half of 2014. However, the rate of the year-on-year decline in arrivals was slower than what we had witnessed over the same period last year.

The Hotel Manager upheld its conscious decision to increase the share of leisure travellers from Mainland China, which was still growing during the first six months of 2014, so as to offset the weakness in our traditional core markets. Arrivals from Mainland China grew 17.8% year-on-year as compared with 13.7% growth from Mainland China for the broader overnight visitors registered by the HKTB. Since we shifted to absorb more arrivals from Mainland China, this market accounted for 29.9% of our total arrivals by geographical breakdown.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in visitors from Mainland China	+17.8%	+13.7%
% of overnight arrivals from Mainland China to total arrivals	29.9%	65.7%

## Performance of the Individual Hotels

At **The Langham, Hong Kong**, the hotel accommodated increased number of individual tourist arrivals from Mainland China, which rose 16.0% year-on-year, and offset reduced demand from other markets. As to arrivals from the other major contributing countries, arrivals from the Americas, Australia and majority of other European countries declined, whilst arrivals from the United Kingdom were more or less flat. Nonetheless, all the shortfalls were more than offset by the hotel's ability to attract leisure individual travelers from Mainland China. For the first six months of 2014, its occupancy increased by 2.6 percentage points to 88% (1H 2013: 85.4%) while average room rate increased 1.7% year-on-year to HK\$2,291 (1H 2013: HK\$2,254).

At The Langham, Hong Kong, revenue from F&B saw a decline of 2.1% year-on-year in the first six months of 2014. The decline was due to reduced wedding banquets business, when compared to the same period last year, where the banqueting business surged before the Chinese calendar year, as 2012 being the Year of Dragon is a popular year for weddings. The restaurant on the first floor was repositioned to cater for a wider audience, which also contributed to slower business flow during the first six months of 2014.

For **Langham Place Hotel, Hong Kong**, among its top arrival markets, there was actually a small single digit increase in arrivals from the Americas and the United Kingdom. However, the hotel witnessed a decline in arrivals from Australia. In addition to a 10.5% year-on-year growth in arrivals from the Mainland China market, the hotel also accommodated more arrivals from other Asian markets, such as Singapore, Korea, Indonesia and India. The move to accommodate more leisure travelers from other Asian countries helped

boost occupancy during the first six months of 2014. For the first six months of 2014, occupancy increased by 4.8 percentage points to 92.5% (1H 2013: 87.7%) while average room rate increased 1.4% year-on-year to HK\$1,871 (1H 2013: HK\$1,846).

For Langham Place Hotel, Hong Kong, revenue from F&B saw a 8.7% year-on-year growth for the first six months of 2014. The hotel hosted more corporate events in the first six months of this year compared with the same period last year. The increase in corporate events helped to offset the impact from fewer wedding banqueting, whilst business also picked up at the refurbished Michelin-starred Chinese restaurant Ming Court.

**Eaton, Hong Kong**, as compared with The Langham, Hong Kong and Langham Place Hotel, Hong Kong, witnessed the highest increase in arrivals from the Mainland China market, which grew 26.4% year-on-year in the first half of 2014. In addition to an increase in the number of renovated rooms, the pricing and positioning of the hotel towards budget travelers, also helped brought in more arrivals from other markets. For the first six months of 2014, the hotel achieved average occupancy of 95.7% on an average of 465 rooms (1H 2013: 93.3% on an average of 440 rooms) and an average room rate of HK\$1,178 (1H 2013: HK\$1,159). Slower average room rate growth was witnessed to help achieve a higher occupancy rate despite more available rooms in the first half of 2014.

Revenue from F&B rose 2.6% year-on-year in the first six months of 2014. Majority of restaurants showed better pickup with increased number of guests, whilst catering was supported by a mix of meetings, conference and weddings business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Outlook

With the recent release of positive employment data of the U.S., the long-awaited pick-up in economic growth in the U.S. might finally be on its way. Although economic and financial conditions in Europe remained fragile, the economy in the U.K. is recovering upon the rally of the property market. For Mainland China, provided that there will be further policy support in the second half of the year, Mainland China will likely achieve its annual Gross Domestic Product growth target of 7.5%. From an all-embracing aspect, we expect a continued gradual recovery of the global economy sustaining on track, alongside with the return of corporate and long haul visitors to Hong Kong that give hoteliers the steadfast confidence of growing room rates in this high-occupancy market.

RevPAR for the portfolio has been increasing year-on-year during the first six weeks for the second half of 2014. As of to-date, the hotels are still witnessing encouraging booking pace. These clues have left us to believe RevPAR growth will remain likely for the rest of the year. As forward booking window is still short, the performance of the hotels will still largely depend on global economic conditions in the future.

As the asset enhancement program at The Langham, Hong Kong includes guest room renovation, the renovation work on the rooms will only be carried out during the low seasons and will be performed in a manner that minimizes disruptions to the hotel's income. However, it will still hold back revenue and earnings growth of The Langham, Hong Kong in 2014. While the renovation work at Langham Place Hotel, Hong Kong in the second half of 2014 is primarily for the lobby and bar, it is not expected to have an impact on the hotel's earnings in 2014.

In 2015, guest room renovation will continue at The Langham, Hong Kong during the low seasons, and major renovations at Langham Place Hotel, Hong Kong and Eaton, Hong Kong will commence in 2015. These initiatives will help the hotels command better room rates and enhance competitive position which lays the foundation for earnings growth in the coming year.

In the long term, we are optimistic about the outlook of Hong Kong's hospitality industry. Hong Kong is not only the leading destination city for Mainland China's outbound travelers, but is also one of the top ten most visited cities in the world. With middle class growing in many emerging markets, the purchasing power to consume leisure travel shall rise. Therefore, Hong Kong will continue to be one of the most preferred cities to be visited by leisure visitors from the new emerging markets. These visitors shall be our new sources of arrivals. Furthermore, when the major infrastructure projects such as the Hong Kong-Zhuhai-Macau bridge and extension of Mainland China's high-speed rail network to Hong Kong are completed, as well as further expansion of existing projects such as the cruise terminal at Kai Tak Hong Kong are in place, Hong Kong is set to increase its sources of visitor origination.

## Lo Ka Shui

*Chairman*

Hong Kong, 7 August 2014



# FINANCIAL REVIEW



## Distributions

Total distributable income of the Trust Group for the 2014 interim distribution period was HK\$272,603,000, which was 100% of total distributable income in respect of the period ended 30 June 2014. The first distribution for the 2013 final distribution period of HK\$350,126,000 was paid to Holders of Share Stapled Units on 29 May 2014, which was based on the distributable income for the period from the Listing Date to 31 December 2013.

It is the intention of the Board 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.

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.

The Distribution per Share Stapled Unit for current period was HK14.6 cents (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 150,000,000 Share Stapled Units). This represents an annualized distribution yield of 8.23% based on the closing Share Stapled Unit price of HK\$3.55 as at 30 June 2014.

## Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$10,554 million or HK\$5.24 per Share Stapled Unit as at 30 June 2014 which represents a 47.6% premium to the closing Share Stapled Unit price of HK\$3.55 as at 30 June 2014.

## Debt Profile

Total outstanding borrowings of the Trust Group as at 30 June 2014 were HK\$6,800 million. 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 bank debt.

As at 30 June 2014, total gross assets of the Trust Group were HK\$17,527 million. The gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 38.8%.

# FINANCIAL REVIEW



## Cash Position

As at 30 June 2014, the Trust Group had a cash balance of HK\$707 million which was adequate for the upcoming asset enhancement purpose of the 3 hotels as well as the ongoing working capital and operating requirements.

## Pledge of Assets

At the end of the reporting period, investment properties of the Trust Group with a fair value of HK\$16,719 million, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure a HK\$6,800 million syndicated bank facility granted to the Trust Group.

## Commitments

At 30 June 2014, the Trust Group had authorized capital expenditures for investment properties which were not provided for in these condensed consolidated financial statements amounting to HK\$72,130,000 of which HK\$68,391,000 were contracted for.

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

# GOVERNANCE AND COMPLIANCE

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

Corporate governance practices serve as an ongoing guidance for the Directors in performing and fulfilling their respective roles and obligations to the Trust Group. Various policies and procedures were established which constituted the core elements of the governance framework of the Trust Group. The Trustee-Manager Board and the Company Board regularly review these policies and procedures on corporate governance as well as legal and regulatory compliance. Further enhancement will be made from time to time in light of the latest statutory regime and international best practices.

