

LANGHAM

HOSPITALITY INVESTMENTS

Annual Report
2014



Stock Code : 1270

LANGHAM HOSPITALITY INVESTMENTS

CORPORATE PROFILE

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

- The Langham, Hong Kong;
- Langham Place Hotel, Hong Kong; and
- Eaton, Hong Kong.

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

CONTENTS

8	Corporate Information and Financial Calendar
10	Distribution Notice
11	Financial Highlights
12	Chairman’s Statement
16	CEO’s Review
25	Biographical Details of Directors and Senior Management
29	Corporate Social Responsibility Report
38	Corporate Governance Report
62	Report of the Directors
80	Financial Information
149	Schedule of Investment Properties
150	Financial Summary
151	Definitions

THE LANGHAM

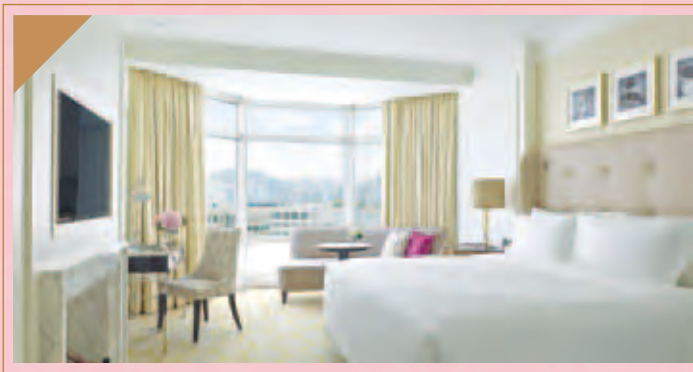
HONG KONG

Langham Hospitality Investments Annual Report 2014





THE LANGHAM
Hong Kong



HKTB rating

High Tariff A

Rooms

498

GFA ('000 sq.ft)

375

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

The Langham seeks to provide a unique European-style refined service to its guests

LANGHAM PLACE HOTEL

HONG KONG

Langham Hospitality Investments Annual Report 2014



LANGHAM PLACE

MONGKOK, HONG KONG



HKTB rating

High Tariff A

Rooms

666

GFA ('000 sq.ft)

580

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

*Langham Place Hotel is the only large-scale
luxury hotel in the heart
of Mongkok*

EATON

HONG KONG

Langham Hospitality Investments Annual Report 2014





HKTB rating

High Tariff B

Rooms

465

GFA ('000 sq.ft)

339

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

Located on Nathan Road, Eaton has a modern and simple design, furnished in warm earth tones and natural colours

CORPORATE INFORMATION AND FINANCIAL CALENDAR

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

CORPORATE INFORMATION AND FINANCIAL CALENDAR

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

WEBSITE

www.langhamhospitality.com

STOCK CODE

1270

FINANCIAL CALENDAR

2014 Interim Results Announcement	:	7 August 2014
Payment of 2014 Interim Dividend of HK14.6 cents per Share Stapled Unit	:	7 October 2014
2014 Annual Results Announcement	:	16 February 2015
Closure of Registers	:	
• For ascertaining the entitlement to attend and vote at the 2015 Annual General Meeting	:	14 April 2015 – 20 April 2015 (both days inclusive)
• For ascertaining the entitlement to the proposed 2014 Final Distribution	:	27 April 2015 – 30 Apr 2015 (both days inclusive)
2015 Annual General Meeting	:	20 April 2015
Record Date for 2014 Final Distribution	:	30 April 2015
Payment of 2014 Final Distribution of HK15.2 cents per Share Stapled Unit	:	14 May 2015

DISTRIBUTION NOTICE

FINAL DISTRIBUTION

The Company Board and the Trustee-Manager Board have recommended the payment of a final distribution of HK15.2 cents per Share Stapled Unit (2013: HK18.8 cents) for the year ended 31 December 2014 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 30 April 2015, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed. Subject to the approval of the Holders of Share Stapled Units at the forthcoming 2015 AGM, the payment of the final distribution will be made on 14 May 2015.

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

(i) For ascertaining the entitlement to attend and vote at the 2015 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2015 AGM, the Registers will be closed from Tuesday, 14 April 2015 to Monday, 20 April 2015, both days inclusive.

In order to be eligible to attend and vote at the 2015 AGM, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 April 2015.

(ii) For ascertaining the entitlement to the proposed 2014 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2014 final distribution, the Registers will be closed from Monday, 27 April 2015 to Thursday, 30 April 2015, both days inclusive.

In order to qualify for the proposed 2014 final distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar for registration not later than 4:30 p.m. on Friday, 24 April 2015.

FINANCIAL HIGHLIGHTS

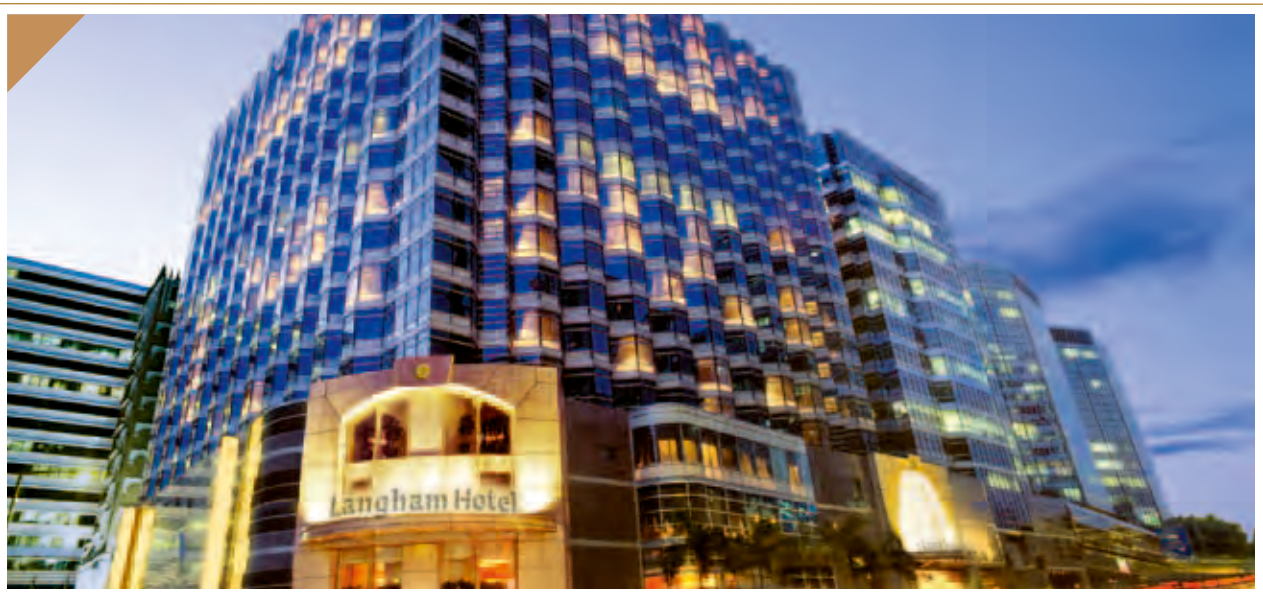
(in HK\$ million, unless otherwise specified)	2014	2013
		(30 May to 31 Dec)
Total Rental Income	751.7	471.8
Net Property Income	624.0	394.4
Profit attributable to Holders of Share Stapled Units	557.1	272.4
Distributable Income	558.8	348.8
Distribution per Share Stapled Unit for the year/period (Before distribution waiver)	HK27.6 cents	HK17.4 cents
Distribution per Share Stapled Unit for the year/period (After distribution waiver)	HK29.8 cents	HK18.8 cents
	As at 31 Dec 2014	As at 30 Jun 2014
Gross Value of Investment Properties (in HK\$ million)	17,000	16,719
Net Asset Value per Share Stapled Unit	HK\$5.28	HK\$5.24
Gearing Ratio	38.4%	38.8%

CHAIRMAN'S STATEMENT

After witnessing steady revenue growth in our hotels for the first three quarters of 2014, the performance of the Trust Group was adversely impacted by the "Occupy Central" protests which started in late September 2014 and ended in mid December 2014. RevPAR grew by 4.3% year-on-year for the first three quarters, but decreased by 10% in the fourth quarter of 2014.

Among the three hotels, the Langham Place Hotel, Hong Kong, being the largest with 666 rooms was hardest hit, as it is located closest to the Mongkok protest site causing serious security concern. RevPAR dropped 14.9% year-on-year in the fourth quarter of 2014, which wiped out the RevPAR growth achieved in the earlier three quarters. As a result, RevPAR in 2014 was HK\$1,706, down 0.1% over 2013.

Whilst The Langham, Hong Kong and Eaton, Hong Kong are located farther away from the protest site in Mongkok, performance of these two hotels was also negatively impacted in the fourth quarter of 2014, though to a small extent. RevPAR of The Langham, Hong Kong declined 7% year-on-year in the fourth quarter of 2014, whereas RevPAR at the Eaton, Hong Kong dropped 5.7%. For 2014, RevPAR was HK\$2,040 and HK\$1,166 for The Langham, Hong Kong and the Eaton, Hong Kong respectively, which represented a year-on-year growth rate of 1.3% and 1.5%.



CHAIRMAN'S STATEMENT

After witnessing steady revenue growth in our hotels for the first three quarters of 2014, the performance of the Trust Group was adversely impacted by the "Occupy Central" protests

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	4Q 2014	4Q 2013	4Q 2014	4Q 2013	4Q 2014	4Q 2013	4Q 2014	4Q 2013
	The Langham, Hong Kong	496	495	88.3%	93.6%	2,409	2,446	2,128
<i>Year-on-year growth</i>			-5.3ppt		-1.5%		-7.0%	
Langham Place Hotel, Hong Kong	649	651	85.7%	94.3%	1,941	2,075	1,664	1,955
<i>Year-on-year growth</i>			-8.6ppt		-6.5%		-14.9%	
Eaton, Hong Kong	465	465	96.5%	97.6%	1,312	1,377	1,267	1,343
<i>Year-on-year growth</i>			-1.1ppt		-4.7%		-5.7%	

The impact on Food and Beverage ("F&B") varied to a considerable extent. At the Langham Place Hotel in Mongkok, although F&B revenue from banqueting business held up in the fourth quarter of 2014, revenue from other F&B operations declined, as patrons stayed away from Mongkok due to security concern mentioned above. Overall F&B revenue at the Langham Place Hotel, Hong Kong dropped 9.3% year-on-year in the fourth quarter of 2014, resulting in a much smaller 2.6% growth for the full year.

At the Eaton, Hong Kong, revenue from F&B in the fourth quarter of 2014 rose 9.2% year-on-year. The hotel not only saw growth in its banqueting business, but also growth from the other F&B operations. Consequently, revenue of

F&B increased 7.3% in 2014. As for The Langham, Hong Kong, revenue growth was witnessed in its banqueting business in the fourth quarter of 2014, but was offset by softer revenue from its other F&B operations. Hence, overall revenue from F&B was flat for The Langham, Hong Kong in the fourth quarter of 2014, resulting in F&B revenue growth of 0.2% for the full year. The lack of growth in F&B at The Langham, Hong Kong, was partly caused by the renovation of the Palm Court, Artesian Bar and The Food Gallery in 2014.

When compared to the High Tariff A and High Tariff B hotel segments, which included hotels in areas less or not affected by the "Occupy Central" protests, all three hotels delivered slower RevPAR growth in 2014.

CHAIRMAN'S STATEMENT

In the fourth quarter of 2014, RevPAR of the High Tariff A segment declined by 4.1% versus 7.0% and 14.9% decline for The Langham, Hong Kong and Langham Place Hotel, Hong Kong. As for High Tariff B, RevPAR declined 5.1% versus 5.7% for Eaton, Hong Kong. For the whole year of 2014, RevPAR growth reached 2.9% and 2.6% for High Tariff A and High Tariff B hotel markets respectively, versus The Langham, Hong Kong at 1.3% and Langham Place Hotel, Hong Kong at -0.1% in High Tariff A and Eaton, Hong Kong at 1.5% in High Tariff B. The overall underperformance of the Trust Group's hotels as compared to their broader markets was primarily due to weaker performance in the fourth quarter, as our hotels are more affected by the protest activities.

As the hotels of the Trust Group are leased to the Master Lessee, based on a fixed rental of HK\$225 million per year plus 70% of aggregate gross operating profit before deduction of the global marketing fees, the protest activities only affected the variable rental income which the Trust Group received from the Master Lessee. The Trust Group still received a fixed rental income of HK\$225 million in 2014 as stipulated under the Master Lease Agreements entered into at the time of the initial public offering in May 2013.

In 2014, variable rental income was HK\$521.5 million. In addition, the Trust Group received rental income of HK\$5.2 million in 2014 directly from retail shops at Eaton, Hong Kong. Therefore, total rental income of the Trust Group was HK\$751.7 million in 2014.

Net property income of the Trust Group was HK\$624.0 million in 2014. After including an increase in fair value of investment properties amounting to HK\$155.6 million and deducting finance cost of HK\$130.8 million as well as adjusting for other income and expense, profit before tax was HK\$644.1 million in 2014. Taxes amounted to HK\$87 million which brought net profit of the Trust Group to HK\$557.1 million in 2014. Excluding the fair value change on investment properties, net profit would have been HK\$401.5 million. Note that year-on-year comparisons are not meaningful, as there are only 216 days in the financial year since being listed in May 2013. Furthermore, it is not meaningful to annualize the hotel performance in 2013 given the seasonality nature of the industry.

Distributable income, which was mainly adjusted for non-cash items including fair value change of investment properties, deferred taxes, hotel management and licence fees paid in share stapled units, unrealized exchange loss, and amortisation of bank loan upfront fee, reached HK\$558.8 million for the year ended 31 December 2014. Distribution per Share Stapled Unit before distribution waived by the Great Eagle Group is HK27.6 cents and HK29.8 cents after the impact of distribution waiver was reflected.

The Trust Group's hotel property portfolio was valued at HK\$17,000 million as at 31 December 2014 with HK\$6,800 million of bank debt. Net Asset Value amounted to HK\$10,683 million or HK\$5.28 per Share Stapled Unit, up from HK\$5.24 per Share Stapled Unit as at 30 June 2014. As at 31 December 2014, gearing was comfortable at 38.4%.

Regarding asset enhancement, the newly renovated guest rooms at The Langham, Hong Kong have been very well received, and despite negative protest effects, these rooms have gained meaningful RevPAR growth as they became available in the fourth quarter of 2014. In addition, the renovation of Palm Court and Artesian Bar should result in increased customer patronage and higher revenue in the future. Due to our continuous effort to upgrade the quality of the hotel, The Langham, Hong Kong has been named a Five-Star Hotel in the official 2015 Forbes Travel Guide Star Ratings. Our hotel is one of only 8 properties in Hong Kong and 115 in the world having received such prestigious rating.

Other asset enhancement included renovation of the lobby and the bar at the Langham Place Hotel, Hong Kong. The renovated lobby commands a more elegant finishing, whereas the bar located on the fifth floor was extensively renovated and expanded to capitalize on part of the under-utilized business centre, resulting in increased covers. The new bar named Alibi had received very positive feedback since it opened in mid-December 2014. These value added enhancements, leveraging on the Hotel Manager's extensive design experiences and practical insights, should drive performance of the hotels in the future.

CHAIRMAN'S STATEMENT

Going forward, the last phase of the room renovation at The Langham, Hong Kong, which comprises of 128 rooms will be carried out from the second quarter of 2015. At the Langham Place Hotel, Hong Kong, phased renovations of the rooms, the Club Lounge and The Place Restaurant have been scheduled to commence from the second quarter of 2015, and these should be completed by end 2015.

To better capture demand from the forthcoming renovations at Langham Place Hotel, Hong Kong and to allow higher efficiency in its operations, the hotel will be rebranded to "Cordis" in the second quarter of 2015. The rebranding will allow the Hotel Manager to better position and market the hotel, and hopefully in due time to operate it with higher profitability. As for the Eaton, Hong Kong, refurbishment of the lobby, ballroom, meeting space and hotel entrance will likely commence in 2016, as the final design has yet to be finalized. Phased renovations in the hotels will help minimize impact of temporary revenue reduction in the hotel portfolio. These renovation projects are expected to enhance quality, operating performance and valuation of the hotels in the medium term.

Apart from the abovementioned asset enhancement initiatives, we are constantly evaluating new investment opportunities, with an aim of carrying out yield accretive acquisitions. When evaluating investment opportunities, the Trust Group does not only focus on the quality of the properties and strength of the underlying hotel operations, but also look out for potential to increase profitability through improved property, revenue and yield management.

OUTLOOK

Not only did the "Occupy Central" protests have a negative impact on the performance of the Trust Group's hotels in 2014, the lag effect of the protests also impacted business extending into 2015, as some of the forward bookings that were made in the fourth quarter of 2014 have been diverted to hotels which are located away from the protest sites. This is particularly the case for meeting, incentives, conferences, and exhibitions (MICE) market travellers, who tend to book their hotel rooms well in advance of their arrival dates. Against such a backdrop, the Hotel Manager has put in intense effort to try recoup the lost room bookings.

With increased focus in targeting travellers with shorter lead time, the Hotel Manager was able to replace some of the lost business, and decline in RevPARs for the hotels continued to narrow in January 2015. In January 2015, RevPAR declined by 0.7% year-on-year for The Langham, Hong Kong, 1% for the Eaton, Hong Kong and 4.9% for the Langham Place Hotel, Hong Kong.

While the impact of the protests will dissipate as we move forward, there are increased global market volatilities as we enter 2015. Amidst potential interest rate hike in the United States commencing in the second half of 2015, risk of deflation in the Euro Zone and slowing economic growth in Mainland China, the operating environment for the hotel market will be quite challenging this year. However, a much slower growth of hotel rooms in Hong Kong is expected between 2015 to 2017. With a relatively low base last year, unless we see rapid deterioration in the global economies, we still expect a modest growth in RevPAR for our hotel portfolio in 2015. It should also be noted that of the new hotels to be opened this year, almost all have less than 200 rooms and do not compete directly with our hotels.