## Structure of the Trust Group

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

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

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

## Capital Structure of the Trust and the Company

Share Stapled Units are jointly issued by the Trust and the Company which comprised the following three components:

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

## GOVERNANCE AND COMPLIANCE

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

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

Great Eagle, a company listed on the Stock Exchange, indirectly held an interest in 57.95% of the Share Stapled Units as at 30 June 2014. Accordingly, Great Eagle is the holding company of the Trust and the Company.

### Business Relationship with Great Eagle

Apart from the parent-subsidary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two groups. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules. Certain continuing connected transactions had been granted a waiver by the Stock Exchange from strict compliance with the announcement and, if applicable, the approval of independent Holders of Share Stapled Units requirements of the Listing Rules, details of which are summarized under the sub-section headed “Connected Transactions and/or Continuing Connected Transactions” on pages 25 to 28 of this Interim Report. These business relationships and the fact that some of the Directors and senior management members also hold directorships and/or roles in the Great Eagle Group might give rise to potential conflicts of interests between the Group and the Great Eagle Group in their respective business operations.

While the Group focuses on optimizing the performance of the three existing hotel properties and adopts a growth strategy of investing in completed stand-alone hotels in Asia, the Great Eagle Group is principally engaged in the development, management and investment of high quality office, retail, residential and hotel properties in Asia, Australia, North America and Europe and will continue to engage in hotel related operations, with a focus on further capitalizing on its resources and expertise in developing its hotel management services operations and brand building. In view of the clear delineation between the businesses of the Group and Great Eagle Group, the two groups form separate platforms with their own distinct business focuses which can fully leverage each other on a complementary basis, optimizing growth for their mutual benefit.

To further reinforce the clear delineation of the two groups' businesses, the Great Eagle ROFR Deed was entered into between Great Eagle and the Company on 10 May 2013. In the event any hotel investment opportunities in Asia, excluding Australia and New Zealand, are made available to Great Eagle, these opportunities must be offered to the Trust Group first. As such, the Trust Group will have full access to appropriate investment opportunities in the pursuit of its acquisition growth strategy and expansion of its hotel property portfolio in Asia.

Notwithstanding the above, certain circumstances may arise where the Trust Group competes with the Great Eagle Group in respect of the hotel operations in Asia and potential conflicts of interests arise from the connected transactions of the two groups. However, it is believed that the economic alignment in interests between Great Eagle and other Holders of Share Stapled Units resulting from Great Eagle Group holding over 50% of the Share Stapled Units will mitigate the risk of Great Eagle acting in a way that may prejudice the interests of all the Holders of Share Stapled Units as a whole. More importantly, various corporate governance measures are in place, which will be discussed in the later section in order to address any potential conflict of interest and competition between the Group's hotels and those owned and/or managed by the Great Eagle Group in Asia, thereby safeguarding the interests of independent Holders of Share Stapled Units.

## Compliance with Corporate Governance Code

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

The Trustee-Manager Board and the Company Board play a central support and supervisory role in the respective corporate governance duties of the Trust and the Company by reviewing the overall corporate governance arrangements, approving governance policies, monitoring compliance with the CG Code and reviewing corporate governance disclosures.

During the six-month period ended 30 June 2014, the Trust (via the Trustee-Manager) and the Company had complied with all the applicable code provisions and, where appropriate, adopted some of the recommended best practices as set out in the CG Code. The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employee.



# GOVERNANCE AND COMPLIANCE



## Board and Board Committees

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

The Board of Directors currently comprises 6 members, with 1 Executive Director and 5 Non-executive Directors (including 3 Independent Non-executive Directors). On 9 June 2014, Mr. Ip Yuk Keung, Albert was appointed as the Executive Director and Chief Executive Officer of the Trustee-Manager and the Company. A comprehensive induction pack has been given to Mr. Ip to familiarize him with the business and operations of the Trust Group.

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

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

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

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

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

Mr. Wong Kwai Lam, an Independent Non-executive Director of the Trustee-Manager and the Company, was appointed as a Member of the Governing Board of the CUHK Medical Centre during the period.

Except for the above, there are no other changes in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the 2013 Annual Report of the Trust and the Company.

## Corporate Governance Measures to Address Potential Conflicts of Interest

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

- any conflicted Directors must abstain from voting and will not be counted in the quorum of the relevant Board meeting in the event of any conflict issues;
- pursuant to Article 90 of the articles of association of the Trustee-Manager, a Director of the Trustee-Manager must give priority to the interest of all the Holders of Share Stapled Units as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Holders of Share Stapled Units as a whole and that of the Trustee-Manager;
- potential connected transactions between the Great Eagle Group and the Group and the existing continuing connected transactions are reviewed and reported annually by the Independent Non-executive Directors and auditors of the Company;

## GOVERNANCE AND COMPLIANCE

- where the Trustee-Manager Board and the Company Board are required to determine matters under the Great Eagle ROFR Deed, such matters will be referred to the Independent Non-executive Directors and/or to those Directors who do not have a material interest in the matter; and
- specific corporate governance measures have been put in place in respect of the operation of the Great Eagle ROFR Deed as follows:
  - (i) as part of the Trustee-Manager's and the Company's respective internal control systems, each has maintained a register of all opportunities/transactions arising from the implementation of the Great Eagle ROFR Deed;
  - (ii) as part of its internal audit plan, each of the Trustee-Manager and the Company will, through the internal audit function, review the implementation of the Great Eagle ROFR Deed each year;
  - (iii) the Audit Committee of the Company will review the implementation of the Great Eagle ROFR Deed to ascertain that the terms of the Great Eagle ROFR Deed have been complied with. The review will include an examination of supporting documents and such other information deemed necessary by the Audit Committee; and
  - (iv) the Independent Non-executive Directors will review on an annual basis compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and will disclose in the annual report of the Trust and the Company their findings on the compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and any decision made by the Group regarding exercise of the right of first refusal and the basis of such decision subject to not breaching the Group's or Great Eagle's contractual or legal obligations.

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

The Trustee-Manager with the Company (on the one hand) and Great Eagle (on the other hand) have boards of directors which function independently of each other. Notwithstanding that (i) Dr. Lo Ka Shui and Ms. Lo Bo Lun, Katherine, Non-executive Directors of the Trustee-Manager and the Company, have executive roles in the Great Eagle Group; and (ii) Mr. Ip Yuk Keung, Albert, Executive Director of the Trustee-Manager and the Company, has non-executive role in Eagle Asset Management (CP) Limited (Manager of Champion Real Estate Investment Trust, a listed subsidiary of the Great Eagle Group), the three remaining members of the Trustee-Manager Board and the Company Board are Independent Non-executive Directors who have extensive experience and appropriate professional expertise to manage the Trust Group in the event that Dr. Lo, Ms. Lo and Mr. Ip are required to abstain from voting on matters relating to the Great Eagle Group. In addition, the Trustee-Manager Board and the Company Board are comprised of three Independent Non-executive Directors, out of a total board size of six. We believe there is a sufficiently robust and independent voice to address any situation on potential conflict of interest and protect the interests of the independent Holders of Share Stapled Units.

## Connected Transactions and/or Continuing Connected Transactions

Provided below are the details of the continuing connected transactions which have been granted a waiver by the Stock Exchange from strict compliance with, inter alia, the announcement and approval of independent Holders of Share Stapled Units requirements of the Listing Rules. Further details and conditions of the waivers were disclosed in the initial public offering prospectus dated 16 May 2013.

	Aggregate Transaction Amount for the six-month period ended 30 June 2014 (HK\$'000)
(1) Master Lease Agreements	
– Base Rent	111,576
– Variable Rent	254,190
(2) Hotel Management Agreements	
– Base Fee <sup>#</sup>	12,242
– Incentive Fee <sup>#</sup>	16,661
(3) Centralized Services and Marketing Agreements	
– Reimbursement of Costs	4,225
– Global Marketing Fees	9,514
– Reservation Fees	2,380
(4) Trademark Licence Agreements <sup>#</sup>	8,161

<sup>#</sup> The fees payable for the period from and including the Listing Date to 31 December 2017 will be settled in the form of Share Stapled Units.

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

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

## GOVERNANCE AND COMPLIANCE

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

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

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

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

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

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

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

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

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

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

## GOVERNANCE AND COMPLIANCE

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

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

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

### Issued Share Stapled Units

On 5 March 2014, 10,983,756 new Share Stapled Units were issued at HK\$3.79 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees (collectively the “Hotel Manager’s Fees”) of approximately HK\$41,628,000 for the period from 1 July 2013 to 31 December 2013 pursuant to the Hotel Management Agreements and Trademark Licence Agreements in respect of The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong (collectively the “Hotel Agreements”). The Hotel Manager has nominated its fellow subsidiary, LHIL Assets Holdings Limited, to take up all the Share Stapled Units purportedly to be issued directly to the Hotel Manager by way of physical scrip pursuant to the Hotel Agreements.

The payment of the Hotel Manager’s Fees by way of Share Stapled Units is in accordance with the terms of the Trust Deed and does not require specific prior approval of the Holders of Share Stapled Units pursuant to a waiver granted by the Stock Exchange. Principal provisions regarding the Hotel Manager’s Fees and the waiver conditions have been set out in details in the prospectus dated 16 May 2013 in connection with the initial public offering of the Share Stapled Units of the Trust Group. The basis of determination of the 10,983,756 Share Stapled Units as payment of the Hotel Manager’s Fees is consistent with the relevant provisions of the Hotel Agreements and the total number of Share Stapled Units issued as payment of the Hotel Manager’s Fees for the period from 1 July 2013 to 31 December 2013 represents approximately 0.55% of the total number of Share Stapled Units in issue as at 30 June 2014.

Except for the above, no new Share Stapled Units were issued during the six-month period ended 30 June 2014. As at 30 June 2014, total number of issued Share Stapled Units of the Trust and the Company was 2,012,373,688.



## Compliance with Model Code

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

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2014.

## Review of Interim Results

The unaudited consolidated financial statements of the Trust Group and unaudited financial statements of the Trustee-Manager for the six-month period ended 30 June 2014 were prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA and have also been reviewed by the Audit Committees of the Trustee-Manager and the Company. Such financial information has been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Trustee-Manager and the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## Sufficiency of Public Float

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

## Buy-back, Sale or Redemption of Share Stapled Units

Except for the buy-back or redemption of the Preference Shares in the event of the exercise of the Exchange Right (as defined in the Trust Deed) or the termination of the Trust, the Trustee-Manager is prohibited under the Trust Deed from buying back or redeeming any Share Stapled Units on behalf of the Trust unless and until expressly permitted to do so by relevant codes and guidelines issued by the Securities and Futures Commission from time to time and only with the agreement of the Company and in circumstances where the Company buys back or redeems the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be bought back or redeemed.

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

During the six-month period ended 30 June 2014, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

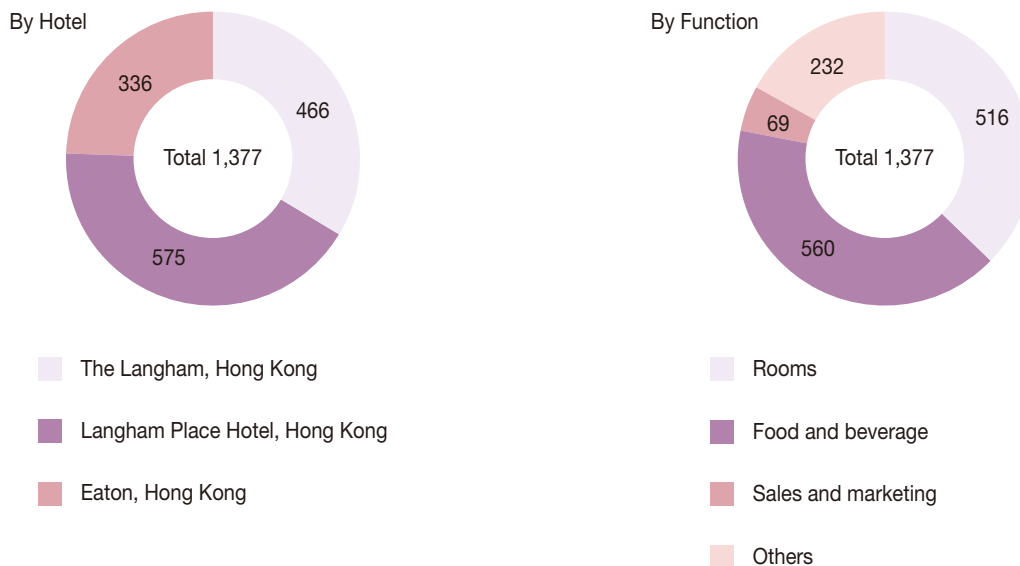
# GOVERNANCE AND COMPLIANCE

## Hotel Manager and Employees

The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated in providing services to the Hotels. When compared to the figure as at 31 December 2013, total number of employees of the Hotels decreased by around 1.5%.

The following charts show the breakdown of employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels as at 30 June 2014:

**Number of Employees of the Hotel Manager**



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

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

## Corporate Social Responsibility

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

The commitment to protecting the environment is integrated into the operations of the Hotels. EarthCheck provides one of the best environmental management systems in use by the travel and tourism industry for the benchmarking and certification of their operational practices. All of the three Hotels owned by the Company in Hong Kong are certified to the EarthCheck Silver level, and Langham Place Hotel, Hong Kong is accredited with an ISO 14001 certification.

Moreover, each of the Hotels has been recognized as a Caring Company for over five years and has been working with local community partners through various employee community services, donations, visits, free or in-kind sponsorships, and ongoing partnership programmes. For the first six months in 2014, the Hotels' colleagues served a total of 996 hours of community services and volunteering efforts.

Colleagues are the most important assets of a successful organization. The Hotel Manager and Hotels are mindful of the health and safety obligations to colleagues, and various occupational health and safety trainings are delivered regularly to the colleagues. It is the Hotels' commitment to provide suitable career and training opportunities for their colleagues, and the average number of training hours per colleague was approximately 16.6 hours as at 30 June 2014.

Lastly, through the Hotel Manager, we are committed to maintaining good corporate governance and business integrity in all the business activities of the Hotels. The Code of Conduct sets out the basic standard of behaviour expected of all colleagues in connection with their official duties. The Code of Conduct and other relevant standard operating procedures are reviewed from time to time to ensure ongoing commitment to ethical behaviour and good governance.

# DISCLOSURE OF INTERESTS

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

As at 30 June 2014, the interests and short positions of the Directors of the Trustee-Manager and the Company in the Share Stapled Units, underlying Share Stapled Units and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code, or which were recorded in the register required under Section 352 of the SFO are as follows:

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

Name of Director	Number of SSUs Held	Number of Underlying SSUs Held	Total	Percentage of Issued SSUs <sup>(3)</sup>
Lo Ka Shui	1,167,164,688 <sup>(1)</sup>	–	1,167,164,688 <sup>(1)</sup>	58.00

Notes:

- (1) These 1,167,164,688 Share Stapled Units comprise the following:
  - (i) 1,166,164,688 Share Stapled Units were indirectly held by Great Eagle through two of its wholly-owned subsidiaries, LHIL Assets Holdings Limited and Great Eagle Nichemusic Limited. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle who held 21.92% voting rights in its share capital as at 30 June 2014; and
  - (ii) 1,000,000 Share Stapled Units were held by Katherine B L Limited which is a company wholly-owned by Dr. Lo Ka Shui. Dr. Lo is also a director of the said company.
- (2) Subsequent to 30 June 2014 and up to the date of this Interim Report, Mr. Ip Yuk Keung, Albert, the Executive Director and Chief Executive Officer of the Trustee-Manager and the Company, had acquired a personal interest in 495,000 Share Stapled Units.
- (3) This percentage has been compiled based on the total number of Share Stapled Units in issue as at 30 June 2014 of 2,012,373,688 Share Stapled Units.

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

#### Great Eagle

As at 30 June 2014, Great Eagle owned 57.95% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The shareholdings of Directors of the Trustee-Manager and the Company in Great Eagle as at 30 June 2014 are disclosed as follows:

Name of Director	Number of Ordinary Shares				Number of Underlying Shares	Share Options	Total	Percentage of Issued Share Capital <sup>(3)</sup>
	Personal Interests	Family Interests	Corporate Interests	Other Interests				
Lo Ka Shui	58,150,205	–	3,790,117 <sup>(1)</sup>	300,929,549 <sup>(2)</sup>	–	1,888,000	364,757,871	55.63
So Yiu Wah, Eric	446	–	–	–	–	–	446	0.00

Notes:

- (1) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.
- (2) These 300,929,549 shares comprise the following:
  - (i) 219,141,330 shares owned by a discretionary trust of which Dr. Lo Ka Shui is one of the discretionary beneficiaries; and
  - (ii) 81,788,219 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 2014 of 655,736,451 shares.