Despite challenging operating conditions in the short term, we are optimistic about the outlook of our hotels, which are an impressive portfolio of distinctive and innovative hotels located in the most attractive locations in Hong Kong. Additional renovations planned in the next 2 years will further enhance the quality of the hotel portfolio, allowing the hotels to command higher room rates. Our hotels will definitely benefit from expansion of the Hong Kong Disneyland theme park, completion of major infrastructure projects such as the Hong Kong-Zhuhai-Macau bridge and extension of Mainland China's high-speed rail network to Hong Kong, as all these investments will serve to support additional tourist arrivals to Hong Kong.



LO Ka Shui
Chairman

CEO'S REVIEW

As mentioned above, profitability was sustained from the base rental income paid to the Trust Group. As the hotels 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 of HK\$225 million per annum and a variable rent, calculated at 70% of the hotels' aggregate gross operating profit before deduction of the global marketing fees. The base rent serves to provide a level of downside protection to Holders of Share Stapled Units, for which in 2014 has demonstrated its effect. On the other hand, the variable rent component allows participation in the upside performance of the

hotels through the sharing of the hotels' profit. In addition to the fixed base and variable rental income, the Trust Group also receives rental income directly from the retail shops at Eaton, Hong Kong.

Total rental income of the Trust Group was HK\$751.7 million for the year ended 31 December 2014, of which variable rental income was HK\$521.5 million and accounted for the largest share of total rental income, followed by base rental income of HK\$225 million, and rental income from the retail shops at Eaton, Hong Kong, which amounted to HK\$5.2 million.

	(in HK\$ million)	
	2014	2013
	(30 May to 31 Dec)	
Variable rental income (70% of the hotels' aggregate gross operating profit before deduction of global marketing fees)	521.5	335.7
Base rental income (based on HK\$225 million per annum)	225.0	133.1
Rental income from the retail shops at Eaton, Hong Kong	5.2	3.0
Total Rental Income to the Trust Group	751.7	471.8

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

Service fees consisted of hotel management fee, licence fee and global marketing fee. Hotel management fee accounting for the largest share of service fees was

HK\$59.1 million in 2014, followed by global marketing fee of HK\$19 million and licence fee of HK\$16.6 million. It should be noted that when calculating the distributable income, global marketing fee is paid in cash, while hotel management and licence fees 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 thereof.

CEO'S REVIEW

	(in HK\$ million)	
	2014	2013
	(30 May to 31 Dec)	
Hotel management fee (comprised of a base fee at 1.5% of total hotel revenue and an incentive fee at 5% of adjusted gross operating profit of the hotels)	59.1	37.1
Global marketing fee (2% of total room revenue of the hotels)	19.0	11.6
Licence fee (1% of total revenue of the hotels)	16.6	10.0
Total Service Fees	94.7	58.7

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 since the second quarter of 2014. The increase

was in line with higher reassessed rateable values of the hotel properties from April 2014. Including building management fee, insurance and other hotel properties' related expenses, total expenses borne by the Trust Group amounted to HK\$33 million for the year ended 31 December 2014.

	(in HK\$ million)	
	2014	2013
	(30 May to 31 Dec)	
Total rental income	751.7	471.8
Service fees (hotel management fee, licence fee and global marketing fee)	(94.7)	(58.7)
Hotel properties related expenses	(33.0)	(18.7)
Net Property Income	624.0	394.4

After deducting services fee and hotel properties' related expenses from total rental income, net property income for the Trust Group was HK\$624.0 million in 2014. To derive net profit from net property income, finance cost is the largest cost item to the Trust Group which amounted to HK\$130.8 million in 2014.

Finance cost incurred for the period consisted of: i) amortization of upfront loan fee, which is a non-cash item, and ii) interest expense for the period. Interest expense was calculated based on a spread of 120 basis points over HIBOR. For 2014, it was based on one month HIBOR, which remained low throughout the period.

CEO'S REVIEW

As a majority of cash is denominated in higher interest bearing Renminbi deposits, most of the HK\$19.3 million interest income earned in 2014 was derived from such deposits. The remaining came from Hong Kong dollar deposits at minimum interest rate.

However, as Renminbi had depreciated 2.4% against Hong Kong dollar during 2014, this resulted in an exchange loss booked in 2014's final results. Of the total HK\$12.1 million exchange loss, HK\$12 million was unrealized and is therefore a non-cash item that does not impact distributable income. Furthermore, incremental interest income earned on the Renminbi deposits due to substantially higher interest paid versus Hong Kong dollar deposits more than covered the exchange loss in 2014. Finally, HK\$0.1 million of exchange loss booked was realized, as the Trust Group converted a small portion of the Renminbi deposits to Hong Kong dollar to fund

payments of the asset enhancement works in October 2014. Such realized loss has not been added back in calculating distributable income for 2014.

Trust and other expenses amounted to HK\$12.2 million for the year ended 31 December 2014, which comprised of staff and other administration expenses. As the Trust Group is internally managed, it does not pay an asset management fee to external asset manager, but instead bears the payroll of its own management team.

Included in 2014's final results was a gain arising from an increase in fair value of investment properties amounting to HK\$155.6 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 was HK\$87 million, and profit attributable to Holders of Share Stapled Units reached HK\$557.1 million.

	(in HK\$ million)	
	2014	2013
	(30 May to 31 Dec)	
Net Property Income	624.0	394.4
Other income (majority of which, HK\$19.3m are interest income)	19.6	5.2
Finance cost	(130.8)	(76.8)
Increase in fair value of investment properties	155.6	25.5
Net exchange (loss)/gain	(12.1)	4.4
Trust and other expenses	(12.2)	(42.8)
Profit before Tax	644.1	309.9
Income tax expense	(87.0)	(37.5)
Profit Attributable to Holders of Share Stapled Units	557.1	272.4

CEO'S REVIEW

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 upfront loan fee, unrealized exchange losses 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\$558.8 million.

	(in HK\$ million)	
	2014	2013
	(30 May to 31 Dec)	
Profit Attributable to Holders of Share Stapled Units	557.1	272.4
Adjustments:		
Add:		
Hotel management fee (base and incentive fees paid in Share Stapled Units)	59.1	37.1
Licence fee	16.6	10.0
Amortization of upfront loan fee, a non-cash cost	34.0	20.0
Listing expenses	–	34.7
Deferred tax	60.5	19.5
Non-cash net exchange loss	12.0	–
Less:		
Increase in fair value of investment properties	(155.6)	(25.5)
Non-cash net exchange gain	–	(4.4)
Cash contribution to furniture, fixtures and equipment reserve	(24.9)	(15.0)
Distributable Income	558.8	348.8

It should be noted that the holding company of the Trust Group, the Great Eagle Group, has agreed to waive its entitlement to receive distributions payable in respect of its 150 million Share Stapled Units (representing approximately 7.4% of the issued Share Stapled Units of the Trust Group as at 31 December 2014) in 2014. The number of distribution waiver units will decrease to 100 million Share Stapled Units in 2015 and 2016, 50 million Share Stapled Units in 2017 and all of the holdings of Share Stapled Units of Great Eagle Group will be entitled to receive distribution payable from 2018 onward.

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 set aside for asset enhancement works of the three hotels. For the year ended 31 December 2014, distribution per Share Stapled Unit was HK27.6 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK29.8 cents.

CEO'S REVIEW

As at 31 December 2014, net debt was approximately HK\$6,151 million, which consisted of HK\$6,800 million in bank debt offset by cash of HK\$649 million. The bank debt, which was used to finance the acquisition of the hotel properties, will mature on 29 May 2016. At 31 December 2014, the gearing ratio of the Trust Group was 38.4% and debt service coverage was approximately 5 times.

Hotel Performance

While the financial performance in 2013 is compiled from 30 May 2013 (the "Listing Date") to the end of December 2013, it should be noted that the following discussion on operational performance of the hotels is based on a twelve-month period from January to December of 2013. The comparisons based on a twelve-month period provided a more meaningful comparative operational performance analysis of the hotels.

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2014	2013	2014	2013	2014	2013	2014	2013
The Langham, Hong Kong	465	495	88.9%	88.9%	2,295	2,266	2,040	2,013
<i>Year-on-year growth</i>			+0.0ppt		+1.3%		+1.3%	
Langham Place Hotel, Hong Kong	650	652	91.2%	90.7%	1,871	1,883	1,706	1,707
<i>Year-on-year growth</i>			+0.5ppt		-0.6%		-0.1%	
Eaton, Hong Kong	465	452	96.1%	95.1%	1,213	1,208	1,166	1,149
<i>Year-on-year growth</i>			+1.0ppt		+0.4%		+1.5%	
Hotels portfolio	1,580	1,599	92.0%	91.4%	1,789	1,800	1,646	1,644
<i>Year-on-year growth</i>			+0.6ppt		-0.6%		+0.1%	

	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2014	2013	2014	2013	2014	2013
Hong Kong Hotel Markets						
High Tariff A	86.0%	86.0%	2,452	2,382	2,109	2,049
<i>Year-on-year growth</i>	+0.0ppt		+2.9%		+2.9%	
High Tariff B	91.0%	89.0%	1,205	1,201	1,097	1,069
<i>Year-on-year growth</i>	+2.0ppt		+0.3%		+2.6%	

CEO'S REVIEW

RevPAR for the hotel portfolio was HK\$1,646 in 2014, which was up 0.1% from 2013 and the slowest year-on-year growth achieved since the global financial crisis in 2008/2009. However, the pull back in RevPAR growth was predominantly due to negative impact from the protest activities, which is a one-off event. In addition, there were fewer available rooms in 2014 and after taking this into account, a 1.1% year-on-year decline in room revenue resulted in 2014. Room revenue accounted for 57.2% of total revenue of the hotel portfolio in 2014.

RevPAR growth of the two High Tariff A hotels, The Langham, Hong Kong, and Langham Place Hotel, Hong Kong, as well as our High Tariff B hotel, the Eaton, Hong Kong all lagged behind their respective High Tariff A and High Tariff B hotel markets, as our hotels were more negatively impacted by the protest activities.

Revenue from Food and Beverage (F&B) increased 2.9% year-on-year in 2014 and accounted for 40.4% of total revenue of the hotel portfolio in 2014. Adjusted gross operating profit of the portfolio fell in 2014 given a reduction in room revenue.

(in HK\$ million) Revenue breakdown	The Langham, Hong Kong	Langham Place Hotel, Hong Kong	Eaton, Hong Kong	Total
Room	346.6	404.5	198.0	949.1
F&B	219.6	284.3	166.4	670.3
Others	15.0	20.3	4.0	39.3
Total Revenue	581.2	709.1	368.4	1,658.7

In 2014, continued increase in arrivals from Mainland China was the key driver in supporting occupancy of the hotels. For the hotel portfolio as a whole, guests from Mainland China grew 7.3% in 2014. As for arrivals from other major contributing regions, guests from the United States managed to hold steady as compared with the same period last year, whereas guests from the other major contributing regions such as Asia excluding Mainland China, Europe and Australia all fell in 2014.

Arrivals from Mainland China rose 10.6% year-on-year over the first three quarters of 2014. However, arrivals from this market dropped 3.3% year-on-year during the "Occupy Central" protests in the fourth quarter of 2014. While steady arrivals from Asian countries excluding Mainland China helped support demand for our hotel rooms over the first three quarters of 2014, the "Occupy Central" protests had quite a negative impact on arrivals from this market, as arrivals dropped 4.8% year-on-year in the fourth

quarter. Such decline brought arrivals from Asia excluding Mainland China into negative territory for 2014.

Arrivals from Australia continued their year-on-year decline in the fourth quarter of 2014, following decline witnessed through the first three quarters. Given lower demand for hotel rooms in the fourth quarter, the hotels accommodated more guests from the lower yielding group and airline crew segment from the United States and Europe. Mainly as a result of this change in mix, guests from Europe and the United States rose on a year-on-year basis in the fourth quarter of 2014, as compared with declines witnessed in the first three quarters, when the mix from Europe and the United States mostly came from the higher yielding corporate or retail leisure segment.

After a 7.3% year-on-year growth in guests from Mainland China at our hotels, guests from this market accounted for 29.4% in 2014.

CEO'S REVIEW

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	+7.3%	+ 11.6%
% of overnight guests from Mainland China to total arrivals	29.4%	68.7%

Performance of the individual hotels

The Langham, Hong Kong posted a 7.0% year-on-year growth in guest arrivals from Mainland China in 2014, which helped offset reduced demand from other markets. The hotel saw year-on-year growth from Mainland China throughout the first three quarters of 2014, and arrivals from this market held up in the fourth quarter of 2014 with a 0.6% year-on-year growth. The weaker demand from other markets wasn't all due to the "Occupy Central" protests, as they had been flat or declining throughout the first three quarters. The decline in arrivals from Australia and Japan was in part due to further depreciation of their currencies in 2014. The "Occupy Central" protests exacerbated declines from some markets such as Europe, which saw larger year-on-year decline in the fourth quarter.

During 2014, the hotel achieved average occupancy of 88.9% on an average of 465 rooms (2013: 88.9% on an average of 495 rooms) and an average room rate of HK\$2,295 (2013: HK\$2,266). RevPAR was HK\$2,040 in 2014, up 1.3% from 2013.

Revenue from F&B was flat in 2014. After a slow start to the year with a 2.1% year-on-year decline in revenue from F&B in the first half of 2014, there was a pickup of revenue in F&B from the third quarter due to improved banqueting businesses. However, revenue from other F&B operations was softer in the fourth quarter of 2014, which offset higher revenue from banqueting business.

The **Langham Place Hotel, Hong Kong** enjoyed decent growth in demand for its rooms from guests of Mainland China and other Asian countries throughout the first three quarters of 2014. It was only until the fourth quarter that the hotel faced tremendous pressure on demand for its rooms, as it is situated within close proximity to the Mongkok protest site. Given concerns over safety, the hotel received cancellations for its rooms in October 2014, and the pickup in new bookings was extraordinarily slow since then. In order to mitigate the negative impact, the hotel moved swiftly to lower its room rates and accommodated more low-yielding airline crew travellers from mid-October. The increase in travellers from the lower-yielding airline crew helped alleviate the negative impact arising from the protests, and the hotel saw some recovery in occupancy in November and December, albeit at lower room rates.

For the year 2014, the hotel achieved average occupancy of 91.2% (2013: 90.7%) and an average room rate of HK\$1,871 (2013: HK\$1,883). RevPAR in 2014 was flat at HK\$1,706.

Revenue from F&B grew by 2.6% year-on-year, as the growth in revenue achieved through the first three quarters of 2014 was dragged down by decline in F&B revenue in the fourth quarter. While revenue from banqueting business held steady, as the majority was booked prior to the "Occupy Central" protest period, revenue from other F&B outlets such as Ming Court, which relies more on walk-ins, fell on a year-on-year basis in the fourth quarter of 2014.

CEO'S REVIEW

Eaton, Hong Kong saw the least impact from the protest activities amongst the three hotels in the portfolio and delivered the smallest year-on-year decline in RevPAR in the fourth quarter of 2014. However, the hotel also faced pressure on demand for its rooms during the "Occupy Central" protests in the fourth quarter. As such, the hotel lowered its room rates to accommodate more group travellers and maintain its high occupancy over the fourth quarter of 2014. Although the hotel saw lower demand from Asia and the United States in the fourth quarter, the hotel managed to increase travellers from some of the European countries, as well as travellers from Australia.

For the year 2014, the hotel achieved average occupancy of 96.1% on an average of 465 rooms (2013: 95.1% on an average of 452 rooms) and an average room rate of HK\$1,213 (2013: HK\$1,208). RevPAR of HK\$1,166 in 2014 increased 1.5%.

As banqueting business was concentrated mostly in the second half of 2014, revenue from F&B at the Eaton, Hong Kong, rose 7.3% year-on-year in 2014, compared with a modest 2.6% year-on-year growth achieved in the first half of 2014. In addition to increased banqueting business, majority of the restaurants showed better pickup with increased guests.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the year ended 31 December 2014 was HK\$558,825,000. 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 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 the six months ended 31 December 2014 was HK15.2 cents (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 150,000,000 Share Stapled Units). With an interim Distribution per Share Stapled Unit of HK14.6 cents, the Total Distribution per Share Stapled Unit for the year amounted to HK29.8 cents. Based on the closing Share Stapled Unit price of HK\$3.36 as at 31 December 2014, the Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 8.87%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$10,683 million or HK\$5.28 per Share Stapled Unit as at 31 December 2014 which represents a 57.1% premium to the closing Share Stapled Unit price of HK\$3.36 as at 31 December 2014.

Debt Profile

Total outstanding borrowings of the Trust Group as at 31 December 2014 were HK\$6,800 million (2013: 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 31 December 2014, total gross assets of the Trust Group were HK\$17,705 million (2013: HK\$17,583 million). The gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 38.4% (2013: 38.7%).

CEO'S REVIEW

Cash Position

As at 31 December 2014, the Trust Group had a cash balance of HK\$649 million (2013: HK\$752 million) to satisfy the asset enhancement, working capital and operating requirements of the 3 hotels.

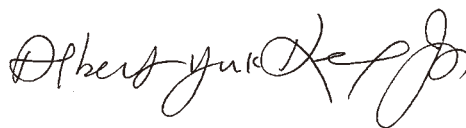
Pledge of Assets

As at 31 December 2014, investment properties with a fair value of HK\$17,000 million (2013: HK\$16,696 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to a HK\$6,800 million syndicated bank facility granted to the Trust Group.

Commitments

At 31 December 2014, the Trust Group had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$209,157,000 (2013: HK\$20,028,000) of which HK\$56,276,000 (2013: HK\$8,169,000) were contracted for.