### Champion Real Estate Investment Trust

Champion Real Estate Investment Trust (“Champion REIT”) is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at 30 June 2014, Great Eagle owned 60.83% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the holdings of Directors of the Trustee-Manager and the Company in Champion REIT as at 30 June 2014 are disclosed as follows:

Name of Director	Number of Units				Number of Underlying Units	Total	Percentage of Issued Units <sup>(3)</sup>
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Lo Ka Shui	–	–	3,486,166,868 <sup>(1)</sup>	6,200,000 <sup>(2)</sup>	–	3,492,366,868	60.96
So Yiu Wah, Eric	400,873	60,000	–	–	–	460,873	0.01

Notes:

- (1) These 3,486,166,868 units comprise the following:
  - (i) 3,485,337,868 units were indirectly held by Great Eagle of which Dr. Lo is a substantial shareholder, the Chairman and Managing Director. Dr. Lo’s interests in Great Eagle are disclosed above on page 32; and
  - (ii) 829,000 units were held by two companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.
- (2) These interests were held by a charitable trust. Dr. Lo is the settlor 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 2014 of 5,729,286,097 units.

Save as disclosed above, as at 30 June 2014, none of the Directors of the Trustee-Manager and the Company were taken to be interested or deemed to have any other interests or short positions in Share Stapled Units, underlying Share Stapled Units or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code, or which were recorded in the register required under Section 352 of the SFO.

# DISCLOSURE OF INTERESTS

## Interests of Substantial Holders of Share Stapled Units

As at 30 June 2014, the interests and short positions of persons (other than a Director or the chief executive of the Trustee-Manager and the Company) in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of the SFO as having an interest in 5% or more of the issued Share Stapled Units of the Trust and the Company are as follows:

Name	Number of SSUs Held	Number of Underlying SSUs Held	Total	Percentage of Issued SSUs <sup>(5)</sup>
Great Eagle Holdings Limited	1,166,164,688 <sup>(1)</sup>	–	1,166,164,688 <sup>(1)</sup>	57.95
LHIL Assets Holdings Limited	1,160,199,688	–	1,160,199,688	57.65
HSBC International Trustee Limited	1,155,087,500 <sup>(2)</sup>	–	1,155,087,500 <sup>(2)</sup>	57.40
JPMorgan Chase Bank, N.A.	–	101,186,704 <sup>(3)</sup>	101,186,704 <sup>(3)</sup>	5.02
JPMorgan Chase & Co.	–	101,186,704 <sup>(3)</sup>	101,186,704 <sup>(3)</sup>	5.02
Norges Bank	101,056,704 <sup>(4)</sup>	–	101,056,704 <sup>(4)</sup>	5.02

Notes:

- (1) These 1,166,164,688 Share Stapled Units were indirectly held by Great Eagle through its wholly-owned subsidiaries in the following manner:
  - (i) the same parcel of Share Stapled Units held by LHIL Assets Holdings Limited as disclosed in the above table; and
  - (ii) 5,965,000 Share Stapled Units held by Great Eagle Nichemusic Limited.
- (2) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 24 June 2013) received from HSBC International Trustee Limited (“HITL”). HITL in its capacity as a trustee of a discretionary trust held 33.42% interests in Great Eagle as at 30 June 2014.
- (3) The 101,186,704 underlying Share Stapled Units (being derivative interests derived from physically settled unlisted derivatives) were directly held by JPMorgan Chase Bank, N.A., which is 100% owned by JPMorgan Chase & Co. (“JPMorgan”). JPMorgan was deemed to be interested in the same parcel of underlying Share Stapled Units. The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 12 June 2014) submitted by JPMorgan.
- (4) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 10 June 2014) received from Norges Bank.
- (5) This percentage has been compiled based on the total number of Share Stapled Units in issue as at 30 June 2014 of 2,012,373,688 Share Stapled Units.

Save as disclosed above, as at 30 June 2014, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 32) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of the SFO.

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



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

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

### Introduction

We have reviewed the condensed consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 67 (hereinafter collectively referred to as "the Trust and the Company's condensed consolidated financial statements"). As explained in note 1 to the Trust and the Company's condensed consolidated financial statements, the condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together. The Trust and the Company's condensed consolidated financial statements together comprise the condensed consolidated statement of financial position of the Trust Group and of the Group as of 30 June 2014 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Trust Group and of the Group for the six-month period then ended, and certain explanatory notes. The 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.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
7 August 2014

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

For the six months ended 30 June 2014



	Notes	Six Months Ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Continuing operation</b>			
Revenue	4	<b>368,287</b>	55,823
Property related expenses		<b>(16,363)</b>	(2,725)
Service fees		<b>(46,578)</b>	(6,875)
		<b>305,346</b>	46,223
Other income		<b>9,768</b>	201
Increase in fair value of investment properties	14	<b>3,949</b>	–
Trust and other expenses		<b>(19,095)</b>	(35,882)
Finance costs	6	<b>(64,841)</b>	(11,405)
Profit (loss) before tax		<b>235,127</b>	(863)
Income tax expense	7	<b>(42,779)</b>	(5,741)
<b>Profit (loss) for the period attributable to holders of Share Stapled Units</b>		<b>192,348</b>	(6,604)
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	10	–	172,888
<b>Profit for the period</b>	11	<b>192,348</b>	166,284
<b>Basic and diluted earnings (loss) per Share Stapled Unit</b>			
<b>From continuing and discontinued operations</b>		<b>HK\$0.0955</b>	HK\$0.1280
<b>From continuing operation</b>		<b>HK\$0.0955</b>	HK\$(0.0051)

# 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 2014



	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Profit for the period	<b>192,348</b>	166,284
<b>Other comprehensive income (expense):</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Surplus on revaluation of owner occupied buildings upon change of use to investment properties	-	12,598,157
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Reclassified upon disposal of available-for-sale investments	-	(23,555)
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>12,574,602</b>
<b>Total comprehensive income for the period</b>	<b>192,348</b>	<b>12,740,886</b>

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

At 30 June 2014



	Notes	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	8	9
Investment properties	14	16,719,000	16,696,000
		<b>16,719,008</b>	16,696,009
<b>Current assets</b>			
Debtors, deposits and prepayments	15	100,668	132,591
Tax recoverable		–	2,217
Bank balances and cash		707,019	751,932
		<b>807,687</b>	886,740
<b>Current liabilities</b>			
Creditors, deposits and accruals	16	71,984	69,450
Tax payable		12,010	35
		<b>83,994</b>	69,485
<b>Net current assets</b>		<b>723,693</b>	817,255
<b>Total assets less current liabilities</b>		<b>17,442,701</b>	17,513,264
<b>Non-current liabilities</b>			
Secured bank loans due after one year	17	6,735,016	6,718,016
Deferred tax liabilities		153,589	125,002
		<b>6,888,605</b>	6,843,018
<b>NET ASSETS</b>		<b>10,554,096</b>	10,670,246
<b>Capital and reserves</b>			
Issued capital	18	2,012	2,001
Reserves		10,552,084	10,668,245
<b>TOTAL EQUITY</b>		<b>10,554,096</b>	10,670,246

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

For the six months ended 30 June 2014

	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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 (expense) 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)
<b>At 30 June 2013 (unaudited)</b>	<b>2,000</b>	<b>9,871,773</b>	<b>(11,564,677)</b>	<b>12,598,157</b>	<b>-</b>	<b>(525,473)</b>	<b>10,381,780</b>
At 1 January 2014	<b>2,001</b>	<b>9,879,113</b>	<b>(11,562,543)</b>	<b>12,598,157</b>	<b>-</b>	<b>(246,482)</b>	<b>10,670,246</b>
Profit for the period	-	-	-	-	-	192,348	192,348
Distribution paid	-	(350,126)	-	-	-	-	(350,126)
Issue of Share Stapled Units (see note 18)	11	41,617	-	-	-	-	41,628
<b>At 30 June 2014 (unaudited)</b>	<b>2,012</b>	<b>9,570,604</b>	<b>(11,562,543)</b>	<b>12,598,157</b>	<b>-</b>	<b>(54,134)</b>	<b>10,554,096</b>

Notes:

- (a) Under the Cayman Islands Companies Law, the share premium of the Company is available for distribution.
- (b) 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 2014