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



IP Yuk Keung, Albert
Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 68, has been the Chairman and Non-executive Director of the Trustee-Manager and the Company since 2013. He is a Member of the Remuneration Committee and of the Nomination Committee of the Company, and is also a Director of the subsidiaries of the Company. He is the Chairman and Managing Director of Great Eagle, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Champion REIT. He is an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited, which are listed on the Main Board of the Stock Exchange. He is also the Vice President of the Real Estate Developers Association of Hong Kong, the Trustee of the Hong Kong Centre for Economic Research, the Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas. He is the father of Ms. LO Bo Lun, Katherine, a Non-executive Director of the Trustee-Manager and the Company. Dr. LO is also a substantial shareholder and a Director of and holds directorships in certain companies controlled by a Substantial Holder of Share Stapled Units of the Trust and the Company within the meaning of Part XV of the SFO.

Ms. LO Bo Lun, Katherine

Non-executive Director

Ms. LO Bo Lun, Katherine, aged 33, has been a Non-executive Director of the Trustee-Manager and the Company since 2013. She is a Member of the Company's Nomination Committee and a Director of the subsidiaries of the Company. She graduated from Yale University with a Bachelor of Arts with distinction in Sociocultural Anthropology, and subsequently earned her Master of Fine Arts Degree from the University of Southern California. She is a hospitality industry professional. She joined the hotel division of Great Eagle Group in 2011 and acted as Executive Director of Langham Hospitality Group Limited. In 2014, she was appointed President of Eaton Hotels. As President, she is launching and overseeing the global rebranding of a new generation of Eaton. She leads the global Eaton team to execute the new Eaton vision in concept, innovation, design, programming, branding, development, project openings, operations, marketing, public relations, and strategic partnerships. She is a daughter of Dr. LO Ka Shui, the Chairman of the Trustee-Manager and the Company.

Mr. IP Yuk Keung, Albert

Chief Executive Officer and Executive Director

Mr. IP Yuk Keung, Albert, aged 62, has been the Executive Director and Chief Executive Officer of the Trustee-Manager and the Company since June 2014. He is also a Director of the subsidiaries of the Company. Mr. IP is an international banking executive with over 30 years of experience in the United States, Asia and Hong Kong. He was a Real Estate Senior Credit Officer of Citibank since 1989, providing credit initial for approvals of real estate

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

loans originated in Hong Kong and was also involved in financing the acquisition of various hotel assets internationally. He was North Asia Real Estate Head, Hong Kong Corporate Bank Head, Transaction Banking Head – Hong Kong and Asia Investment Finance Head (Global Wealth Management) of Citigroup. He was formerly a Managing Director of Citigroup and Managing Director of Investments in Merrill Lynch (Asia Pacific). Mr. Ip is a Non-executive Director of the Manager of the publicly listed trust, Champion REIT. He is also an Independent Non-executive Director of Hopewell Highway Infrastructure Limited, New World China Land Limited, TOM Group Limited, AEON Credit Service (Asia) Company Limited, Power Assets Holdings Ltd. and Lifestyle International Holdings Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of Lingnan University and City University of Hong Kong. He is also a Council Member of Lingnan University, a Member of the International Advisory Committee at University of Macau and an Executive Fellow in Asia of Washington University in St. Louis. Mr. Ip holds a Bachelor of Science degree at Washington University in St. Louis (*summa cum laude*), and Master of Science degrees at Cornell University and Carnegie-Mellon University. He was an MBA lecturer at University of Pittsburgh, USA. Mr. Ip is an Honorary Fellow of Vocational Training Council. Mr. Ip was appointed as a Member of Legal Aid Services Council in September 2014 and was appointed to the Board of Governors of World Green Organisation Limited effective from 2015.

Dr. LIN Syaru, Shirley
Independent Non-executive Director

Dr. LIN Syaru, Shirley, aged 46, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. She is the Chairman of the Company's Nomination Committee, a Member of the

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

Mr. SO Yiu Wah, Eric
Independent Non-executive Director

Mr. SO Yiu Wah, Eric, aged 71, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. He is the Chairman of the Company's Remuneration Committee, a Member of the Company's Nomination Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Mr. So has over 37 years of extensive experience of international hotel management. He had been the Executive Vice President of Langham Hotels International Limited responsible for finance, operations, business development and administration before his retirement in 2009. Prior to that, he held various senior management positions including Group and Regional Financial Controller in the hotel division of Great Eagle and in some other reputable international and Hong Kong hotel groups such as Le Meridien, Hilton and Regal.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Kwai Lam
Independent Non-executive Director

Mr. WONG Kwai Lam, aged 65, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. He is the Chairman of the Audit Committees of the Trustee-Manager and the Company, and a Member of each of the Company's Remuneration Committee and Nomination Committee. Mr. Wong is an Independent Non-executive Director, a Member of each of the Audit Committee and Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited, the Manager of publicly listed Prosperity Real Estate Investment Trust on the Main Board of the Stock Exchange. He is also an Independent Non-executive Director and a Member of each of the Remuneration and Appraisal Committee and Related-Party Transaction Control Committee of China Merchants Bank Co., Ltd., a company listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, and an Independent Non-executive Director and a Member of each of the Remuneration Committee and Nomination Committee of K. Wah International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Wong is currently the Chairman of IncitAdv Consultants Ltd., a Director of Opera Hong Kong Limited, a Vice Chairman of the Board of Trustees and a Member of the Investment Committee of the Board of Trustees of New Asia College of The Chinese University of Hong Kong. He is a Member of the Hospital Governing Committee of the Prince of Wales Hospital and a Member of the Governing Board of the CUHK Medical Centre Ltd. He was formerly a Member of the Advisory Committee and a Member of the Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a Member of the China Committee of the Hong Kong Trade Development Council.

Mr. Wong has over 33 years of experience in the Commercial and Investment banking industry. He worked with Merrill Lynch (Asia Pacific) Ltd. from May 1993 to August 2009 where he served as a Managing Director in the Asia Investment Banking Division since January 1995. He was appointed as a Senior Client Advisor to Merrill Lynch (Asia Pacific) Ltd. in September 2009 and served in that position for one year. Prior to that, Mr. Wong had been a Director in the Investment Banking Division of CS First Boston (Hong Kong) Ltd. and a Director and the Head of Primary Market in Standard Chartered Asia Limited.

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

SENIOR MANAGEMENT

Mr. LI Man Wai, Alexander
Chief Financial Officer

Mr. LI Man Wai, Alexander, aged 60, is the Chief Financial Officer of the Company since 2013. He joined the Great Eagle Group in 1999 as the financial controller of The Langham, Hong Kong and was promoted to regional director of finance – Hong Kong of the Hotel Manager in 2012 overseeing the finance department of all Hong Kong properties, namely The Langham, Hong Kong, Langham Place Hotel, Hong Kong, Eaton, Hong Kong and Eaton serviced apartments, as well as the Chinese restaurant, Yat Tung Heen, in Wanchai. He has extensive experience in the hospitality industry of around 35 years and held various positions in the finance department in international hotel chains including Mandarin Oriental, Shangri-la and Regal before joining the Great Eagle Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. LIANG Lai Yee, Lisa

Finance and Office Administration Manager

Ms. LIANG Lai Yee, Lisa, aged 41, is the Finance and Office Administration Manager of the Company since 2013. She is primarily responsible for the financial reporting and general office administration of the Group. With over 18 years' accounting and audit experience, Ms. Liang had previously worked as accounting manager of various commercial companies. Earlier in her career, she was employed by a reputable certified public accountants firm to perform external audit duties. Prior to joining the Group, she was an accountant of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion REIT on the Main Board of the Stock Exchange) since March 2008. Her duties include preparing consolidated accounts, maintaining profit and cashflow forecasts and performing financial reporting duties. Ms. Liang holds a Master of Science Degree in Professional Accounting and Corporate Governance from City University of Hong Kong. She is a fellow of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

Ms. TANG Wai Yan, Carmen

Head of Investor Relations

Ms. TANG Wai Yan, Carmen, aged 37, is the Head of Investor Relations of the Company since 2013. She is also the investment services director of Great Eagle, and is responsible for facilitating communications and liaison with its shareholders and investors. Ms. Tang has 13 years

of experience in the real estate sector in Hong Kong and China. Prior to joining Great Eagle in 2008, she worked as an analyst with an international investment bank covering the real estate investment trusts (REITs) and hospitality sector in Hong Kong and China. Ms. Tang graduated from the University of Cambridge with a MPhil in Finance Degree, and holds a Bachelor of Science (First Class Honours) Degree in Business Economics from Queen Mary and Westfield College, the University of London.

COMPANY SECRETARY

Ms. WONG Mei Ling, Marina

Ms. WONG Mei Ling, Marina, aged 48, is the Company Secretary of the Trustee-Manager and the Company since 2013. She is responsible for the company secretarial and compliance function of the Trust Group. Ms. Wong is the Company Secretary of Great Eagle Holdings Limited and is also responsible for the company secretarial matters of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion REIT). Ms. Wong is a fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration jointly awarded by the University of Wales and the University of Manchester and a Bachelor of Arts Degree in Accountancy from City Polytechnic of Hong Kong respectively. Ms. Wong had over 20 years' post qualification experience in company secretarial and compliance.

CORPORATE SOCIAL RESPONSIBILITY REPORT

CONNECT is our sustainability programme with the objectives of striking the balance between the continuous development in our business, colleagues and neighbours, and not harming our environment. Environment, Community, Colleagues and Governance are the four pillars of the CONNECT programme.



CONNECT is implemented in hotels by the CONNECT Champions and CONNECT Teams which are established in each hotel. The CONNECT Champion is the dedicated person in each hotel and is responsible for leading the programme in the hotel. The CONNECT Team is represented by a hotel's executive committee member together with representatives from each function.

ENVIRONMENT

The Hotel Manager manages the environmental impacts through participation in EarthCheck's programme (<http://www.earthcheck.org>) which is a leading international environmental benchmarking and certification service for the travel and tourism industry. The latest EarthCheck standards were reviewed to align with international frameworks such as the International Organisation for Standardisation (ISO) and Global Reporting Initiatives (GRI), and industry practices such as the Global Sustainable Tourism Criteria (GSTC). The Langham Place Hotel, Hong Kong is certified at the EarthCheck Gold level whereas Eaton, Hong Kong and The Langham, Hong Kong are certified at the EarthCheck Silver level. In addition, Langham Place Hotel, Hong Kong is accredited with an ISO 14001 certification.

Eaton, Hong Kong received the Hong Kong Awards for Environmental Excellence – Sectoral Award (Hotels and Recreational Clubs) – Gold Award at their first attempt in 2013. The award was organised by the Environmental Campaign Committee and Environmental Protection Department of the HKSAR Government. The Hotel introduced the water bottling system to make its own glass-bottled water instead of purchasing disposable plastic-bottled water, which helps reducing 350,000 pieces of plastic waste every year.



CORPORATE SOCIAL RESPONSIBILITY REPORT

We are committed to protecting the environment

Resource Conservation

The Hotel Manager continued to concentrate on operational efficiency and investment in resource efficient plants and equipment for hotels. Energy and water saving initiatives were the focus area in hotels. In 2014, Eaton, Hong Kong conducted a process improvement project focused on the reduction in Towngas consumption. As Towngas is primarily used for cooking in the kitchen, the project brought together the culinary, service and engineering teams to devise multiple practical solutions to achieve the project goal. Throughout the year, the team reviewed the menu, arranged "green" cooking training for chefs, and replaced equipment with new and efficient models. As a result, the overall Towngas consumption was reduced by 9% as compared to 2013.

In 2014, the renovation of 103 guest rooms was completed at The Langham, Hong Kong. Energy and water conservation features such as LED light fitting, dual flushing system, and water saving sanitary fitting appliance for bathroom were installed.

The drying machine in the Laundry of Eaton, Hong Kong was replaced by an energy efficient model in 2014. An approximate 2% reduction in the annual electricity consumption of the whole premise is estimated. The significant savings are primarily due to the elimination of heat loss from long-distanced steam transfer between the boiler and drying machine. This process was a 24/7 operation in which the saving impact was intensified.

New technology such as renewable energy is explored based on the feasibility and applicability to the Hotels. In 2014, The Langham, Hong Kong installed solar panels at the rooftop to harvest solar energy which transformed into electricity supply for equipment to enhance the efficiency of the chiller plant, and installed lighting with motion sensor control along the corridor in back of house area.

Energy and water consumption in the Hotels recorded a decrease in 2014 due to on-going conservation initiatives and major renovation in the Hotels. Total electricity consumption of the Hotels was 155,216 GJ, representing a 1.3% decrease when compared to 2013. Total gas/fuel consumption of the Hotels in 2014 was 52,386 GJ, down 3% when compared to 2013. Total water consumption was 505,293 CuM, representing a 2.4% decrease when compared to 2013.



CORPORATE SOCIAL RESPONSIBILITY REPORT

Waste Reduction

Reducing the amount of waste being sent to landfills remains the focus of the Hotel Manager. In addition to the in-house recycling programmes that have been in place for years, guests are also engaged to join the Hotels in innovative upcycling and food donation initiatives.

In 2014, discarded wine corks from the bar and banquets were collected at Eaton, Hong Kong to support the upcycling project of St. James Settlement, a local charity organisation in Hong Kong. The wine corks, which would have otherwise been disposed of, were transformed into new products like pens, magnets and memo boards. As the products were made by people with disabilities, this project not only raised public awareness towards environmental issues but also highlighted the working capabilities of people with disability.



Food balance is a global issue and also an important concern in Hong Kong. Over 3,600 tonnes of food waste is produced in Hong Kong every day. The food waste problem has placed enormous pressure on Hong Kong's landfills, and traditional Chinese banquets are one of the major contributors. Therefore, the Hotel Manager

supported the Green LUCK Banquet initiative by Green Monday, a local charity organisation. Green LUCK Banquet promotes healthy and green banqueting with three elements – no waste, no shark fin and one vegetarian dish. The Hotels linked up wedding couples with local food collecting agents like Food Angel and Foodlink to donate surplus food from banquets to the needy in Hong Kong.



Sustainable Meeting

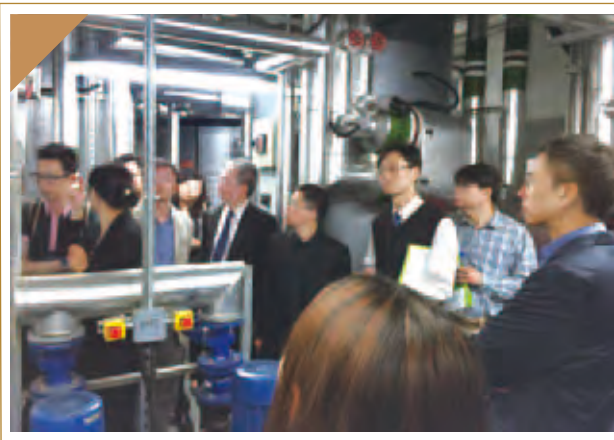
The Hotel Manager introduced CONNECT Conferences – the sustainable meeting solution for event planners. The programme aims at engaging the guests in protecting the environment by offering the meeting option which offsets the environmental and social impact from their event. Flexible options, from simply serving filtered water rather than bottled to creating banquet menus, which use locally grown organic ingredients, allow planners to create sustainable events tailored to their preferences.

CORPORATE SOCIAL RESPONSIBILITY REPORT

External and Internal Engagement

Engaging the community in carrying out green practices is the duty of a responsible company. The Hotels are delighted to share their best practices in environmental management with students and the industry through various seminars, hotel visits, and hands-on experiences.

The sharing included a food waste tour for the awardees of the Junior Chamber International Hong Kong – Ten Outstanding Young Persons Award, a green hotel design tour for interior architect students from HKUSPACE, and a lecture on corporate social responsibility for business management students from the PolyU – Hong Kong Community College.



Several technical site visits to other industry sectors were organised for hotel colleagues. The visits provided exposure to them and stimulated their creativity to green the Hotels. In 2014, the team visited an eco-fish farm in China, the bio-diesel plant which transformed used cooking oil to bio-diesel, and a LEED-certified boutique hotel in Hong Kong. The team learnt about the latest business-sound knowledge on greener alternatives for fish, energy source, and building design.

CONNECT Conferences

SUSTAINABLE MEETING SOLUTIONS BY LANGHAM

COMMUNITY

The Hotel Manager and the Hotels are committed to bolster their efforts in driving a positive and lasting influence on the communities in which they operate. Both the Hotel Manager and the Hotels have each been recognised as a Caring Company, with The Langham, Hong Kong in particular receiving accreditation for the past 10 years. The Hotels have sponsored charity organisations including Hong Kong Philharmonic, Hope WW, and Green Monday. Colleagues also spent their time and efforts helping people in need and served a total of more than 2,200 hours in volunteering activities related to the arts,

children and environment. The following sections highlight some of the major community service activities in 2014.

Support of the Arts and Children

Inspired by the corporate culture in innovation, the Hotels organized multiple arts-related activities to make the community initiatives fun and meaningful. Colleagues from Eaton, Hong Kong participated in a workshop, themed "Greener Earth" for children from underprivileged families in Tuen Mun. Our volunteers assisted the children in creating Mother's Day gifts which were made of toilet paper rolls and milk cartons collected from the hotel.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Childhood development is critical for building the foundation of a person's well-being. Children are therefore another focus area of the Hotels' community engagement work. The Hotels continued the partnership with Hope Worldwide Hong Kong by hosting "The Six Pillars of Character Workshop: Happy Summer in Hotel" at the hotel. Fifty children from

underprivileged families were invited to enjoy half a day at the hotel with our colleagues. Our volunteers designed and delivered six learning stations to provide learning experience of the six pillars of character – trustworthiness, respect, responsibility, fairness, caring and citizenship.



Support of the Environment

Spreading the message about protecting the environment is as important as addressing local social concerns. The Hotels continued supporting Earth Hour which is a global initiative to raise public awareness on climate change through switching off the lights for one hour. Moreover, colleagues from Langham Place Hotel, Hong Kong and Eaton, Hong Kong participated in beach clean-up activities at Tuen Mun and Ma On Shan respectively. Used plastic bottles, takeaway boxes, plastic bags and other litter were picked up and collected. These activities not only gave back to the community, also strengthened the environmental awareness of the colleagues.



CORPORATE SOCIAL RESPONSIBILITY REPORT

The Hotels teamed up with Food Angel, a local charitable organisation, to donate vegetable trimmings that would otherwise have been disposed of as waste. Colleagues from the Hotels helped to prepare vegetables and pack meal boxes at the central kitchen of Food Angel. The meal boxes were distributed to local community centres for underprivileged families. Colleagues appreciated the opportunity to understand the operations of the Hotel's partner and also to help others in need.



Support Local Community

Jointly organised by Eaton, Hong Kong, YMCA, and Green Monday, 13 married couples aged between 64 and 87 years walked down the aisles in wedding attire, in the company of their friends and families. The banquet meals were shark fin-less and vegetarian in support of the Green LUCK Banquet principles of Green Monday. This meaningful event was aimed to address the dramatic growth of the divorce rate in Hong Kong and served as a timely reminder to the public on the sanctity of marriage.

Eaton, Hong Kong and Langham Place Hotel, Hong Kong also arranged visits to the elderly homes in Sham Shui Po and Mongkok neighbourhoods to carry out general cleaning and household maintenance work. In addition to the scheduled repairs and household cleaning, colleagues also took the initiative to repair other broken possessions for the elderly.



COLLEAGUES

Colleagues are the most important resources for our business. The Hotel Manager and the Hotels wish to see the colleagues achieve their full potential and realise their self-growth. Their development is also an essential drive to the economic development of the Hotels. To that end, 2014 was a remarkable year for the Hotels as they received several notable recognitions from the local authorities.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Langham, Hong Kong received a prestigious accolade from the Hong Kong Management Association (HKMA) with a Silver award in 2014. In addition, Langham Place Hotel, Hong Kong received the HR Excellence Awards 2014 in the category of Cultural Change by the Hong Kong Institute of Human Resource Management (HKIHRM). Langham Place, Hong Kong also received the Distinguished Family-Friendly Employers 2013/2014 award by The Family Council, an advisory body to the Hong Kong Government. Both Langham Place Hotel, Hong Kong and Eaton, Hong Kong received the 18 Districts Caring Employers 2014 Award by The Hong Kong Joint Council for People with Disabilities and The Hong Kong Council of Social Services. These awards reflected our commitment in creating an engaging and respectful working environment.



Employee Health and Safety

Providing a healthy and safe working environment for colleagues is essential to ensure that they can perform to the best of their potential and deliver top quality services to the guests. Occupational health and safety systems are implemented in the Hotels. The systems follow the Plan-Do-Check-Act cycle to ensure continuous improvement and provision of safe working environment for their colleagues. The Occupational Health and Safety Policy of the Hotel Manager has been reviewed and issued in 2014 to emphasise the importance of achieving a healthy and safe workplace to the company.

Following the successful implementation of Workplace Health and Safety Week in the previous years, the Hotel Manager continued organising this annual event on top of the regular training and awareness programmes. The overall goal is the enhancement in staff awareness on maintaining a safe and healthy workplace environment for themselves and guests. Introducing the concept of risk assessment was one of the key initiatives in 2014. Risk assessment is the basis of understanding the hazards at our workplace so that these hazards can be controlled from happening after taking appropriate measures.



CORPORATE SOCIAL RESPONSIBILITY REPORT

The Hotels also arranged various trainings and programmes to promote the importance of workplace health and safety, and personal wellness. For example, Eaton, Hong Kong joined the "Smoking Cessation Program for the Workplace" by the Lok Sin Tong Benevolent Society, Kowloon. The programme offered a health talk, health check and consultation sessions to assist colleagues to quit smoking. Langham Place Hotel, Hong Kong invited professional therapists to provide head-neck-shoulder massages to their colleagues. The therapists also gave advice to colleagues on how to maintain a healthy body through stretching exercises. The Health Club Instructor of The Langham, Hong Kong offered exercise lessons to the colleagues to minimise muscle pain.

The frequency of the colleagues being injured and taking work leave was 7.8 reported lost-time accidents per 100 employees. The injury rate was increased slightly as compared to previous year. The Hotels will continue to monitor the performance and enhance staff awareness in workplace health and safety.

Employee Training

The Hotels strived to continuously develop the professionalism of their colleagues. In 2014, there were several learning and development initiatives amongst the Hotels. The following outlines some examples on how the Hotels offered targeted and well-designed training programmes for colleagues.



The Langham, Hong Kong re-launched the Service With Poise Training Program to enable the colleagues to anticipate the guests' needs. Service with Poise is Langham's brand promise; the training objectives reinforced the Hotel Manager's service philosophy and principles, and highlighted the approach in delivering service with poise consistently.

As Eaton, Hong Kong believed that the colleagues' happiness plays a major part in their success, a "Fishing Catch" programme was devised with the purpose of creating a positive working culture and atmosphere. The programme promoted the idea of personal happiness and sharing practical tips in changing people's mindsets in the work environment. Both the Colleague Satisfaction Index (CSI) and turnover rate showed positive results by the participating department. Key findings also showed that colleagues were more committed to contribute towards the team, willing to share their own feelings as well as building a more positive attitude at work place.



CORPORATE SOCIAL RESPONSIBILITY REPORT

To prepare for the debut of Alibi, the new restaurant at Langham Place Hotel, Hong Kong, a comprehensive training programme was planned for the outlet's service and kitchen colleagues. The two-week intensive training programme covered topics ranging from the Alibi design concept and market positioning, food and beverage product knowledge (beer, cocktail, coffee, tea and wine), to food hygiene, health and safety, and environmental management. The skills and knowledge of the team were enhanced to handle the new business entity. It is our responsibility to nurture the colleagues growing along with the Hotel.

In 2014, the Hotels achieved an average of 33.6 training hours per colleague. In addition, Langham Place, Hong Kong received the American Society for Training and Development (ASTD) Excellence in Practice Citation (Performance Improvement category) with our training program – "Training and the Brand". The comprehensive program was a collaborative effort to enhance the dining experience and service style at the hotel's Michelin-starred Chinese restaurant, Ming Court.

GOVERNANCE

Being a responsible company is not just about doing good to the environment, community and employees. It also means operating in an ethical manner and being recognised as reliable by the business partners and guests.

We have pledged to adhere to good corporate governance and business integrity in our business activities. The Code of Conduct provides guidance on basic standards of behaviour in business such as acceptance or offer of advantages, declaration of conflict of interest, gambling, and handling confidential information. The policy and other standard operating procedures are reviewed from time to time to ensure that our commitment to ethical behaviour and good governance is in alignment with the industry's best practices. In 2014, the Hotel Manager updated the Code of Conduct which was communicated to the Hotels.

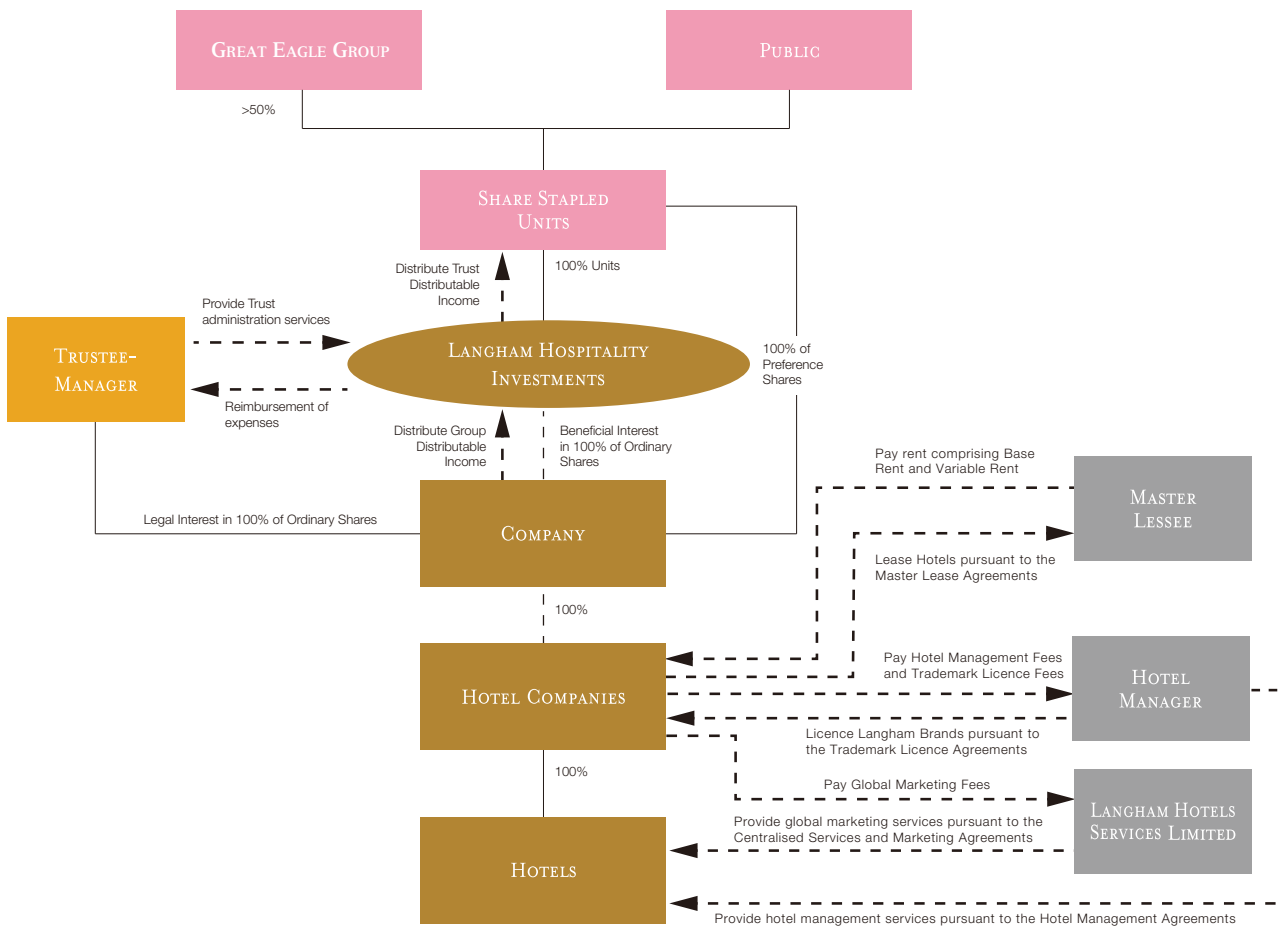
Code of Conduct training has been one of the CONNECT Events since 2013. With the increasing number of ways in collecting and using personal information nowadays in our business, data privacy has become an important area in business ethics. Data Privacy Protection Training was conducted by the Office of the Privacy Commissioner for Personal Data, Hong Kong for the Hotels. The training aimed at increasing staff awareness on the relevant Hong Kong legislations and the six data protection principles. Internal review was also conducted to understand and analyse the current data protection practices of the Hotels.

CORPORATE GOVERNANCE REPORT

Langham Hospitality Investments, LHIL Manager Limited and Langham Hospitality Investments Limited are committed to maintaining and developing high standards of corporate governance practices that are designed to enhance corporate image, create value for our Holders of Share Stapled Units, minimize risk in fraudulent practices and address potential conflict in interest issues. This combined Corporate Governance Report of the Trust and the Company sets out a summary of the key processes, systems and measures that have been used by the Trust, Trustee-Manager and the Company in implementing this corporate governance framework for the year ended 31 December 2014.

STRUCTURE OF THE TRUST GROUP

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



CORPORATE GOVERNANCE REPORT

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

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

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

Capital Structure of the Trust and the Company

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

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

All of the issued Ordinary Shares of the Company are held by the Trustee-Manager in its capacity as trustee-manager of the Trust. Each Unit in the Trust issued by the Trustee-Manager must correspond with a specifically identified Ordinary Share held by the Trustee-Manager, which confers a beneficial interest in that specifically identified Ordinary Share such that a transfer of a Unit in effect is to transfer the beneficial interest in such Ordinary Share. Similarly, each Unit issued in the Trust must be stapled to a specifically identified Preference Share held by the Holder

of Share Stapled Unit (along with the Unit) as full legal and beneficial owner so that one cannot be traded without the other.

In addition to the Share Stapled Units, 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.

Business Relationship with Great Eagle

Apart from the parent-subsidiary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two groups as summarized in the chart on page 71. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules. Details of the transaction which are subject to disclosure and reporting requirements are provided in the Report of the Directors contained on pages 72 to 75 in this Annual Report.

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

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

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE POLICIES AND PRACTICES

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. The Boards are responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report prepared on a combined basis.

Corporate Governance Practices

Taking into account the structure of the Trust Group, in particular the business relationship with its holding company, the following policies and procedures were established and constituted the core elements of the governance framework of the Trust Group:

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

CORPORATE GOVERNANCE REPORT

Compliance with Corporate Governance Code

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

Throughout the year under review, the Trust (via the Trustee-Manager) and the Company had complied with all applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the 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.

BOARD OF DIRECTORS

Board Composition

Pursuant to the Trust Deed, the Directors of the Trustee-Manager shall at all times be the same individuals who serve as Directors of the Company. During the year, Mr. Ip Yuk Keung, Albert was appointed as the Executive Director and Chief Executive Officer of the Trust Group in place of Ms. Katherine Benson with effect from 9 June 2014. The Boards currently comprise the following six members:

Non-executive Directors

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

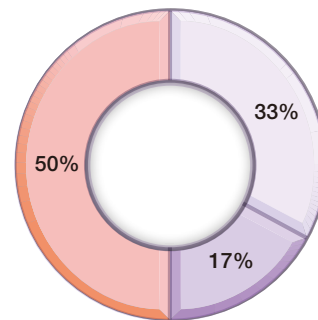
Executive Director

Mr. IP Yuk Keung, Albert (*Chief Executive Officer*)
(appointed on 9 June 2014)

Independent Non-executive Directors

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

Ms. Lo Bo Lun, Katherine is a daughter Dr. Lo Ka Shui, the Non-executive Chairman of the Trustee-Manager and the Company and also a substantial shareholder, the Chairman and Managing Director of Great Eagle Holdings Limited, the holding company of the Trust Group. Saved as disclosed above, there are no other financial, business, family or other material or relevant relationships between board members. Set out on the next page is a summary of expertise and responsibilities of each Board member.



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

CORPORATE GOVERNANCE REPORT

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

Board Diversity

The Boards recognize the importance and benefits of diversity in the boardroom, and seek to build an effective structure for the Trustee-Manager Board and the Company Board with the capabilities appropriate to the scale, complexity and strategic positioning of our business. Directors are drawn from a wide range of professional backgrounds and expertise with global reach, including property and hospitality development, international affairs, global investment, investment banking and financial services.

The Nomination Committee of the Company is responsible for reviewing Board composition, identifying candidates and making recommendations to the Company Board.

Diversity in board composition is considered to be an important driver of the Board's effectiveness. In reviewing Board composition, the Nomination Committee will take into account the Company's strategic priorities to determine the right skill sets required in the boardroom, which include the appropriate range and balance of skills, experience, knowledge and independence. All appointment of Directors is based on merit against objective criteria and with due regards to the benefits of board diversity. In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider a range of diversity perspectives, including areas of experience, types of expertise, gender, age, cultural and educational background.

CORPORATE GOVERNANCE REPORT

At the Nomination Committee Meeting held on 14 January 2015, having taken into account the Company's corporate strategy and the skills, knowledge and experience of the Board members of the Company, the Nomination Committee considered the structure, size and composition of the Board was satisfactory.

Board Responsibilities

Notwithstanding the fact that the Directors of the Trustee-Manager and the Directors of the Company must always be the same individuals pursuant to the Trust Deed as mentioned above, the Trustee-Manager Board and the Company Board have distinct responsibilities.

It is the responsibility of the Trustee-Manager Board to ensure that the Trustee-Manager discharges its duties under the Trust Deed, which include but not limited to administering the Trust, keeping safe custody of all the property and rights of any kind whatsoever that are held on trust for the Holders of Share Stapled Units and exercising all due diligence and vigilance in protecting the rights and interests of the Holders of Share Stapled Units. A Director of the Trustee-Manager shall act in good faith in the best interests of all unitholders. The Trustee-Manager Board exercises a number of reserved powers such as approval of the financial statements of the Trust and the Trustee-Manager, approval of the annual and interim reports and results announcements of the Trust and the Company, declaration of distributions to the Holders of Share Stapled Units, approval of terms of reference of the Trustee-Manager's Board Committee(s), and monitoring of the corporate governance of the Trust.

The Company Board, on the other hand, is responsible for setting out the overall strategies and business objectives of the Group and providing oversight of their implementation by the management team to promote the long-term success of the Group and create sustainable value for the Holders of Share Stapled Units. While day-to-day management and operation of the business activities of the Group are delegated to senior management who

is accountable for the execution of business strategies and initiatives adopted by the Company Board, specific functions reserved to the Company Board are set out in the Schedule of Matters Reserved for the Board and where appropriate shall also be applicable to the Trustee-Manager's Board. The schedule is reviewed periodically to ensure that the arrangements remain appropriate to the Group's needs. Provided below is a summary of the key reserved matters. These duties should be discharged by the full Board, the Board's committees, or the independent members of the board, as appropriate in the circumstances.

- Approval of long-term objectives and corporate strategy
- Extension of business activities into new business of material nature
- Decision of ceasing to operate all or any material part of the business
- Approval of the annual and interim reports and results announcements of the Trust and the Company
- Declaration of distributions to the Trust
- Approval of any significant changes in accounting policies or practices
- Approval of substantial acquisitions or disposals
- Approval of connected transactions
- Approval of major capital expenditures
- Approval of terms of reference of the Company's Board Committees
- Approval of governance policies
- Review of corporate governance arrangements
- Appointment of membership of the Company's Board Committees
- Appointment or removal of the Company Secretary

CORPORATE GOVERNANCE REPORT

Board Independence

Independence is a vital element for Directors' fulfilling their duty in overseeing the management of the business and affairs of the Trust and the Company. The Nomination Committee of the Company is accountable for assessing whether any relationships or circumstances would likely to interfere with the exercise of objective and unfettered judgment by relevant Directors. It reviews all relevant facts and circumstances in making an independence determination such as length of service, interlocking directorships, competing businesses and other significant commitment that might potentially impose an impact on Directors' judgment. To be considered independent, an Independent Non-executive Director must also meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

Currently, three out of a total of six Board members are Independent Non-executive Directors. Their participation brings independent and objective judgment on the affairs of the Trust Group including but not limited to issues relating to the Trust Groups' strategy, performance, conflicts of interest and management process, thus ensuring the interests of all Holders of Share Stapled Units have been duly considered. Besides, all the Independent Non-executive Directors have the appropriate accounting or related financial management expertise for the purpose of Rule 3.10 of the Listing Rules, which can provide further assurance to the Holders of Share Stapled Units that the financial performance of the Trust Group shall be professionally reviewed and monitored. The Independent Non-executive Directors are required to declare his/her independence in respect of the independence guidelines set out in Rule 3.13 of the Listing Rules on an annual basis.