	Note	Six Months Ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Cash generated from operations</b>		<b>360,461</b>	163,812
Interest paid		(47,547)	(28,052)
<b>Net cash from operating activities</b>		<b>312,914</b>	135,760
<b>Investing activities</b>			
Interest received		9,769	4,292
Proceeds from disposal of available-for-sale investments		–	54,899
Proceeds from disposal of property, plant and equipment		–	21
Additions of property, plant and equipment		–	(64,841)
<b>Net cash from (used in) investing activities</b>		<b>9,769</b>	(5,629)
<b>Financing activities</b>			
Distribution paid		(350,126)	–
Expenses on issue of Share Stapled Units		(3,676)	(107,897)
Payment of loan front-end fee		–	(102,000)
Cash considerations paid in connection with the Reorganisation	2(iii)	–	(10,297,948)
Repayments of secured bank loans		–	(190,000)
New secured bank loans raised		–	6,800,000
Proceeds from issue of Share Stapled Units		–	4,260,870
Advances from fellow subsidiaries		–	97,611
<b>Net cash (used in) from financing activities</b>		<b>(353,802)</b>	460,636
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(31,119)</b>	590,767
<b>Cash and cash equivalents at the beginning of the period</b>		<b>751,932</b>	31,555
<b>Effect of foreign exchange rate changes</b>		<b>(13,794)</b>	–
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>		<b>707,019</b>	622,322

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

For the six months ended 30 June 2014



## 1. General

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

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

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

## 2. Basis of Presentation and Preparation

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2014 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2014 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The Trust controls the Company and the sole activity of the Trust during the six months ended 30 June 2014 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust are identical to the condensed consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust and the Company together. The condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's condensed consolidated financial statements".

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



## 2. Basis of Presentation and Preparation (Continued)

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);
- (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 (the “Vendor Companies”), wholly-owned subsidiaries of Great Eagle Holdings Limited, pursuant to which the Purchaser Companies conditionally agreed to:
  - (a) acquire the entire issued share capital of Baxter Investment Limited, Braveforce Investments Limited, Glendive Investment Limited and Rowan Enterprises Limited (the “Hotel Holding Companies”), of which their wholly-owned subsidiaries together own the hotels, namely The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong (the “Hotels”) (“Shares of the Hotel Holding Companies”); and
  - (b) accept an assignment of the shareholders’ loans due by the Hotel Holding Companies to the Vendor Companies (“Loans due to the Vendor Companies”).

The aggregate considerations for the above acquisitions amounted to HK\$16,034,944,000, which comprised the consideration for Shares of the Hotel Holding Companies of HK\$11,562,551,000 and the consideration for Loans due to the Vendor Companies of HK\$4,472,393,000. Out of the aggregate considerations of HK\$16,034,944,000, an amount of HK\$10,295,814,000 was paid in cash and the remaining amount of HK\$5,739,130,000 was settled through the issue of 1,147,825,999 Share Stapled Units to the Vendor Companies (see notes 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 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 and Company’s condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2013 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 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”).

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

For the six months ended 30 June 2014



## 3. Significant Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Trust and the Company's annual financial statements for the year ended 31 December 2013.

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

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

## 4. Revenue

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Continuing operation</b>		
Rental income from GE (LHIL) Lessee Limited ("Master Lessee") (see note 22(a))		
Base rent	<b>111,576</b>	19,726
Variable rent	<b>254,190</b>	35,675
	<b>365,766</b>	55,401
Rental income from retail shops in Eaton, Hong Kong	<b>2,521</b>	422
	<b>368,287</b>	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.

### Segment revenue and results

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

Six months ended 30 June 2014

	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)
<b>Continuing operation</b>				
Segment revenue	<b>131,794</b>	<b>161,889</b>	<b>74,604</b>	<b>368,287</b>
Segment results	<b>110,374</b>	<b>132,027</b>	<b>62,945</b>	<b>305,346</b>
Other income				<b>9,768</b>
Increase in fair value of investment properties				<b>3,949</b>
Trust and other expenses				<b>(19,095)</b>
Finance costs				<b>(64,841)</b>
Profit before tax				<b>235,127</b>
Income tax expense				<b>(42,779)</b>
Profit for the period attributable to holders of Share Stapled Units				<b>192,348</b>

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

For the six months ended 30 June 2014



## 5. Segment Information (Continued)

### Segment revenue and results (Continued)

Listing Date to 30 June 2013

	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)
<b>Continuing operation</b>				
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\$6,080,000,000, HK\$7,040,000,000 and HK\$3,599,000,000 (31 December 2013: HK\$6,080,000,000, HK\$7,030,000,000, HK\$3,586,000,000), 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	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Continuing operation</b>		
Interest on bank borrowings wholly repayable within five years	<b>47,551</b>	8,389
Loan front-end fee amortisation	<b>17,000</b>	3,016
Other borrowing costs	<b>290</b>	–
	<b>64,841</b>	11,405

## 7. Income Tax Expense

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Continuing operation</b>		
Current tax:		
Hong Kong Profits Tax:		
Current period	<b>14,192</b>	1,370
Deferred tax:		
Current period	<b>28,587</b>	4,371
	<b>42,779</b>	5,741

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

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

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## 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:

	Six Months Ended 30 June 2014 HK\$'000 (unaudited)	Listing Date To 30 June 2013 HK\$'000 (unaudited)
Profit (loss) for the period attributable to holders of Share Stapled Units	<b>192,348</b>	(6,604)
Adjustments:		
Add:		
Listing expenses charged to profit or loss	–	34,695
Depreciation	1	–
Deferred tax	<b>28,587</b>	4,371
Non-cash finance costs	<b>17,000</b>	3,016
Hotel management fees and licence fee payable in form of Share Stapled Units (see notes 19 and 22(b))	<b>37,064</b>	5,462
Non-cash net exchange loss	<b>13,794</b>	–
Less:		
Increase in fair value of investment properties	<b>(3,949)</b>	–
Reserve for furniture, fixtures and equipment	<b>(12,242)</b>	(1,885)
<b>Total distributable income</b>	<b>272,603</b>	<b>39,055</b>

## 9. Distribution Statement

	Note	Six Months Ended 30 June 2014 HK\$'000 (unaudited)	Listing Date To 30 June 2013 HK\$'000 (unaudited)
<b>Distribution paid for final distribution period from the Listing Date to 31 December 2013 (note a)</b>			
Total distributable income in respect of the period from the Listing Date to 31 December 2013		<b>348,753</b>	–
Percentage of distributable income for distribution (note b)		<b>100%</b>	–
Distributable income for final distribution period		<b>348,753</b>	–
Final distribution (note c)		<b>348,753</b>	–
<b>Distribution per Share Stapled Unit</b>			
Final distribution per Share Stapled Unit to be paid			
– Before taking into account the effect of the Distribution Waiver (note d)		<b>HK\$0.174</b>	–
– After taking into account the effect of the Distribution Waiver (note e)		<b>HK\$0.188</b>	–
<b>Distribution declared for interim distribution period for the six months ended 30 June 2014 (note a)</b>			
Total distributable income in respect of the six months ended 30 June 2014	8	<b>272,603</b>	–
Percentage of distributable income for distribution (note b)		<b>100%</b>	–
Distributable income for interim distribution period		<b>272,603</b>	–
Interim distribution (note c)		<b>272,603</b>	–
<b>Distribution per Share Stapled Unit</b>			
Interim distribution per Share Stapled Unit to be paid			
– Before taking into account the effect of the Distribution Waiver (note d)		<b>HK\$0.135</b>	–
– After taking into account the effect of the Distribution Waiver (note e)		<b>HK\$0.146</b>	–



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

For the six months ended 30 June 2014



## 9. Distribution Statement (Continued)

Notes:

- (a) The first final distribution to holders of Share Stapled Units was based on total distributable income for the period from the Listing Date to 31 December 2013 and accordingly, holders of Share Stapled Units would not receive distributions for the period before the Listing Date.

The interim distribution is based on total distributable income for the six months ended 30 June 2014.

- (b) 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.

- (c) The final distribution after 31 December 2013 has not been recognised as a liability as at 31 December 2013.

The interim distribution after the end of the reporting period has not been recognised as a liability as at 30 June 2014.

- (d) The final distribution per Share Stapled Unit of HK\$0.174 for the final distribution period in 2013 is calculated based on the final distribution to be paid of HK\$348,753,000 for the period and 2,001,389,932 Share Stapled Units as at 31 December 2013.

The interim distribution per Share Stapled Unit of HK\$0.135 for the interim distribution period in 2014 is calculated based on the interim distribution to be paid of HK\$272,603,000 for the period and 2,012,373,688 Share Stapled Units as at 30 June 2014.