Chairman and Chief Executive Officer

Dr. Lo Ka Shui and Mr. Ip Yuk Keung, Albert hold the positions of Chairman and Chief Executive Officer respectively. The Chairman is responsible to oversee the operations and affairs of the Board's effectiveness and the relationships among the Board, management and stakeholders. He is accountable to the Board for leading the Board in formulating the Group's corporate and financial strategy at the best interest of the Group and enhancing further synergies between the Group and its parent company and for the overall supervision of the policies governing the conduct of the Group's business. Chief Executive Officer entails being ultimately responsible for all day-to-day management decisions and for leading the development and implementing the Company's long and short term strategy and plans. He also acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management.

Appointment, Re-election and Rotation of Directors

According to the Company's Articles, no less than one-third of all the Directors shall retire from office by rotation at each AGM of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years and any Director appointed either to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following AGM and shall then be eligible for re-election. The provisions of retirement by rotation applicable to the Company Board are also applied, indirectly, to the Trustee-Manager Board in accordance with the Trust Deed. Each of the Non-executive Directors (including the Independent Non-executive Directors) has entered into a letter of appointment with the Company and the Trustee-Manager respectively for an initial term of three years commencing from the Listing Date, renewable automatically for a further term of 3 years on the expiry of such term and every successive period of three years thereafter, subject to the relevant rotation provisions as mentioned above.

CORPORATE GOVERNANCE REPORT

According to the rotation record and as determined by lot, Ms. Lo Bo Lun, Katherine and Mr. So Yiu Wah, Eric will retire as the Directors at the forthcoming AGM. Having been considered and approved by the Nomination Committee of the Company, both retiring Directors are being eligible to stand for re-election at the 2015 AGM. Furthermore, Mr. Ip Yuk Keung, Albert, who was appointed as the Executive Director and Chief Executive Officer of the Company during the year, will hold office until the 2015 AGM and be eligible for re-election at the said meeting.

Directors' Orientation and Continuing Development

The Company Secretary shall assist the Chairman and the Chief Executive Officer to oversee the acculturation of new directors and continuing development of Directors and Senior Management. An induction pack that exposes the Director to the Company's business and strategies will be provided to the new Directors. To keep Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Trust Group's business and operating environment, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director are provided to each Director by the Company Secretary periodically to foster the refreshing and ongoing updating of Board members' skills and knowledge.

During the year ended 31 December 2014, the Directors received information packages with focus on the topics of the new Companies Ordinance and Competition Ordinance, hospitality industry review and latest update of statutory and regulatory requirements relevant to the Directors. Each of the Directors participated in no less than 10 training hours during the year ended 31 December 2014 and all the Directors had provided confirmation on their respective training records to the Trustee-Manager and the Company.

BOARD COMMITTEES

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

Board Committee of the Trustee-Manager

As mentioned above, the requirement to establish a Nomination Committee is not relevant to the Trustee-Manager as the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not applicable to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employees.

The Trustee-Manager Board has established the Audit Committee with its own terms of reference that have been approved by the Trustee-Manager Board and are reviewed periodically to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practices. The Committee reports its decisions and recommendations to the Trustee-Manager Board. The terms of reference of the Committee setting out in detail its duties and responsibilities are posted on our website and the Stock Exchange's website.

CORPORATE GOVERNANCE REPORT

Audit Committee of the Trustee-Manager

Composition

The composition of the Audit Committee of the Trustee-Manager comprises three Independent Non-executive Directors:

Chairman:

Mr. Wong Kwai Lam

Members:

Dr. Lin Syaru, Shirley

Mr. So Yiu Wah, Eric

None of the Audit Committee members is a former or existing partner of the external auditor of the Trustee-Manager and the Company.

Roles and Responsibilities

The Audit Committee of the Trustee-Manager shall, amongst other things, review the reports and proposals from management and make recommendations to the Trustee-Manager Board in respect of the financial reporting and other statutory obligations, and system for internal control and audit process of the Trust and the Trustee-Manager with a view to assisting the Trustee-Manager Board to fulfill its duties in relation to internal control, risk management and financial management.

During the year ended 31 December 2014, the Audit Committee of the Trustee-Manager held two meetings with all members present. The following is a summary of the major work done categorized under the primary areas of duties of the Committee:

Primary areas of duties

Summary of major work done in 2014

Disclosure of financial information

- reviewed and approved the draft 2014 Interim Report and interim results announcement of the Trust and the Company for the period ended 30 June 2014
- reviewed the unaudited financial statements of the Trust and the Company and the unaudited financial statements of the Trustee-Manager for the period ended 30 June 2014
- reviewed and approved the draft 2013 Annual Report and final results announcement of the Trust and the Company for the year ended 31 December 2013
- reviewed the audited financial statements of the Trust and the Company and the audited financial statements of the Trustee-Manager for the year ended 31 December 2013

CORPORATE GOVERNANCE REPORT

Primary areas of duties (cont'd)	Summary of major work done in 2014 (cont'd)
Internal audit and control	<ul style="list-style-type: none"> reviewed the significant findings and recommendations from the internal auditor reviewed the effectiveness of the internal control system of the Trust, the Company and the Trustee-Manager
Reports from external auditor	<ul style="list-style-type: none"> considered the reports from Deloitte Touche Tohmatsu on interim review of the financial information and annual audit of the financial statements of the Trust and the Company and the financial statements of the Trustee-Manager
Re-appointment of external auditor	<ul style="list-style-type: none"> reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the external auditor and approved their remuneration
Connected Transaction	<ul style="list-style-type: none"> reviewed and monitored connected transactions on a half-yearly basis to ensure compliance with the terms of the waiver granted by the Stock Exchange and all the other applicable rules and regulations
Great Eagle ROFR Deed	<ul style="list-style-type: none"> reviewed and adopted the corporate governance measures in respect of the operation of the ROFR granted by Great Eagle reviewed the implementation and compliance of the Great Eagle ROFR Deed

Board Committees of the Company

To provide effective oversight, the Company Board had established the following Board Committees. The terms of reference of the Board Committees will be reviewed periodically to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practices. Each Committee reports its decisions and recommendations to the Company Board.

Nomination Committee of the Company

Composition	<p><i>Chairman:</i> Dr. Lin Syaru, Shirley*</p> <p><i>Members:</i> Dr. Lo Ka Shui# Ms. Lo Bo Lun, Katherine# Mr. So Yiu Wah, Eric* Mr. Wong Kwai Lam*</p> <p>* Independent Non-executive Director # Non-executive Director</p>
Roles and Function	<p>The Committee focuses on strengthening, broadening, balancing and understanding the range of skills, experience and diversity on the Board. The Committee shall formulate policy and make recommendations to the Board on nomination, appointment or re-appointment of Directors and Board succession.</p>

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, one Nomination Committee meeting with full attendance of the Committee members took place and one separate written resolution was passed by all committee members to work on the following:

Primary areas of duties	Summary of major work done in 2014
Board composition	<ul style="list-style-type: none">reviewed the size, structure and composition of the Board by taking into account the diversity of skills, knowledge and experience of the Board membersreviewed Directors' time commitment to the affairs of the Trust and the Company through, inter alia, their meeting attendance and other listed companies' directorships
Independence of Independent Non-executive Directors	<ul style="list-style-type: none">assessed independence of all the Independent Non-executive Directors
Appointment or re-appointment of Directors	<ul style="list-style-type: none">approved all the six retiring Directors for re-election at the 2014 AGM of the Trust and of the Company held on a combined basisnominated Mr. Ip Yuk Keung, Albert in place of Ms. Katherine Benson as Executive Director and Chief Executive Officer of the Trustee-Manager and the Company after considering his skills, expertise, experience and background, and made recommendation to the Company Board

Remuneration Committee of the Company

Composition	<p><i>Chairman:</i> Mr. So Yiu Wah, Eric*</p> <p><i>Members:</i> Dr. Lo Ka Shui# Dr. Lin Syaru, Shirley* Mr. Wong Kwai Lam*</p> <p>* Independent Non-executive Director # Non-executive Director</p>
Roles and Responsibilities	<p>The Committee set up formal and transparent procedures for setting policy on Executive Director's remuneration and for fixing the remuneration packages for all Directors and senior management and to ensure remuneration levels are sufficient to attract and retain Directors to run the Company successfully without paying more than necessary.</p>

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, one physical Remuneration Committee meeting was held with full attendance of the Committee members. Below is a summary of major work done:

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

Audit Committee of the Company

Composition	<p>The composition of the Audit Committee of the Company is the same as that of the Audit Committee of the Trustee-Manager, comprising three Independent Non-executive Directors:</p> <p><i>Chairman:</i> Mr. Wong Kwai Lam</p> <p><i>Members:</i> Dr. Lin Syaru, Shirley Mr. So Yiu Wah, Eric</p> <p>None of the Audit Committee members is a former or existing partner of the external auditor of the Trustee-Manager and the Company.</p>
Roles and Responsibilities	<p>The Audit Committee of the Company shall, amongst other things, review the reports and proposals from management and make recommendations to the Company Board in respect of the financial reporting and other statutory obligations, and system for internal control and audit process of the Company with a view to assisting the Company Board to fulfill its duties in relation to internal control, risk management and financial management.</p>

During the year ended 31 December 2014, the Audit Committee of the Company held two meetings with all members present. The major works done by the Audit Committee of the Company were substantially the same as those done by the Audit Committee of the Trustee-Manager as mentioned above.

CORPORATE GOVERNANCE REPORT

Board and Board Committee Meetings

Apart from understanding the respective responsibilities of the Trustee-Manager Board and the Company Board, the Directors must be able and willing to devote the required amount of time to the affairs of the Trust and the Company, including attendance at Board meetings and Board committee meetings. While the Executive Director works fulltime for the Trust and the Company, all the Non-executive Directors and the Independent Non-executive Directors have confirmed to the Trustee-Manager and the Company that they have given sufficient time and attention to the affairs of the Trust and the Company throughout 2014.

Board Proceedings for Board and Board Committee Meetings

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

In addition to Board meetings, the Chairman schedules a meeting annually with Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Director to discuss the affairs of the Trust Group.

CORPORATE GOVERNANCE REPORT

During the year under review, each of the Trustee-Manager and the Company held four physical Board meetings. Directors attended the meetings in person or by means of telephone or other audio communications equipment in accordance with the Trustee-Manager's articles of association and the Company's Articles. The attendance of individual Directors at all the board and board committee meetings and annual general meeting held during the year ended 31 December 2014 is set out below:

Number of Meeting(s) Attended/Eligible to Attend in 2014

Name of Directors	TRUSTEE-MANAGER		COMPANY				Combined 2014 Annual General Meeting
	Board	Audit Committee	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Non-executive Directors							
LO Ka Shui*	2/2	-	2/2	-	1/1	1/1	1/1
LO Bo Lun, Katherine	2/2	-	2/2	-	1/1	-	-/1
Attendance Rate	100%	-	100%	-	100%	100%	
Executive Directors							
IP Yuk Keung, Albert** (appointed on 9 June 2014)	2/2	-	2/2	-	-	-	1/1
Katherine Margaret BENSON** (resigned on 9 June 2014)	2/2	-	2/2	-	-	-	-
Attendance Rate	100%	-	100%	-	-	-	
Independent Non-executive Directors							
LIN Syaru, Shirley	4/4	2/2	4/4	2/2	1/1	1/1	1/1
SO Yiu Wah, Eric	4/4	2/2	4/4	2/2	1/1	1/1	1/1
WONG Kwai Lam	4/4	2/2	4/4	2/2	1/1	1/1	1/1
Attendance Rate	100%	100%	100%	100%	100%	100%	
Overall Attendance Rate	100%	100%	100%	100%	100%	100%	

* Chairman

** Chief Executive Officer

CORPORATE GOVERNANCE REPORT

Remuneration of Directors

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

Remuneration Framework

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

As discussed above, Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust or the Trustee-Manager. The Directors' fees entitled to be received by each Director of the Company and the members of the respective Board Committees of the Company for the financial year 2014 are set out below. The remuneration levels were proposed with reference to the time and effort involved in the individual Directors' specific duties and services and the prevailing market conditions. Details of Directors' emoluments are provided in note 15 to the consolidated financial statements of the Trust and the Company.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE MEASURES TO ADDRESS POTENTIAL CONFLICTS OF INTEREST

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

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

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, two investment opportunities, being (i) 2/3 interests in The Langham Xintiandi, Shanghai and (ii) 100% interests in a hotel development in Hongqiao, Shanghai, were offered by Great Eagle to the Trust Group pursuant to the Great Eagle ROFR Deed. In view of the financial position of the Trust Group and the yield from these two properties were negligible, the Company Board and the Trustee-Manager Board considered not to exercise the right of first refusal in respect of the said projects. The Audit Committees of the Trustee-Manager and the Company, whose members are all Independent Non-executive Directors, had conducted review on the implementation of Great Eagle ROFR Deed and confirmed that both Great Eagle and the Company complied with the terms of Great Eagle ROFR Deed during the year.

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

INTERNAL CONTROL

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

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

Through the respective Audit Committees of the Trustee-Manager and the Company and the internal audit function, the Trustee-Manager Board and the Company Board have conducted a review on the effectiveness of the internal control systems of the Trust and the Trustee-Manager and of the Company respectively for the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

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

Based on the assessment of both the Audit Committees on the results of the internal audit reviews for the year ended 31 December 2014, no significant irregularity or deficiency in internal controls has come to the Committees' attention. The Audit Committee of the Trustee-Manager and the Audit Committee of the Company therefore conclude that the internal control systems of the Trust and the Trustee-Manager and of the Company respectively are adequate and effective.

The Trustee-Manager Board and the Company Board, based on the review of their respective Audit Committees, are satisfied that the Trust (together with the Trustee-Manager) and the Company have maintained sound and effective internal control systems for the year ended 31 December 2014.

HOLDERS OF SHARE STAPLED UNITS

Communication with Holders of Share Stapled Units

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

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

To facilitate a two-way dialogue with Holders of Share Stapled Units and other stakeholders, the corporate communications and website are supplemented by various briefings and conferences. The management and

CORPORATE GOVERNANCE REPORT

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

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

General Meeting

The Company Board and the Trustee-Manager Board recognise the significance of the constructive use of general meetings to providing the best opportunity for a genuine dialogue between the Directors and our Holders of Share Stapled Units. General meetings of the Trust and the Company are to be held on a combined basis, proceedings of general meetings as summarized below are reviewed from time to time to ensure that the best appropriate corporate governance practices are followed.

The first AGM was held on 30 April 2014 at Yat Tung Heen, 2nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Ms. Katherine Margaret Benson, Dr. Lin Syaru, Shirley, Mr. So Yiu Wah, Eric and Mr. Wong Kwai Lam had attended the 2014 AGM. The matters resolved thereat are listed below:

- Received the audited consolidated Financial Statements of the Trust Group for the year ended 31 December 2013, the audited Financial Statements of the Trustee-Manager for the period ended 31 December 2013, together with their respective Reports of the Directors and the Independent Auditor.
- Declared a final distribution in respect of the Share Stapled Units of HK18.8 cents per Share Stapled Unit for the period from 30 May 2013 (date of listing) to 31 December 2013.
- Re-elected Dr. Lo Ka Shui and Ms. Lo Bo Lun, Katherine as the Non-executive Directors; Ms. Katherine Margaret Benson as the Executive Director; and Dr. Lin Syaru, Shirley, Mr. So Yiu Wah, Eric and Mr. Wong Kwai Lam as the Independent Non-executive Directors.
- Authorized the Directors of the Company to fix their remuneration.
- Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor of the Trust, the Company and the Trustee-Manager, and authorized the Directors to fix their remuneration.
- Approved the grant of a general mandate to the Directors of the Trustee-Manager and the Company to allot, issue and deal additional Share Stapled Units not exceeding 20% of the issued number of Share Stapled Units.

CORPORATE GOVERNANCE REPORT

Proceedings of General Meetings

- Notice of general meetings together with other relevant corporate communications in printed form (or the notification letters for receiving the said corporate communications by electronic means through our corporate website, as the case may be) will be despatched to Holders of Share Stapled Units (i) no less than 20 clear business days prior to the AGM and general meeting where a special resolution is proposed for consideration and (ii) no less than 10 clear business days for all other general meetings.
- The Chairman of the Trustee-Manager Board and the Company Board as well as the chairmen of each of the Board Committees or, in their absence, their duly appointed delegates or other members of the respective Committees are available to answer questions at the general meetings.
- The chairman of the independent board committee or, in his/her absence, his/her duly appointed delegates or other member(s) of the committee will be available to answer questions at any general meetings at which approval for a connected transaction or approval from independent Holders of Share Stapled Units for any other transaction is sought.
- The external auditor will attend the AGM to answer questions relating to the audit.
- To safeguard the interests and rights of the Holders of Share Stapled Units, separate resolutions are proposed at the general meetings on each substantial issue, including the election/re-election of each individual Director.
- Holders of Share Stapled Units will be provided opportunities to ask questions for each of the proposed resolutions at general meetings.
- All votes of the Holders of Share Stapled Units at general meetings will be taken by poll. The procedures for conducting a poll will be clearly explained at the meeting.
- Poll results are made available by way of an announcement, which is published on our corporate website and the Stock Exchange's website on the same day after the general meeting.

CORPORATE GOVERNANCE REPORT

Rights of Holders of Share Stapled Units

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

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

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

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

EXTERNAL AUDITORS

Auditor's responsibilities for the financial statements

The statement by the Auditor about its reporting responsibilities for the Trust Group and the Trustee-Manager are set out in the Independent Auditor's Report on pages 81 to 82 and pages 140 to 141 respectively of this Annual Report.

CORPORATE GOVERNANCE REPORT

Auditor's Remuneration

During the year ended 31 December 2014, the total fees in respect of audit and non-audit services provided to the Trust Group and the Trustee-Manager by the external auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

Services rendered	For the year ended 31 December 2014	
	HK\$'000	HK\$'000
Audit services	1,180	20
Non-audit services		
Interim review fee	350	–
Other review fees including continuing connected transactions review, etc	98	2
	1,628	22

Note:

The total amounts of Auditor's Remuneration as disclosed in note 14 to the consolidated financial statements of the Trust and the Company and note 4 to the financial statements of the Trustee-Manager are HK\$1,180,000 and HK\$20,000 respectively and do not include the fees in respect of non-audit services.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2014, there was no change to the Trust Deed and the Company's Articles, the current versions of which are available for download from our corporate website and the website of the Stock Exchange.

CONNECTED TRANSACTIONS AND/OR CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Trust Group and the Trustee-Manager entered into certain connected transactions and/or continuing connected transactions. Disclosure requirements in accordance with the Listing Rules were fully complied with.

Details of the connected transactions and/or continuing connected transactions entered into during the year under review and the annual review are set out in the Report of the Directors contained on pages 70 to 76 in this Annual Report.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Trust Group has adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all members of the Board and relevant employees of the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions during the year ended 31 December 2014. The Directors' interests in the securities of the Trust and the Company and the associated corporations (within the meaning of the SFO) as at 31 December 2014 are set out in the Directors' Report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Trustee-Manager Board and the Company Board, supported by the Accounts and Finance Department, are responsible for the preparation of the accounts of the Trust Group and the Trustee-Manager for the year ended 31 December 2014.

DIRECTORS' AND OFFICERS' INSURANCE

During the year ended 31 December 2014, appropriate Directors' and Officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Trustee-Manager and the Company.

PUBLIC FLOAT

So far as the Trustee-Manager and the Company are aware of, as at the date of this Report, the Trust and the Company had maintained a sufficient public float with more than 25% of the issued and outstanding Share Stapled Units being held by the public.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, the Trust Group and the Trustee-Manager also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Several of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 36 to the consolidated financial statements of the Trust and the Company.

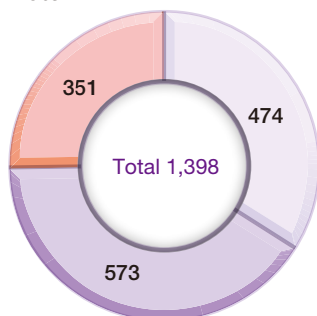
HOTEL MANAGER AND EMPLOYEES

The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well experienced operational staff exclusively dedicated in providing services to the Hotels. The total number of employees of the Hotels remains stable at 1,398 comparing with that of 31 December 2013.

The following charts show the breakdown of the employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels as at 31 December 2014:

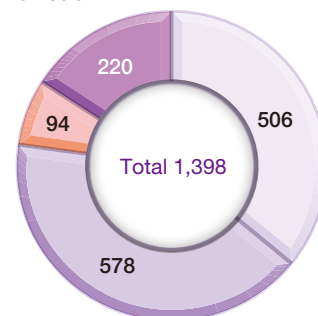
Number of Employees of the Hotel Manager

By Hotel



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

By Function



- Rooms
- Food and Beverage
- Sales and Marketing
- Others

CORPORATE GOVERNANCE REPORT

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

Further details about the Hotel Manager's initiatives on employee health and safety, communication and training are provided in the Corporate Social Responsibility section contained on pages 29 to 37 in this Annual Report.

The Company has employed a team of four professional staff members to maintain an effective operation of the Trust Group. Great Eagle Group provides certain

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

The total remuneration of the three current senior management (including the Chief Executive Officer) borne by the Company for the year ended 31 December 2014 falls within the range of HK\$1-2 million for one member and below HK\$1 million for the remaining two members.

REPORT OF THE DIRECTORS

The Company Board and the Trustee-Manager Board have pleasure in presenting the annual report together with the audited consolidated financial statements of the Trust Group for the year ended 31 December 2014.

The Trustee-Manager Board also presents its audited financial statements of the Trustee-Manager for the year 31 December 2014.

PRINCIPAL ACTIVITIES

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

The principal activities of the Group are primarily to own and invest in a portfolio of hotels, with a focus on completed hotels located in Asia. The current hotel portfolio of the Group comprises: The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong. A business review covering the corporate strategy, principal drivers and summary of business performance, and future prospects of the Group is set out in the Chairman's Statement and CEO's Review on pages 12 to 24 of this Annual Report.

The principal activities and other particulars of the Company's subsidiaries as at 31 December 2014 are set out in notes 1 and 37 to the consolidated financial statements of the Trust Group contained in this Annual Report.

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

DISTRIBUTION

Distributable Income

Total distributable income is the profit for the year attributable to holders of Share Stapled Units as adjusted to eliminate the effects of adjustments (as set out in the Trust Deed). Details of which are set out in notes 11 and 12 to the consolidated financial statements to the Trust Group.

Distribution per Share Stapled Unit

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

Year ended/ending 31 December	Number of Distribution Waiver Units
2014	150,000,000
2015	100,000,000
2016	100,000,000
2017	50,000,000

REPORT OF THE DIRECTORS

After taking into account the Distribution Waiver, the Company Board and the Trustee-Manager Board have recommended the payment of a final distribution of HK15.2 cents per Share Stapled Unit for the year ended 31 December 2014 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 30 April 2015, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed. Subject to the approval of the Holders of Share Stapled Units at the forthcoming 2015 AGM, the payment of the final distribution will be made on 14 May 2015. Taken together with the interim distribution of HK14.6 cents per Share Stapled Unit paid in October 2014, the total distribution per Share Stapled Unit for the year 2014 is HK29.8 cents.

FINANCIAL SUMMARY

A summary of the results and of the assets and/or liabilities of the Trust Group is set out on page 150 of this Annual Report.

MOVEMENTS IN RESERVES

Details of the movements in the reserves of the Trust Group during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity and note 28 to the consolidated financial statements.

FIXED ASSETS

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

INVESTMENT PROPERTIES

Movements in the investment properties of the Trust Group during the year ended 31 December 2014 are set out in note 19 to the consolidated financial statements. All of the Trust Group's investment properties were revalued by independent professional property valuer as at 31 December 2014 using the income capitalisation method which is determined based on the future cash flow of market rentals at market yield expected by the property investor and applicable discount rate. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

Details of the investment properties of the Trust Group as at 31 December 2014 are set out in the Schedule of Investment Properties on page 149 of this Annual Report.

REPORT OF THE DIRECTORS

ISSUED SHARE STAPLED UNITS

As at 31 December 2014, the total number of issued Share Stapled Units of the Trust and the Company was 2,022,390,859. As compared with the position of 31 December 2013, a total of 21,000,927 new Share Stapled Units were issued during the year as follows:

Date	Particulars	No. of Share Stapled Units
31 December 2013	Number of issued Share Stapled Units	2,001,389,932
5 March 2014	Issue of new Share Stapled Units at the price of HK\$3.79 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees (collectively the "Hotel Manager's Fees") to the Hotel Manager of approximately HK\$41,628,000 for the second half of 2013	10,983,756
22 August 2014	Issue of new Share Stapled Units at the price of HK\$3.70 per Share Stapled Unit as payment of the Hotel Manager's Fees to Hotel Manager of approximately HK\$37,064,000 for the first half of 2014	10,017,171
31 December 2014	Number of Issued Share Stapled Units	2,022,390,859

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

Except for the buy-back or redemption of the Preferences Shares in the event of the exercise of the Exchange Right (as defined in the Trust Deed) or the termination of the Trust, the Trustee-Manager is prohibited under the Trust Deed from buying back or redeeming any Share Stapled Units on behalf of the Trust unless and until expressly permitted to do so by relevant codes and guidelines issued by the 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.

During the year ended 31 December 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.

REPORT OF THE DIRECTORS

DIRECTORS

In accordance with Clause 29.1(a) of the Trust Deed, the Directors of the Trustee-Manager shall be the same individuals who serve as Directors of the Company. The Directors of the Company Board and the Trustee-Manager Board during the year 2014 and up to the date of this Report are set out as follows:

Non-executive Directors

Dr. LO Ka Shui*
Ms. LO Bo Lun, Katherine

Executive Directors

Mr. IP Yuk Keung, Albert**
(appointed on 9 June 2014)
Ms. Katherine Margaret BENSON**
(resigned on 9 June 2014)

Independent Non-executive Directors

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

* Chairman
** Chief Executive Officer

Pursuant to clause 29.2(g) of the Trust Deed and Article 16.3 of the Company's Articles, any Director appointed to fill a casual vacancy shall hold office only until the next following AGM and shall then be eligible for re-election. Hence, Mr. Ip Yuk Keung, Albert who appointed during the year 2014 shall retire and subject to re-election in the forthcoming AGM of the Trust of the Company. In accordance with clause 29.2(m) of the Trust Deed and Article 16.21 of the Company's Articles, Ms. Lo Bo Lun, Katherine and Mr. So Yiu Wah, Eric shall retire from office at the 2015 AGM and, being eligible, offer themselves for re-election.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors of the Trustee-Manager and the Company, and the Senior Management of the Company are set out on pages 25 to 28 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

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

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

REPORT OF THE DIRECTORS

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

As at 31 December 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				Number of Underlying SSUs	Total	Percentage of Issued SSUs ⁽³⁾
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Lo Ka Shui	–	–	1,178,358,859 ⁽¹⁾	17,200,000 ⁽²⁾	–	1,195,558,859	59.12
Ip Yuk Keung, Albert	495,000	–	–	–	–	495,000	0.02

Notes:

- (1) These 1,178,358,859 Share Stapled Units comprise the following:
 - (i) 1,177,358,859 Share Stapled Units were indirectly held by Great Eagle through three of its wholly-owned subsidiaries, LHIL Assets Holdings Limited, Fine Noble Limited and Great Eagle Nichemusic Limited. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. Dr. Lo's interests in Great Eagle are disclosed below on page 67; 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) 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 Share Stapled Units in issue as at 31 December 2014 of 2,022,390,859 Share Stapled Units.

REPORT OF THE DIRECTORS

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Great Eagle

As at 31 December 2014, Great Eagle owned 58.22% 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 31 December 2014 are disclosed as follows:

Name of Director	Number of Ordinary Shares				Number of Underlying Shares	Share Options	Total	Percentage of Issued Share Capital ⁽³⁾
	Personal Interests	Family Interests	Corporate Interests	Other Interests				
Lo Ka Shui	59,370,525	–	3,870,117 ⁽¹⁾	300,929,549 ⁽²⁾	7,310,600	1,888,000	373,368,791	56.93
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 31 December 2014 of 655,806,951 shares.

REPORT OF THE DIRECTORS

Champion Real Estate Investment Trust ("Champion REIT")

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at 31 December 2014, Great Eagle owned 61.65% 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 31 December 2014 are disclosed as follows:

Name of Director	Number of Units				Total	Percentage of Issued Units ⁽³⁾
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lo Ka Shui	–	–	3,548,831,630 ⁽¹⁾	6,200,000 ⁽²⁾	3,555,031,630	61.88
So Yiu Wah, Eric	400,873	60,000	–	–	460,873	0.01

Notes:

(1) These 3,548,831,630 units comprise the following:

- (i) 3,548,002,630 units (of which 6,438,000 were underlying units, being derivative interests derived from physically settled unlisted derivatives) 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 67; 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 31 December 2014 of 5,744,851,859 units.

Save as disclosed above, as at 31 December 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

- (i) Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, is a substantial shareholder, the Chairman and Managing Director of Great Eagle and a director of various subsidiaries of the Great Eagle Group. Great Eagle Group, as an associated corporation of the Trust and the Company and a controlling Holder of Share Stapled Units, develops, invests in and manages high quality offices, retail, residential, furnished apartments, hotel properties, restaurants and fitness centre in Asia, Australia, New Zealand, North America and Europe. The interests of Dr. Lo held in Great Eagle are disclosed in the section headed "Long Positions in Shares and Underlying Shares of Associated Corporations".
- (ii) Ms. Lo Bo Lun, Katherine, being the Non-executive Director of the Trustee-Manager and the Company, is a director of certain subsidiaries of Great Eagle Group including Langham Hospitality Group Limited, being the parent company of Langham Hotels International Limited which is the Hotel Manager of the three hotels of the Company, namely The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong.

The two Non-executive Directors assume a strategic role in formulating the development plans of the Trust and the Company and in particular, the development of possible further synergies between the Trust Group and the Great

Eagle Group for the mutual benefit of both groups. They are not involved in the day-to-day management of the Group. The rest of the other Board members do not have ongoing executive roles in the Great Eagle Group. Mr. Ip Yuk Keung, Albert, who is the sole Executive Director and Chief Executive Officer of the Company is primarily responsible for the overall day-to-day management of the Group and has oversight of the performance of the Master Lessee and the Hotel Manager. The management team and staff of the Group report to Mr. Ip and he is accountable to the Company Board and Trustee-Manager Board without risk of conflict of interest.

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

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the connected transactions and continuing connected transactions are set out in this report and note 36 to the consolidated financial statements. Save for the above, no contracts of significance to which the Trustee-Manager, the Company or any of its subsidiaries, substantial Holders of Share Stapled Units, holding company or fellow subsidiaries was a party and in which a Director of the Trustee-Manager and the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

MANAGEMENT AND/OR ADMINISTRATION CONTRACT

On 10 May 2013 (date of listing), the Company and Great Eagle entered into an Administrative Support Services Agreement pursuant to which Great Eagle Group provides certain administrative and non-management services to the Trust Group, including 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 for an initial term of 3 years and shall be automatically renewed for a further term of 3 years each upon expiration of any such term, subject to compliance with the applicable disclosure and reporting requirements under the Listing Rules. The sharing of the above administrative services is an exemption connected transaction under Rule 14A.98 of the Listing Rules.

Great Eagle is a controlling Holder of Share Stapled Units of the Trust and the Company. Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trust and the Company, is a substantial shareholder, the Chairman and Managing Director of Great Eagle. Details of his interests and shareholdings in Great Eagle are disclosed in the sections headed "Directors' Interest in Competing Businesses" and "Long Positions in Shares and Underlying Shares of Associated Corporations".

Saved as disclosed above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Trustee-Manager or Company were entered into or existing during the year.

DISCLOSURE OF CONNECTED TRANSACTION AND/OR CONTINUING CONNECTED TRANSACTIONS PURSUANT TO CHAPTER 14A OF THE LISTING RULES

Details of the continuing connected transactions which require disclosures under the Listing Rules are set out below. As disclosed in the initial public offering prospectus dated 16 May 2013, continuing connected transactions set out in paragraphs 1 to 6 below 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. Principal details and conditions of the waivers are disclosed in the section headed "Waivers".

REPORT OF THE DIRECTORS

**Aggregate Transaction Amount
for the year 31 December 2014
(HK\$'000)**

**Continuing Connected Transactions subject to Waivers
granted by Stock Exchange**

1.	Master Lease Agreements ^(a)	
	– Base Rent	225,000
	– Variable Rent ^(b)	521,534
2.	Hotel Management Agreements ^{(a)(b)(c)(d)}	
	– Base fee	24,880
	– Incentive fee	34,230
3.	Centralized Services and Marketing Agreements ^{(a)(b)}	
	– Reimbursement of Cost	13,058
	– Global Marketing fees	18,982
	– Reservation fees	4,210
4.	Trademark Licence Agreements ^{(a)(b)(c)(d)}	16,587
5.	Deed of Mutual Covenant and Management Agreement ^(a)	2,192
6.	Lease Agreement at Langham Place Office Tower ^(a)	5,230

**Other Continuing Connected Transaction subject to
Reporting Requirements**

	Framework Agreement for Provision of Procurement Services, Project Management Services, and Design and Construction Contracting Services	7,746
--	--	-------

Notes:

- (a) Obtained waiver from the requirements of making announcement and/or obtaining independent Holders of Share Stapled Units' approval
- (b) Obtained waiver from the requirement to set a monetary cap
- (c) Obtained waiver from compliance with Rule 13.36(1)(a) of the Listing Rules
- (d) 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.

REPORT OF THE DIRECTORS

Continuing Connected Transactions subject to Waivers granted by Stock Exchange

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

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

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

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

2. **Hotel Management Agreements** – three separate hotel management agreements each dated 10 May 2013 entered into among each Hotel Company, the Master Lessee, Langham Hotels International Limited as the Hotel Manager, the Trustee-Manager and the Company. As the Hotel Manager and the Master Lessee are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Company under the Listing Rules. Pursuant to the Hotel Management Agreements, the Master Lessee has agreed to engage the Hotel Manager as the sole and exclusive manager of the Hotels to supervise, direct and control the businesses and day-to-day operations of the Hotels in accordance with agreed standards of the relevant Hotel and to formulate and manage the annual plan and budget for each Hotel for an initial term of 30 years from and including 30 May 2013 (the date of listing) and may, subject to compliance with the relevant Listing Rules at the relevant time, be renewed for a further term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Hotel Management Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. The service fee payable to the Hotel Manager under the Hotel Management Agreements shall be linked to the operating profit and revenue of the Hotels on the following basis:

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

5. **Property Management Services Agreement**

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

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

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

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

6. **Lease Agreement for Lease of Office at Langham Place Office Tower**

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

Pursuant to the Lease Agreement, Benington Limited and Renaissance City Development Company Limited provide for the leasing of and building management services for Suites 1001–1003, 1005–1008 and 1015 on Level 10 of the office tower at Langham Place, Hong Kong at 8 Argyle Street, Kowloon, Hong Kong to Langham Place Hotel (HK) Limited as office premises at a monthly rent of HK\$380,544. The said agreement has an initial term of 3 years from 1 June 2010 to 31 May 2013 and has been renewed for a further term of 3 years at a monthly rent of HK\$380,544 and management fee of HK\$55,299 per month from 1 June 2013. Annual caps under the Lease Agreement for each of the financial years ended/ending 2014 and 2015 are HK\$6.0 million and HK\$6.1 million respectively.