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

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

The final distribution per Share Stapled Unit of HK\$0.188 for the final distribution period in 2013 is calculated based on 1,851,389,932 Share Stapled Units after taking into account of the 150,000,000 units held by LHIL Assets Holdings Limited. After the issue of 10,983,756 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 31 December 2013 on 5 March 2014, the number of Share Stapled Units entitled for the final distribution should be 1,862,373,688. The final distribution of HK\$350,126,000 was paid to holders of Share Stapled Units on 29 May 2014.

The interim distribution per Share Stapled Unit of HK\$0.146 for the interim distribution period in 2014 is calculated based on 1,862,373,688 Share Stapled Units after taking into account of the 150,000,000 units held by LHIL Assets Holdings Limited. The interim distribution will be paid to holders of Share Stapled Units on or before 7 October 2014.

## 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 prior interim periods are set out as follows:

### Profit for the period from discontinued operation

	Six Months Ended 30 June 2014 HK\$'000 (unaudited)	1 January 2013 To Listing Date HK\$'000 (unaudited)
Revenue	-	657,356
Operating expenses	-	(394,926)
Operating profit before depreciation and amortisation	-	262,430
Depreciation and amortisation	-	(62,106)
Operating profit	-	200,324
Other income	-	4,477
Gain on disposal of available-for-sale investments	-	23,853
Administrative expenses	-	(136)
Finance costs	-	(22,201)
Profit before tax	-	206,317
Income tax expense	-	(33,429)
Profit for the period from discontinued operation	-	172,888

### Cash flows from discontinued operation

	Six Months Ended 30 June 2014 HK\$'000 (unaudited)	1 January 2013 To Listing Date HK\$'000 (unaudited)
Net cash from operating activities	-	126,117
Net cash used in investing activities	-	(5,627)
Net cash used in financing activities	-	(92,389)
Net increase in cash flows	-	28,101

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

For the six months ended 30 June 2014



## 11. Profit for the Period

	Continuing operation Six Months Ended 30 June 2014 HK\$'000 (unaudited)	Continuing operation Listing Date To 30 June 2013 HK\$'000 (unaudited)	Discontinued operation 1 January 2013 To Listing Date HK\$'000 (unaudited)	Total Six Months Ended 30 June 2013 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):				
Staff costs (including directors' emoluments)	2,718	430	179,921	180,351
Depreciation	1	-	62,106	62,106
Listing expenses	-	34,695	-	34,695
Interest income	(9,768)	(201)	(4,289)	(4,490)
Net unrealised exchange loss (included in trust and other expenses)	13,794	-	-	-

## 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	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Earnings</b>		
Profit for the period for the purpose of basic and diluted earnings per Share Stapled Unit	192,348	166,284
	Six Months Ended 30 June	
	2014 '000	2013 '000
<b>Number of Share Stapled Units</b>		
Weighted average number of Share Stapled Units for the purpose of basic and diluted earnings per Share Stapled Unit	2,013,771	1,298,606

For the six months ended 30 June 2013, the weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit has been taken into account the Share Stapled Units issued pursuant to the Reorganisation as disclosed in note 2 as if it had been effective on 1 January 2012.

## 12. Basic and Diluted Earnings (Loss) Per Share Stapled Unit (Continued)

### From continuing operation

The calculation of basic and diluted earnings (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	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Earnings (loss)</b>		
Profit (loss) for the period attributable to holders of Share Stapled Units for the purpose of basic and diluted earnings (loss) per Share Stapled Unit	<b>192,348</b>	(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

For the six months ended 30 June 2013, basic and diluted earnings per Share Stapled Unit from discontinued operation attributable to holders of Share Stapled Units is HK\$0.1331, based on the profit for the period from discontinued operation of HK\$172,888,000 and the denominators detailed above for both basic and diluted earnings per Share Stapled Unit.

## 13. Property, Plant and Equipment

For the six months ended 30 June 2013, the Groups had additions of structural improvement work on hotel properties of HK\$31,758,000 and the additions of other property, plant and equipment were HK\$33,083,000.

For the six months ended 30 June 2013, 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.

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

For the six months ended 30 June 2014



## 14. Investment Properties

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
<b>FAIR VALUE</b>		
At the beginning of the period/year	<b>16,696,000</b>	–
Transfer from property, plant and equipment during the period/year	–	16,661,000
Additions	<b>19,051</b>	9,446
Increase in fair value recognised in profit or loss	<b>3,949</b>	25,554
At the end of the period/year	<b>16,719,000</b>	16,696,000

The fair values of the Groups' investment properties of HK\$16,661,000,000 as of the date of change in use and HK\$16,719,000,000 as at 30 June 2014 (31 December 2013: HK\$16,696,000,000) have been arrived at on a basis of valuation carried out by Vigers Appraisal and Consulting Limited, an independent professional property valuer not connected with the Groups.

The valuations for investment properties were arrived at by using income capitalisation method which is determined based on the future cash flow of market rentals at market yield expected by the property investor and applicable discount rates. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood. There has been no change to the valuation technique during the period.

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

## 15. Debtors, Deposits and Prepayments

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Trade debtors	<b>75,065</b>	128,527
Interest receivable	<b>450</b>	451
Deposits and prepayments	<b>25,153</b>	3,613
	<b>100,668</b>	132,591

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

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

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
0-3 months	<b>75,065</b>	128,527

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

Included in trade debtors is an amount due from a fellow subsidiary of HK\$75,065,000 (31 December 2013: HK\$128,527,000) which is unsecured, interest-free and payable on presentation of invoices. Included in deposits and prepayments is an amount due from a fellow subsidiary of HK\$1,351,000 (31 December 2013: HK\$1,336,000) which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

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

For the six months ended 30 June 2014



## 16. Creditors, Deposits and Accruals

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Trade creditors	<b>40,421</b>	45,737
Deposits received	<b>1,392</b>	1,334
Other creditors	<b>17,874</b>	2,710
Accruals and other payables	<b>12,297</b>	19,669
	<b>71,984</b>	69,450

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

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
0-3 months	<b>20,668</b>	28,532
3-6 months	<b>19,753</b>	17,205
	<b>40,421</b>	45,737

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

Included in trade creditors is amounts due to fellow subsidiaries of HK\$40,421,000 (31 December 2013: HK\$45,737,000) which is unsecured, interest-free and payable on presentation of invoices. Included in other creditors is an amount due to a fellow subsidiary of HK\$75,000 (31 December 2013: HK\$15,000) which is unsecured, interest-free and payable on presentation of invoices. At 31 December 2013, included in accruals and other payables is an amount due to a fellow subsidiary of HK\$3,609,000 which is unsecured, interest-free and payable on presentation of invoices.

## 17. Secured Bank Loans

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Secured term loans	<b>6,800,000</b>	6,800,000
Loan front-end fee	<b>(64,984)</b>	(81,984)
	<b>6,735,016</b>	6,718,016
Less: Amount due within one year shown under current liabilities	-	-
Amount due after one year	<b>6,735,016</b>	6,718,016

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

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
More than one year but not exceeding two years	<b>6,800,000</b>	-
More than two years but not exceeding three years	-	6,800,000
	<b>6,800,000</b>	6,800,000

The secured bank loans of HK\$6,800,000,000 are variable-rate borrowings, bearing interest 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.