Other Continuing Connected Transaction subject to Reporting Requirements

Framework Agreement for Provision of Procurement Services, Project Management Services, and Design and Construction Contracting Services

– an agreement dated 11 June 2014 entered into between the Company and Great Eagle, the controlling Holder of Share Stapled Units of the Trust and the Company and thus a connected person of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

Pursuant to the Framework Agreement, (i) procurement services, (ii) project management services, and (iii) design and construction contracting services will be provided by Champion Global Services Limited ("CGS"), The Great Eagle Development and Project Management Limited ("GEDPM"), and Keysen Engineering Company, Limited ("Keysen") and/or its associated companies respectively. CGS is a 93%-owned subsidiary of Great Eagle while GEDPM and Keysen are wholly-owned subsidiaries of Great Eagle. The initial term of the Framework Agreement began on 11 June 2014, and shall continue until 31 December 2016. The Framework Agreement shall be automatically renewed for a further term of 3 years each upon expiration of any such term, subject to compliance with the applicable disclosure and reporting requirements under the Listing Rules.

The service fees payable to CGS, GEDPM and Keysen and/or its associated companies in respect of each type of services under the Framework Agreement are determined on the following basis:

- *Fees for Procurement Services payable to CGS:* 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.
- *Fees for Project Management Services payable to GEDPM:* at a rate of 3% of the actual amount of the construction cost for renovation of the Hotels as certified by project quantity surveyor or other consultants.
- *Fees for Design and Construction Contracting Services payable to Keysen and/or its associated companies:* the contract sum for the work of Design and Construction Contracting Services shall be negotiated on an arm's length basis and determined between Keysen and/or its associated companies and the Group subject to tender or price comparison process to be arranged by the Group in accordance with its internal control policy.

Annual caps in respect of the aggregate value of the services to be provided by Great Eagle Group under the Framework Agreement for each of the financial years ended/ending 31 December 2014, 2015 and 2016 are HK\$19.93 million, HK\$23.37 million and HK\$11.93 million respectively as disclosed in the announcement published by the Trustee-Manager and the Company on 11 June 2014.

WAIVERS

The transactions described in paragraphs 1 to 4 above constitute non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules and normally are required to be announced, reported on, subject to annual review and approved by independent Holders of Share Stapled Units. Rule 14A.52 of the Listing Rules also requires that the period for the agreement in respect of non-exempt continuing connected transactions must be fixed and, except in special circumstances, must not exceed three years.

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

The transactions described in paragraphs 5 and 6 above constitute non-exempt continuing connected transactions under Rule 14A.76(2) of the Listing Rules and normally are required to be announced and reported on but would be exempt from the approval of the independent Holders of Share Stapled Units.

REPORT OF THE DIRECTORS

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

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

Waiver from requirement to set a monetary cap

The Trustee-Manager and the Company have also applied for, and the Stock Exchange has granted to the Trustee-Manager and the Company, a waiver from the setting of a monetary cap for the variable rent payable under the Master Lease Agreements and the fees payable under the Hotel Management Agreements, the Centralised Services and Marketing Agreements and the Trademark Licence Agreements for the duration of these agreements more particularly set out in the description of these transactions in paragraphs 1 to 4 above.

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

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

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

REVIEW OF CONNECTED TRANSACTIONS

In accordance with Rule 14A.55 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Trustee-Manager and the Company have reviewed the above continuing connected transactions for the period ended 31 December 2014 and confirmed they have been entered into:

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

The auditor of the Trustee-Manager and the Company was engaged to report on the above continuing connected transactions of the Trust Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Trust Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Trustee-Manager and the Company to the Stock Exchange.

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

REPORT OF THE DIRECTORS

INTERESTS OF SUBSTANTIAL HOLDERS' OF SHARE STAPLED UNITS

As at 31 December 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 Staple Units of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued Share Stapled Units of the Trust and the Company are as follows:

Name	Number of SSUs Held	Number of Underlying SSUs Held	Total	Percentage of Issued SSUs ⁽⁵⁾
Great Eagle Holdings Limited	1,177,358,859 ⁽¹⁾	–	1,177,358,859 ⁽¹⁾	58.22
LHIL Assets Holdings Limited	1,170,216,859	–	1,170,216,859	57.86
HSBC International Trustee Limited	1,176,777,859 ⁽²⁾	–	1,176,777,859 ⁽²⁾	58.19
Citigroup Inc.	104,269,858 ⁽³⁾	–	104,269,858 ⁽³⁾	5.16
Norges Bank	101,056,704 ⁽⁴⁾	–	101,056,704 ⁽⁴⁾	5.00

Notes:

- (1) These 1,177,358,859 Share Stapled Units were indirectly held by Great Eagle through its wholly-owned subsidiaries in the following manner:
 - i. the same parcel of Share Stapled Units held by LHIL Assets Holdings Limited as disclosed in the above table;
 - ii. 5,965,000 Share Stapled Units held by Great Eagle Nichemusic Limited; and
 - iii. 1,177,000 Share Stapled Units held by Fine Noble Limited.
- (2) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 22 August 2014) 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 31 December 2014.
- (3) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 20 November 2014) received from Citigroup Inc ("Citigroup"). These 104,269,858 interests were indirectly held by Citigroup through its wholly-owned subsidiaries in the following manner:
 - i. 104,258,134 Share Stapled Units held by Citibank N.A.; and
 - ii. 11,724 Share Stapled Units held by Citigroup Global Markets Limited as security interests.
- (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 31 December 2014 of 2,022,390,859 Share Stapled Units.

Save as disclosed above, as at 31 December 2014, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 66) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part X of the SFO, or which were recorded in the register required under Section 336 of the SFO.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, purchases attributable to five largest suppliers over total purchases of the Trust Group are given below:

Suppliers	Nature of Services	Relevant Cost %
1. Langham Hotels International Limited	Hotel Management Fees and Licence Fees	25.2%
2. Pretterior Works & Consultants Co. Ltd	Hotel Renovation Expense	20.6%
3. Langham Hotels Services Limited	Global Marketing Fees	6.3%
4. ISG Asia (Hong Kong) Limited	Hotel Renovation Expense	6.0%
5. Benington Limited and Renaissance City Development Company Limited	Office Rental	1.7%
Total:		59.8%

Revenue of approximately HK\$751,738,000 was derived from the lease of three retail outlets at Eaton, Hong Kong and the lease of the Hotels to Master Lessee. Breakdown of the revenue is set out in note 6 to the consolidated financial statements of the Trust Group contained in this Annual Report.

Among the above suppliers and customers, Langham Hotels International Limited, Langham Hotels Services Limited, Benington Limited, Renaissance City Development Company Limited and Master Lessee are indirect wholly-owned subsidiaries of Great Eagle, a Substantial Holder of Share Stapled Units which indirectly owned 58.22% interests in the Trust and the Company as at 31 December 2014. Dr. Lo Ka Shui, the Chairman and Non-executive Director of the Trustee-Manager and the Company, holds directorships in the aforesaid companies and is a substantial shareholder, the Chairman and Managing Director of Great Eagle.

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

REPORT OF THE DIRECTORS

DONATIONS

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

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Trustee- Manager and the Company will be proposed at the forthcoming AGM to be held on 20 April 2015.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Trust, the Trustee-Manager and the Company embraced the importance of maintaining and developing a high standard of corporate governance practices to sustain and protect the interests of Holders of Share Stapled Units. Throughout the year ended 31 December 2014, the Trustee-Manager and the Company have complied with all the applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the CG Code.

Details on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 38 to 61 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility has been integral to the Trust Group's business. Our commitment to Corporate Social Responsibility stems from a core belief that our business will prosper as the community and environment around us flourish. A report on Corporate Social Responsibility covering the environmental policies and performance of and relationships with the key stakeholders of our Group is set out on pages 29 to 37 of this Annual Report.

On behalf of the boards of

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



LO Ka Shui

Chairman

Hong Kong, 16 February 2015

FINANCIAL INFORMATION

Langham Hospitality Investments and Langham Hospitality Investments Limited

- 81** Independent Auditor's Report
- 83** Consolidated Statement of Profit or Loss
- 84** Consolidated Statement of Profit or Loss and
Other Comprehensive Income
- 85** Consolidated Statement of Financial Position
- 86** Statement of Financial Position of the Company
- 87** Consolidated Statement of Changes in Equity
- 88** Consolidated Statement of Cash Flows
- 90** Notes to the Consolidated Financial Statements

LHIL Manager Limited

- 140** Independent Auditor's Report
- 142** Statement of Profit or Loss and Other
Comprehensive Income
- 142** Statement of Financial Position
- 143** Statement of Changes in Equity
- 143** Statement of Cash Flows
- 144** Notes to the Financial Statements

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



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

(Langham Hospitality Investments is a trust constituted under the laws of Hong Kong;

Langham Hospitality Investments Limited is incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 139 (hereinafter collectively referred to as "the Trust and the Company's consolidated financial statements"). As explained in note 1 to the Trust and the Company's consolidated financial statements, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together. The Trust and the Company's consolidated financial statements together comprise the consolidated statement of financial position of the Trust Group and of the Group and the statement of financial position of the Company as at 31 December 2014 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Trust Group and of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The directors of LHIL Manager Limited (the "Trustee-Manager") (in its capacity as the trustee-manager of the Trust) and the directors of the Company are responsible for the preparation of the Trust and the Company's consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of the Trust and the Company's consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the Trust and the Company's consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Trust Group and the Group as at 31 December 2014, and of the Trust Group and the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 February 2015

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

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Continuing operation			
Revenue	6	751,738	471,764
Property related expenses		(32,975)	(18,670)
Service fees		(94,679)	(58,702)
Net property income		624,084	394,392
Other income	8	19,585	9,606
Increase in fair value of investment properties	19	155,558	25,554
Trust and other expenses		(24,317)	(42,839)
Finance costs	9	(130,822)	(76,755)
Profit before tax		644,088	309,958
Income tax expense	10	(87,025)	(37,571)
Profit for the year attributable to holders of Share Stapled Units		557,063	272,387
Discontinued operation			
Profit for the year from discontinued operation	13	–	172,888
Profit for the year	14	557,063	445,275
Basic and diluted earnings per Share Stapled Unit	17		
From continuing and discontinued operations		HK\$0.2762	HK\$0.2690
From continuing operation		HK\$0.2762	HK\$0.1645

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

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Profit for the year	557,063	445,275
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of owner occupied buildings upon change of use to investment properties	–	12,598,157
Item that may be reclassified subsequently to profit or loss:		
Reclassified upon disposal of available-for-sale investments	–	(23,555)
Other comprehensive income for the year	–	12,574,602
Total comprehensive income for the year	557,063	13,019,877

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

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	18	25	9
Investment properties	19	17,000,000	16,696,000
		17,000,025	16,696,009
Current assets			
Debtors, deposits and prepayments	22	55,024	132,591
Tax recoverable		283	2,217
Restricted cash	23	60,000	–
Bank balances and cash	23	589,248	751,932
		704,555	886,740
Current liabilities			
Creditors, deposits and accruals	24	84,448	69,450
Tax payable		61	35
		84,509	69,485
Net current assets		620,046	817,255
Total assets less current liabilities		17,620,071	17,513,264
Non-current liabilities			
Secured bank loans due after one year	25	6,752,016	6,718,016
Deferred tax liabilities	26	185,549	125,002
		6,937,565	6,843,018
NET ASSETS		10,682,506	10,670,246
Capital and reserves			
Issued capital	27	2,022	2,001
Reserves		10,680,484	10,668,245
TOTAL EQUITY		10,682,506	10,670,246

The consolidated financial statements on pages 83 to 139 were approved and authorised for issue by the Board of Directors on 16 February 2015 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

IP Yuk Keung, Albert
DIRECTOR

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investments in subsidiaries	20	344,318	219,052
Amounts due from subsidiaries	21	9,165,998	9,708,989
		9,510,316	9,928,041
Current assets			
Prepayments		75	66
Amounts due from subsidiaries	21	–	3,707
Bank balances		784	75
		859	3,848
Current liability			
Accruals		1,135	5,163
Net current liabilities		(276)	(1,315)
Non-current liability			
Amount due to a subsidiary	21	38	–
NET ASSETS		9,510,002	9,926,726
Capital and reserves			
Issued capital	27	2,022	2,001
Reserves	28	9,507,980	9,924,725
TOTAL EQUITY		9,510,002	9,926,726

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

For the year ended 31 December 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) retained profits HK\$'000	Total HK\$'000
At 1 January 2013	8	–	–	–	23,555	(691,757)	(668,194)
Profit for the year	–	–	–	–	–	445,275	445,275
Surplus on revaluation of owner occupied buildings upon change of use to investment properties	–	–	–	12,598,157	–	–	12,598,157
Reclassified upon disposal of available-for-sale investments	–	–	–	–	(23,555)	–	(23,555)
Total comprehensive income (expense) for the year	–	–	–	12,598,157	(23,555)	445,275	13,019,877
Acquisition in connection with the Reorganisation	(8)	–	(11,562,543)	–	–	–	(11,562,551)
Issue of Share Stapled Units in exchange for interests in Hotel Holding Companies (see notes 2 and 27)	1,148	5,737,982	–	–	–	–	5,739,130
Issue of Share Stapled Units upon global offering of Share Stapled Units (see note 27)	852	4,260,018	–	–	–	–	4,260,870
Issue of Share Stapled Units (see notes 27 and 32)	1	5,461	–	–	–	–	5,462
Transaction costs attributable to issue of Share Stapled Units	–	(124,348)	–	–	–	–	(124,348)
At 31 December 2013	2,001	9,879,113	(11,562,543)	12,598,157	–	(246,482)	10,670,246
Profit for the year and total comprehensive income for the year	–	–	–	–	–	557,063	557,063
Distribution paid (note 12(e))	–	(623,495)	–	–	–	–	(623,495)
Issue of Share Stapled Units (see notes 27 and 32)	21	78,671	–	–	–	–	78,692
At 31 December 2014	2,022	9,334,289	(11,562,543)	12,598,157	–	310,581	10,682,506

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 (as defined in note 2). Other reserve represents the difference between the considerations of the transfers and the share capital of the businesses as of the date of the transfer.

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

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Operating activities		
Profit before tax	644,088	516,275
Adjustments for:		
Hotel management fees and licence fee payable in form of Share Stapled Units	75,697	47,090
Increase in fair value of investment properties	(155,558)	(25,554)
Listing expense	–	34,748
Interest expense	96,532	77,188
Interest income	(19,313)	(9,443)
Depreciation on property, plant and equipment	4	62,107
Amortisation on loan front-end fee	34,000	21,544
Net exchange loss (gain)	12,137	(4,452)
Gain on disposals of investment properties	(272)	–
Gain on disposal of available-for-sale investments	–	(23,555)
Operating cash flows before movements in working capital	687,315	695,948
Decrease in inventories	–	13,488
Decrease (increase) in debtors, deposits and prepayments	78,141	(49,650)
Increase (decrease) in creditors, deposits and accruals	2,019	(242,976)
Cash generated from operations	767,475	416,810
Interest paid	(96,528)	(76,925)
Hong Kong Profits Tax paid	(24,518)	(38,386)
Net cash from operating activities	646,429	301,499

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

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Investing activities			
Additions of investment properties		(128,724)	–
Placement of restricted cash		(60,000)	–
Additions of property, plant and equipment		(20)	(64,846)
Interest received		18,739	8,992
Proceeds from disposals of investment properties		272	–
Proceeds from disposal of available-for-sale investments		–	54,601
Net cash used in investing activities		(169,733)	(1,253)
Financing activities			
Distribution paid		(623,495)	–
Expenses on issue of Share Stapled Units		(3,748)	(154,988)
Cash considerations paid in connection with the Reorganisation	2(iii)	–	(10,295,814)
Repayments of secured bank loans		–	(190,000)
Payment of loan front-end fee		–	(102,000)
New secured bank loans raised		–	6,800,000
Proceeds from issue of Share Stapled Units		–	4,260,870
Advances from fellow subsidiaries		–	97,611
Net cash (used in) from financing activities		(627,243)	415,679
Net (decrease) increase in cash and cash equivalents		(150,547)	715,925
Cash and cash equivalents at the beginning of the year		751,932	31,555
Effect of foreign exchange rate changes		(12,137)	4,452
Cash and cash equivalents at the end of the year, represented by bank balances and cash		589,248	751,932

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

For the year ended 31 December 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's parent company is LHIL Assets Holdings Limited, a limited liability company incorporated in the British Virgin Islands. The Directors consider the Trust and the Company's ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered offices of the Trustee-Manager and of the Company and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

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

2. BASIS OF PRESENTATION AND PREPARATION

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's consolidated financial statements for the year ended 31 December 2014 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's consolidated financial statements for the year ended 31 December 2014 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group"), and the statement of financial position of the Company.

The Trust controls the Company and the sole activity of the Trust during the year ended 31 December 2014 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the consolidated financial statements of the Trust and the Company together. The consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's consolidated financial statements".

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

For the year ended 31 December 2014

2. BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statements of cash flows, significant accounting policies and the related explanatory information are identical to the Trust and the Company. The Company's consolidated financial statements also include the stand-alone statement of financial position of the Company, and the relevant explanatory information in notes 20, 21, 28 and 30 where information specific to the Company are disclosed separately.