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

For the six months ended 30 June 2014



## 18. Issued Capital

	Number of shares  (unaudited)	Nominal value  HK\$ (unaudited)
Authorised:		
<b>Ordinary shares of HK\$0.0005 each</b>		
At 29 January 2013 (date of incorporation of the Company)	<b>760,000,000</b>	380,000
Increase during the period (note)	<b>4,240,000,000</b>	2,120,000
At 31 December 2013 and 30 June 2014	<b>5,000,000,000</b>	2,500,000
<b>Preference shares of HK\$0.0005 each</b>		
At 29 January 2013 (date of incorporation of the Company)	–	–
Increase during the period (note)	<b>5,000,000,000</b>	2,500,000
At 31 December 2013 and 30 June 2014	<b>5,000,000,000</b>	2,500,000

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\$ (unaudited)
Issued and fully paid:		
<b>Ordinary shares of HK\$0.0005 each (note a)</b>		
At 29 January 2013 (date of incorporation of the Company) (note b)	1	–
Issue of ordinary shares in exchange for interests in Hotel Holding Companies (note c)	1,147,825,999	573,913
Issue of ordinary shares upon global offering of Share Stapled Units (note d)	852,174,000	426,087
Issue of ordinary shares as payment of hotel management fees and licence fee (note e)	1,389,932	695
At 31 December 2013	2,001,389,932	1,000,695
Issue of ordinary shares as payment of hotel management fees and licence fee (note e)	10,983,756	5,492
At 30 June 2014	2,012,373,688	1,006,187
<b>Preference shares of HK\$0.0005 each</b>		
At 29 January 2013 (date of incorporation of the Company)	–	–
Issue of preference share (note b)	1	–
Issue of preference shares in exchange for interests in Hotel Holding Companies (note c)	1,147,825,999	573,913
Issue of preference shares upon global offering of Share Stapled Units (note d)	852,174,000	426,087
Issue of preference shares as payment of hotel management fees and licence fee (note e)	1,389,932	695
At 31 December 2013	2,001,389,932	1,000,695
Issue of preference shares as payment of hotel management fees and licence fee (note e)	10,983,756	5,492
At 30 June 2014	2,012,373,688	1,006,187

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

For the six months ended 30 June 2014



## 18. Issued Capital (Continued)

Notes:

- (a) All of the issued ordinary shares of the Company would be held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust.
- (b) On 29 January 2013, one ordinary share was transferred from the initial subscriber to GE (LHIL) Holdings Limited. GE (LHIL) Holdings Limited transferred the one issued share at par in the Company (re-designated as one ordinary share) held by it to the Trustee-Manager (in its capacity as trustee-manager of the Trust) on 8 May 2013. In consideration for such transfer, the Company issued one preference share at par to LHIL Assets Holdings Limited and the Trustee-Manager issued one unit linked to that ordinary share held by the Trustee-Manager and stapled to that preference share to LHIL Assets Holdings Limited to form one Share Stapled Unit (see note 2(i)).
- (c) On 29 May 2013, 1,147,825,999 Share Stapled Units were issued at HK\$5 each to the Vendor Companies in exchange for interests in Hotel Holding Companies.
- (d) On the Listing Date, 852,174,000 Share Stapled Units were issued at HK\$5 each and received proceeds of HK\$4,260,870,000.
- (e) Details of Share Stapled Units issued during the period as payment of hotel management fees and licence fee are as follows (see notes 19 and 22(b)):

Issue date	Relevant period	Issue price	Aggregate issue price	Number of shares
		HK\$	HK\$'000	
30 August 2013	Listing Date to 30 June 2013	3.93	5,462	1,389,932
5 March 2014	1 July 2013 to 31 December 2013	3.79	41,628	10,983,756

## 19. Major Non-Cash Transaction

Other than those disclosed in note 2(iii), the Groups incurred hotel management fees and licence fee payable to Langham Hotels International Limited for the six months ended 30 June 2014 of HK\$37,064,000 (Listing Date to 30 June 2013: HK\$5,462,000) (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 2014, the Groups had authorised capital expenditures for investment properties which were not provided for in these condensed consolidated financial statements amounting to HK\$72,130,000 (31 December 2013: HK\$20,028,000) of which HK\$68,391,000 (31 December 2013: HK\$8,169,000) were contracted for.

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

## 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 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
<b>With Master Lessee</b>		
Within one year	<b>225,000</b>	225,000
In the second to fifth year	<b>900,000</b>	900,000
Over five years	<b>112,500</b>	225,000
	<b>1,237,500</b>	1,350,000
<b>With other tenants</b>		
Within one year	<b>2,924</b>	2,364
In the second to fifth year	<b>3,640</b>	–
	<b>6,564</b>	2,364

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. 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.

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

For the six months ended 30 June 2014



## 21. Operating Lease Commitments (Continued)

### The Groups as lessee

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

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
<b>With Renaissance City Development Company, Limited</b>		
Within one year	4,567	4,566
In the second to fifth year	4,186	6,469
	<b>8,753</b>	11,035
<b>With Moon Yik Company, Limited</b>		
Within one year	682	-
In the second to fifth year	1,043	-
	<b>1,725</b>	-
<b>With other landlords</b>		
Within one year	459	200
In the second to fifth year	460	-
	<b>919</b>	200

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

## 22. Connected and Related Party Disclosures

Other than as disclosed in notes 15, 16 and 21, the Groups had the following significant connected and related party transactions during the period. All of the following related parties are subsidiaries of Great Eagle Holdings Limited and Dr. Lo Ka Shui, Director of the Company, is a substantial shareholder, the chairman and managing director of Great Eagle Holdings Limited. The transactions were carried out in the normal course of the Groups' business on terms mutually agreed between the parties. The following significant transactions are also connected transactions as defined in the chapter 14A of the Listing Rules upon the Listing. Details of the connected transactions have been disclosed in the prospectus for the global offering of Share Stapled Units dated 16 May 2013.

	Notes	Six Months Ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Continuing operation</b>			
Rental income			
Master Lessee	(a)	<b>365,766</b>	55,401
Hotel management fees and licence fee			
Langham Hotels International Limited	(b)	<b>37,064</b>	5,462
Global marketing fees			
Langham Hotels Services Limited	(c)	<b>9,514</b>	1,413
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d)	<b>1,096</b>	159
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(e)	<b>2,615</b>	452
The Great Eagle Company, Limited	(f)	<b>12</b>	88
Moon Yik Company, Limited	(g)	<b>321</b>	–
Lease agency fee			
The Great Eagle Estate Agents Limited	(h)	<b>180</b>	30
Administrative support service fee			
The Great Eagle Company, Limited	(i)	<b>480</b>	–
Procurement services fee			
Champion Global Services Limited	(j)	<b>16</b>	–
<b>Discontinued operation</b>			
Agency commission fee			
The Great Eagle Company, Limited	(k)	–	332
Bon Project Limited	(k)	–	245
Zamanta Investments Limited	(k)	–	495
Sundry income			
The Great Eagle Company, Limited	(k)	–	3
Bon Project Limited	(k)	–	4
Zamanta Investments Limited	(k)	–	4

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

For the six months ended 30 June 2014



## 22. Connected and Related Party Disclosures (Continued)

	Notes	Six Months Ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Discontinued operation (continued)</b>			
Proceeds from disposal of available-for-sale investments			
The Great Eagle Company, Limited	(k)	–	54,899
Interest income			
The Great Eagle Finance Company, Limited	(k)	–	4,289
Interest expenses			
Profit Lord Limited	(k)	–	8,349
The Great Eagle Company, Limited	(k)	–	11,433
Management fee income			
Eaton House Management Limited	(k)	–	189
Management fee			
Langham Hotels International Limited	(k)	–	13,084
Global marketing fee			
Langham Hotels International Limited	(k)	–	13,084
Repair and maintenance fee			
Keysen Engineering Company Limited	(l)	–	21
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d) & (m)	–	738
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(e) & (m)	–	1,599
The Great Eagle Company, Limited	(f) & (m)	–	239
Lease agency fee			
The Great Eagle Estate Agents Limited	(h) & (m)	–	140

## 22. Connected and Related Party Disclosures (Continued)

Notes:

- (a) Rental income is charged to Master Lessee in accordance with the master lease agreement. Annual base rent of HK\$225 million was proportionately charged over the period for the six months ended 30 June 2014. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees of HK\$363,129,000 (Listing Date to 30 June 2013: HK\$50,965,000) earned by Master Lessee.

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

	Six Months Ended 30 June 2014 HK\$'000 (unaudited)	Listing Date To 30 June 2013 HK\$'000 (unaudited)
Hotels' aggregate gross operating profit before deduction of global marketing fees	<b>363,129</b>	50,965
70% thereon, variable rent	<b>254,190</b>	35,675
Base rent	<b>111,576</b>	19,726
Add:		
Rental income from retail shops in Eaton, Hong Kong	<b>2,521</b>	422
Groups' segment revenue	<b>368,287</b>	55,823
Less:		
Hotel management fees (i.e. base fee and incentive fee)	<b>(28,903)</b>	(4,205)
Licence fee	<b>(8,161)</b>	(1,257)
Global marketing fees	<b>(9,514)</b>	(1,413)
Property taxes, rates and insurance	<b>(15,696)</b>	(2,553)
Other deductions	<b>(667)</b>	(172)
Groups' segment profit	<b>305,346</b>	46,223



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

For the six months ended 30 June 2014



## 22. Connected and Related Party Disclosures (Continued)

Notes: (Continued)

- (b) Langham Hotels International Limited is entitled, in accordance with hotel management agreement, to (i) a base fee of 1.5% of the total revenue of the relevant hotel; (ii) licence fee of 1% of the total revenue of the relevant hotel (payable under the trademark licence agreements); and (iii) an incentive fee of 5% of the adjusted gross operating profit (i.e. Hotels' gross operating profit less the base fee and the licence fee) of the relevant hotel. The hotel management fees and licence fee would be settled by Share Stapled Units (see notes 18 and 19).

	Six Months Ended 30 June 2014 HK\$'000 (unaudited)	Listing Date To 30 June 2013 HK\$'000 (unaudited)
(A) Total revenue of relevant hotel	<b>816,119</b>	125,678
(B) Adjusted Hotel's aggregate gross operating profit	<b>333,212</b>	46,410
(i) Base fee (A x 1.5%)	<b>12,242</b>	1,885
(ii) Licence fee (A x 1%)	<b>8,161</b>	1,257
(iii) Incentive fee (B x 5%)	<b>16,661</b>	2,320
Total fees	<b>37,064</b>	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\$475,728,000 (Listing Date to 30 June 2013: HK\$70,647,000)) under centralised services fees and marketing agreements.
- (d) The annual management services fee payable is determined based on the annual budget prepared by The Great Eagle Properties Management Company, Limited, taking into account the actual cost incurred, plus remuneration to The Great Eagle Properties Management Company, Limited, and the management shares allocated to Langham Place Hotel, Hong Kong in respect of the lot of land on which it is situated.
- (e) Rental and building management fee expenses were payable to Renaissance City Development Company, Limited for leasing an office premises at Langham Place Office Tower, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong.
- (f) The rental was charged by 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.
- (g) Rental expenses were payable to Moon Yik Company, Limited for leasing an office premises at Suite 2702, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (h) 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.
- (i) The fee was charged on cost sharing basis and allocated to the Groups according to time spent by relevant personnel of The Great Eagle Company, Limited on the businesses of the Groups and the related share of administrative costs.

## 22. Connected and Related Party Disclosures (Continued)

Notes: (Continued)

- (j) Procurement services fee at a rate of 5% of (a) the respective budgeted sums of furniture, fixtures and equipment categories for hotel renovation and operating supplies and equipment categories for hotel renovation and (b) the actual amount of the purchase orders for furniture, fixtures and equipment and operating supplies and equipment categories for hotel maintenance and miscellaneous categories.
- (k) These transactions ceased after the Listing Date.
- (l) The transactions were charged to hotel operating expenses borne by Master Lessee instead of owner of hotel after the Listing Date.
- (m) The transactions were charged to hotel operating expenses borne by the Groups after the Listing Date.
- (n) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited has agreed to waive its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out in note 9. During the period, distribution of HK\$11,858,000 was waived by LHIL Assets Holdings Limited and its fellow subsidiary.

The remuneration of Directors and other members of key management during the period are as follows:

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Salaries and other short-term employee benefits	<b>2,162</b>	413
Post-employment benefits	<b>124</b>	23
	<b>2,286</b>	436

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

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



## **Deloitte.** **德勤**

### **TO THE MEMBER OF LHIL MANAGER LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **Introduction**

We have reviewed the condensed financial statements of LHIL Manager Limited (the “Company”) set out on pages 69 to 72, which comprise the condensed statement of financial position as of 30 June 2014 and the related condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six months ended 30 June 2014, 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 thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

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

### **Conclusion**

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

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

7 August 2014

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

For the six months ended 30 June 2014

	Note	Six Months Ended 30 June 2014 HK\$ (unaudited)	25 January 2013 to 30 June 2013 HK\$ (unaudited)
Revenue		-	-
Administrative expenses		(10,357)	(3,030)
Less: Amount borne by a fellow subsidiary		10,357	3,030
<b>Profit or loss before tax</b>		-	-
Income tax	4	-	-
<b>Profit or loss and other comprehensive income/expense for the period</b>		-	-

# CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 30 June 2014

	Note	At 30 June 2014 HK\$ (unaudited)	At 31 December 2013 HK\$ (audited)
<b>Current asset</b>			
Cash on hand		1	1
<b>NET ASSET</b>		<b>1</b>	<b>1</b>
<b>Capital</b>			
Share capital	5	1	1
<b>TOTAL EQUITY</b>		<b>1</b>	<b>1</b>

# CONDENSED STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the six months ended 30 June 2014



	Share capital HK\$ (unaudited)
At 25 January 2013 (date of incorporation), 30 June 2013 and 30 June 2014	<b>1</b>

# CONDENSED STATEMENT OF CASH FLOWS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2014



	Six Months Ended 30 June 2014 HK\$ (unaudited)	25 January 2013 to 30 June 2013 HK\$ (unaudited)
<b>Net cash from operation activity</b>	-	-
<b>Cash from financing activity</b>		
Issue of ordinary share	-	1
<b>Increase in cash and cash equivalents</b>	-	1
<b>Cash and cash equivalents at the beginning of the period,</b>	<b>1</b>	-
<b>Cash and cash equivalents at the end of the period, represented by cash on hand</b>	<b>1</b>	<b>1</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2014



## 1. General

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

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

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

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

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

The financial statements for the current period cover the six months period ended 30 June 2014. The corresponding comparative amounts shown for the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and related notes cover the period from 25 January 2013 (date of incorporation) to 30 June 2013 and therefore may not be comparable with amounts shown for the current period.

## 2. Basis of Preparation

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

## 3. Significant Accounting Policies

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Company's first financial statements for the period from 25 January 2013 (date of incorporation) to 31 December 2013.

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

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2014



## 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

	30 June 2014 (unaudited)		31 December 2013 (audited)	
	Number of ordinary shares	Nominal value HK\$	Number of ordinary shares	Nominal value HK\$
<b>Ordinary shares of HK\$1 each</b>				
Authorised:				
Balance brought forward and carried forward	<b>10,000</b>	<b>10,000</b>	10,000	10,000
Issued and fully paid:				
Balance brought forward and carried forward	<b>1</b>	<b>1</b>	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:

<b>Terms</b>	<b>Definition</b>
“CG Code”	Appendix 14 “Corporate Governance Code and Corporate Governance Report” of the Listing Rules
“Code of Conduct for Securities Transactions”	Code of Conduct regarding Securities Transactions by Directors and Relevant Employees adopted by the Trustee-Manager and the Company
“Company”	Langham Hospitality Investments Limited (朗廷酒店投資有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2013
“Company Board”	The board of directors of the Company
“Distribution Entitlement Waiver Deed”	The deed dated 10 May 2013 entered into among LHIL Assets Holdings Limited, Great Eagle and the Trustee-Manager in relation to the waiver by LHIL Assets Holdings Limited of its entitlement to receive distributions payable by the Trustee-Manager
“Distribution Waiver Units”	Share Stapled Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed
“Great Eagle”	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust Group holding 57.95% issued Share Stapled Units as at 30 June 2014
“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”	Holder(s) of Share Stapled Units of the Trust and the Company
“Hotel Companies”	The companies which own the Hotels, being Harvest Star International Limited, Langham Place Hotel (HK) Limited and Grow On Development Limited; and “Hotel Company” shall mean any of them
“Hotel Manager”	Langham Hotels International Limited (朗廷酒店國際有限公司), a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
“Hotel(s)”	The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong



# DEFINITIONS



“Listing Date”	30 May 2013, being the date of listing of the Share Stapled Units on the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Lessee”	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle
“Model Code”	Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” of the Listing Rules
“Registers”	The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests
“RevPAR”	Revenue per available room
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Stapled Unit(s)” or “SSU(s)”	<p>Share stapled unit(s) jointly issued by the Trust and the Company. A share stapled unit is the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"><li>(a) a unit in the Trust;</li><li>(b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager; and</li><li>(c) a specifically identified preference share of the Company stapled to the unit</li></ul>
“Share Stapled Units Register”	The register of Holders of Share Stapled Units
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	Langham Hospitality Investments (朗廷酒店投資), as constituted pursuant to the Trust Deed
“Trust Deed”	The trust deed dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company
“Trust Group”	The Trust and the Group
“Trustee-Manager”	LHIL Manager Limited (朗廷酒店管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly-owned subsidiary of Great Eagle, in its capacity as trustee-manager of the Trust
“Trustee-Manager Board”	The board of directors of the Trustee-Manager



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)

&

LANGHAM HOSPITALITY  
INVESTMENTS LIMITED  
朗廷酒店投資有限公司

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

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