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

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

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

The aggregate considerations for the above acquisitions amounted to HK\$16,034,944,000, which comprised the consideration for Shares of the Hotel Holding Companies of HK\$11,562,551,000 and the consideration for Loans due to the Vendor Companies of HK\$4,472,393,000. Out of the aggregate considerations of HK\$16,034,944,000, an amount of HK\$10,295,814,000 was paid in cash and the remaining amount of HK\$5,739,130,000 was settled through the issue of 1,147,825,999 Share Stapled Units to the Vendor Companies (see notes 27 and 32).

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

For the year ended 31 December 2014

2. BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

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

The Reorganisation was merely a reorganisation of the intermediate owners of the Hotels with no change in the management and the ultimate owners of the Hotels. Therefore, the Trust and Company's consolidated financial statements have been prepared by applying the principle of merger accounting which is consistent with the principle as stated in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Trust and the Company's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

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

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

For the year ended 31 December 2014

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

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

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 622).

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

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

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

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

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

The significant accounting policies are set out below.

Basis of consolidation

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

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

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

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

Merger accounting for business combination involving entities under common control

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

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

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

Investments in subsidiaries

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

Revenue recognition

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

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

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

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

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

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

Investment properties

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

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

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

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

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Groups as lessor

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

The Groups as lessee

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

Foreign currencies

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

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

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

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

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

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

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

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

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

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

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

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

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

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition

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

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

Impairment losses on tangible assets

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

For the year ended 31 December 2014

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Investment properties

Investment properties are stated at fair value of HK\$17,000,000,000 (2013: HK\$16,696,000,000) based on the valuations performed by independent professional valuers.

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

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

Fair value measurements and valuation processes

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

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

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

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

For the year ended 31 December 2014

6. REVENUE

	2014 HK\$'000	2013 HK\$'000
Continuing operation		
Rental income from GE (LHIL) Lessee Limited ("Master Lessee") (see note 36(a))		
Base rent	225,000	133,151
Variable rent	521,534	335,649
	746,534	468,800
Rental income from retail shops in Eaton, Hong Kong	5,204	2,964
Total rental income	751,738	471,764

7. SEGMENT INFORMATION

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

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

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

For the year ended 31 December 2014

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

2014

	The Langham, Hong Kong HK\$'000	Langham Place Hotel, Hong Kong HK\$'000	Eaton, Hong Kong HK\$'000	Consolidated HK\$'000
Continuing operation				
Segment revenue	263,226	325,315	163,197	751,738
Segment results*	220,293	265,620	138,171	624,084
Other income				19,585
Increase in fair value of investment properties				155,558
Trust and other expenses				(24,317)
Finance costs				(130,822)
Profit before tax				644,088
Income tax expense				(87,025)
Profit for the year attributable to holders of Share Stapled Units				557,063

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

For the year ended 31 December 2014

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

2013

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

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

Segment assets and liabilities

Continuing operation

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong were HK\$6,130,000,000, HK\$7,120,000,000 and HK\$3,750,000,000 (2013: HK\$6,080,000,000, HK\$7,030,000,000 and HK\$3,586,000,000), respectively.

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

Geographical information

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

Information about major customers

Revenue from the Master Lessee is HK\$746,534,000 (2013: HK\$468,800,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2014.

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

For the year ended 31 December 2014

8. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Continuing operation		
Interest on bank deposits	19,313	5,154
Net exchange gain	–	4,452
Gain on disposals of investment properties	272	–
	19,585	9,606

9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Continuing operation		
Interest on bank borrowings wholly repayable within five years	96,532	56,739
Loan front-end fee amortisation	34,000	20,016
Other borrowing costs	290	–
	130,822	76,755

10. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Continuing operation		
Current tax:		
Hong Kong Profits Tax:		
Current year	26,521	18,035
(Over)underprovision in prior years	(43)	53
	26,478	18,088
Deferred tax (note 26):		
Current year	60,606	19,536
Overprovision in prior years	(59)	(53)
	60,547	19,483
	87,025	37,571

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

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

For the year ended 31 December 2014

10. INCOME TAX EXPENSE (CONTINUED)

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

	2014 HK\$'000	2013 HK\$'000
Profit before tax	644,088	309,958
Tax at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	106,275	51,143
Tax effect of expenses not deductible for tax purposes	18,527	10,558
Tax effect of income not taxable for tax purposes	(37,672)	(5,810)
Overprovision in prior years	(102)	–
Utilisation of tax losses previously not recognised	–	(18,320)
Others	(3)	–
Tax charge for the year	87,025	37,571

11. TOTAL DISTRIBUTABLE INCOME

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

	2014 HK\$'000	Listing Date to 31 December 2013 HK\$'000
Profit for the year attributable to holders of Share Stapled Units	557,063	272,387
Adjustments:		
Add:		
Listing expenses charged to profit or loss	–	34,748
Depreciation	4	1
Deferred tax	60,547	19,483
Non-cash finance costs	34,000	20,016
Hotel management fees and licence fee payable in form of Share Stapled Units (see notes 32 and 36(b))	75,697	47,090
Non-cash net exchange loss	11,952	–
Less:		
Increase in fair value of investment properties	(155,558)	(25,554)
Non-cash net exchange gain	–	(4,452)
Reserve for furniture, fixtures and equipment	(24,880)	(14,966)
Total distributable income	558,825	348,753

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

For the year ended 31 December 2014

12. DISTRIBUTION STATEMENT

	Note	2014 HK\$'000	Listing Date to 31 December 2013 HK\$'000
Interim distribution period (note a)			
Total distributable income in respect of the six months ended 30 June 2014		272,603	–
Percentage of distributable income for distribution (note b)		100%	–
Distributable income for interim distribution period		272,603	–
Interim distribution (note c)		272,603	–
Final distribution period (note a)			
Total distributable income in respect of the financial year ended 31 December 2014 (2013: in respect of the period from the Listing Date to 31 December 2013)	11	558,825	348,753
Less: distributable income paid for interim distribution period (note e)		(273,369)	–
Distributable income available for final distribution period		285,456	348,753
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for final distribution period		285,456	348,753
Final distribution (note c)		285,456	348,753
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.135	–
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.146	–
Final distribution per Share Stapled Unit to be paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.141	HK\$0.174
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.152	HK\$0.188

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

For the year ended 31 December 2014

12. DISTRIBUTION STATEMENT (CONTINUED)

Notes:

- (a) The final distribution in 2014 is based on total distributable income for the year ended 31 December 2014.

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

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

- (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, financial year ended 31 December 2014 and financial year ending 31 December 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 2014 has not been recognised as a liability as at 31 December 2014.

The interim distribution after 30 June 2014 has not been recognised as a liability as at 30 June 2014.

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

- (d) The final distribution per Share Stapled Unit of HK\$0.141 (2013: HK\$0.174) for the final distribution period in 2014 is calculated based on the final distribution to be paid of HK\$285,456,000 (2013: HK\$348,753,000) for the period and 2,022,390,859 (2013: 2,001,389,932) Share Stapled Units as at 31 December 2014.

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 ended 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\$0.152 (2013: HK\$0.188) for the final distribution period in 2014 is calculated based on 1,872,390,859 (2013: 1,851,389,932) Share Stapled Units after taking into account of the 150,000,000 (2013: 150,000,000) units held by LHIL Assets Holdings Limited. The final distribution for the final distribution period in 2014 will be paid to holders of Share Stapled Units on or before 14 May 2015.

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 in 2013 should be 1,862,373,688. The final distribution for the final distribution period in 2013 of HK\$350,126,000 was paid to holders of Share Stapled Units on 29 May 2014.

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

For the year ended 31 December 2014

12. DISTRIBUTION STATEMENT (CONTINUED)

Notes: (continued)

(e) (continued)

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.

After the issue of 10,017,171 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 30 June 2014 on 22 August 2014, the number of Share Stapled Units entitled for the interim distribution in 2014 should be 1,872,390,859. The interim distribution of HK\$273,369,000 was paid to holders of Share Stapled Units on 7 October 2014.

13. DISCONTINUED OPERATION

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

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

Profit for the year from discontinued operation

	2014 HK\$'000	1 January 2013 to Listing Date HK\$'000
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	–	23,555
Administrative expenses	–	(136)
Finance costs	–	(21,903)
Profit before tax	–	206,317
Income tax expense	–	(33,429)
Profit for the year from discontinued operation	–	172,888

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

For the year ended 31 December 2014

13. DISCONTINUED OPERATION (CONTINUED)

Cash flows from discontinued operation

	2014 HK\$'000	1 January 2013 to Listing Date HK\$'000
Net cash from operating activities	–	126,436
Net cash used in investing activities	–	(5,946)
Net cash used in financing activities	–	(92,389)
Net increase in cash flows	–	28,101

14. PROFIT FOR THE YEAR

	2014 Continuing operation HK\$000	Listing Date to 31 December 2013 Continuing operation HK\$'000	1 January 2013 to Listing Date Discontinued operation HK\$'000	2013 Total HK\$'000
Profit for the year has been arrived at after charging (crediting):				
Staff costs (including directors' emoluments)	6,093	3,621	179,921	183,542
Depreciation	4	1	62,106	62,107
Auditor's remuneration	1,180	1,180	404	1,584
Allowance for doubtful debts	–	–	21	21
Operation lease payments on rented premises	6,363	3,518	1,752	5,270
Listing expenses	–	34,748	–	34,748
Cost of inventories recognised as an expense	–	–	67,641	67,641
Net unrealised exchange loss (included in trust and other expenses)	12,137	–	–	–
Gain on disposals of investment properties	(272)	–	–	–
Net unrealised exchange gain (included in other income)	–	(4,452)	(415)	(4,867)

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

For the year ended 31 December 2014

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2013: six) Directors and the chief executive were as follows:

	2014					2013 Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses (note a) HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000	
Dr. LO Ka Shui (note b)	295	–	–	–	295	175
Ms. LO Bo Lun, Katherine (note c)	170	–	–	–	170	101
Mr. IP Yuk Keung, Albert (note d)	28	869	226	8	1,131	–
Ms. Katherine Margaret BENSON (note e)	22	1,307	–	122	1,451	1,868
Dr. LIN Syaru, Shirley (note f)	305	–	–	–	305	180
Mr. SO Yiu Wah, Eric (note g)	320	–	–	–	320	189
Mr. WONG Kwai Lam (note h)	345	–	–	–	345	204
	1,485	2,176	226	130	4,017	2,717

Notes:

- Discretionary bonuses are determined by the remuneration committee of the Company from time to time by reference to the prevailing market conditions, the performance of the Company as well as the individual performance.
- Appointed as a non-executive director and the chairman of the Trustee-Manager and the Company with effect from 25 February 2013 and 29 January 2013, respectively.
- Appointed as a non-executive director of the Trustee-Manager and the Company with effect from 25 February 2013 and 27 February 2013, respectively.
- Appointed as an executive director and the chief executive officer of the Trustee-Manager and the Company with effect from 9 June 2014.
- Appointed as an executive director and the chief executive officer of the Trustee-Manager and the Company with effect from 25 February 2013 and 27 February 2013, respectively. Resigned as an executive director and the chief executive officer of the Trustee-Manager and the Company with effect from 9 June 2014.
- Appointed as an independent non-executive director of the Trustee-Manager and the Company with effect from 5 April 2013.
- Appointed as an independent non-executive director of the Trustee-Manager and the Company with effect from 25 February 2013 and 27 February 2013, respectively.
- Appointed as an independent non-executive director of the Trustee-Manager and the Company with effect from 2 April 2013.

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

For the year ended 31 December 2014

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Groups, two (2013: one) were Directors and the chief executive of the Trustee-Manager and the Company whose emoluments are included in the disclosures in note 15 above. The emoluments of the remaining three (2013: four) individuals were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	1,208	3,845
Discretionary bonuses	315	300
Retirement benefits scheme contributions	55	387
	1,578	4,532

	2014 Number of employees	2013 Number of employees
Bands:		
Nil – HK\$1,000,000	3	3
HK\$1,500,001 – HK\$2,000,000	–	1
	3	4

17. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT

From continuing and discontinued operations

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

	2014 HK\$'000	2013 HK\$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	557,063	445,275

	2014 '000	2013 '000
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	2,016,999	1,655,419

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

For the year ended 31 December 2014

17. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT (CONTINUED)

From continuing and discontinued operations (continued)

For the year ended 31 December 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 2013.

From continuing operation

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

	2014 HK\$'000	2013 HK\$'000
Earnings		
Profit for the year attributable to holders of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	557,063	272,387

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

From discontinued operation

For the year ended 31 December 2013, basic and diluted earnings per Share Stapled Unit from discontinued operation attributable to holders of Share Stapled Units is HK\$0.1045, based on the profit for the year from discontinued operation of HK\$172,888,000 and the denominators detailed above for both basic and diluted earnings per Share Stapled Unit.

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

For the year ended 31 December 2014

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$'000	Hotel buildings HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
THE GROUPS				
COST				
At 1 January 2013	2,243,249	3,239,031	328,507	5,810,787
Additions	–	7,289	57,557	64,846
Transfer to investment properties	(2,243,249)	(3,246,320)	(386,054)	(5,875,623)
At 31 December 2013	–	–	10	10
Additions	–	–	20	20
At 31 December 2014	–	–	30	30
DEPRECIATION				
At 1 January 2013	690,351	844,304	216,019	1,750,674
Depreciation	18,346	30,715	13,046	62,107
Eliminated on transfer to investment properties	(708,697)	(875,019)	(229,064)	(1,812,780)
At 31 December 2013	–	–	1	1
Depreciation	–	–	4	4
At 31 December 2014	–	–	5	5
CARRYING VALUES				
At 31 December 2014	–	–	25	25
At 31 December 2013	–	–	9	9

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

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

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

For the year ended 31 December 2014

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

19. INVESTMENT PROPERTIES

	THE GROUPS	
	2014 HK\$'000	2013 HK\$'000
FAIR VALUE		
At the beginning of the year	16,696,000	–
Transfer from property, plant and equipment during the year	–	16,661,000
Additions	148,442	9,446
Increase in fair value recognised in profit or loss	155,558	25,554
At the end of the year	17,000,000	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\$17,000,000,000 as at 31 December 2014 (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 year.

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

The key inputs used in valuing the investment properties were the discount rates used at 8.25% (2013: 8.50%) and average daily rates, which ranged from HK\$1,310 to HK\$2,290 (2013: HK\$1,267 to HK\$2,316) per room per night. A slight increase in the discount rate used would result in a significant decrease in fair value measurement of the investment properties, and vice versa. There is no indication that a slight increase in the average daily rate used would result in a significant increase in fair value measurement of the investment properties, and vice versa. The following table details the Groups' sensitivity to a 50 basis points (2013: 50 basis points) increase/decrease in discount rate holding all other variables constant.

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

For the year ended 31 December 2014

19. INVESTMENT PROPERTIES (CONTINUED)

	2014		2013	
	50 basis points increase HK\$'000	50 basis points decrease HK\$'000	50 basis points increase HK\$'000	50 basis points decrease HK\$'000
The Langham, Hong Kong	(420,000)	470,000	(480,000)	460,000
Langham Place Hotel, Hong Kong	(480,000)	540,000	(480,000)	540,000
Eaton, Hong Kong	(260,000)	280,000	(240,000)	280,000
	(1,160,000)	1,290,000	(1,200,000)	1,280,000

Details of the Groups' investment properties and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	Level 1	Level 2	Level 3	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Langham, Hong Kong	–	–	6,130,000	6,130,000
Langham Place Hotel, Hong Kong	–	–	7,120,000	7,120,000
Eaton, Hong Kong	–	–	3,750,000	3,750,000
	–	–	17,000,000	17,000,000

	Level 1	Level 2	Level 3	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Langham, Hong Kong	–	–	6,080,000	6,080,000
Langham Place Hotel, Hong Kong	–	–	7,030,000	7,030,000
Eaton, Hong Kong	–	–	3,586,000	3,586,000
	–	–	16,696,000	16,696,000

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

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

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

For the year ended 31 December 2014

20. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	–	–
Deemed contribution	344,318	219,052
	344,318	219,052

Particulars regarding the subsidiaries are set out in note 37.

21. AMOUNTS DUE FROM/TO SUBSIDIARIES

THE COMPANY

The amounts due from subsidiaries of HK\$9,165,998,000 (2013: HK\$9,708,989,000) were unsecured, interest-free and had no fixed term of repayment. The Company had agreed not to demand for repayment at least 12 months from the end of the reporting period. The amounts recognised were determined using an effective interest rate.

At 31 December 2013, the amounts due from subsidiaries of HK\$3,707,000 were unsecured, interest-free and repayable on demand.

The amount due to a subsidiary of HK\$38,000 (2013: nil) was unsecured, interest-free and repayable on demand.

22. DEBTORS, DEPOSITS AND PREPAYMENTS

	THE GROUPS	
	2014 HK\$'000	2013 HK\$'000
Trade debtors	43,035	128,527
Interest receivable	1,025	451
Deposits and prepayments	10,964	3,613
	55,024	132,591

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

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

For the year ended 31 December 2014

22. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	2014 HK\$'000	2013 HK\$'000
0 – 3 months	43,035	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\$43,035,000 (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 (2013: HK\$1,336,000) which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

23. RESTRICTED CASH, BANK BALANCES AND CASH

THE GROUPS

Restricted cash

At the end of the reporting period, amount of HK\$60,000,000 (2013: nil) was placed in designated bank account pursuant to applicable loan facilities requirements.

Bank balances and cash

Bank balances and cash comprised short-term bank deposits carrying interest at prevailing annual deposit rates which range from 0.001% to 3.9% (2013: 0.001% to 3.5%) per annum.

24. CREDITORS, DEPOSITS AND ACCRUALS

	THE GROUPS	
	2014 HK\$'000	2013 HK\$'000
Trade creditors	40,355	45,737
Deposits received	1,394	1,334
Other creditors	5,889	2,710
Accruals and other payables	36,810	19,669
	84,448	69,450

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

For the year ended 31 December 2014

24. CREDITORS, DEPOSITS AND ACCRUALS (CONTINUED)

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

	2014 HK\$'000	2013 HK\$'000
0 – 3 months	23,527	28,532
3 – 6 months	16,828	17,205
	40,355	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\$40,355,000 (2013: HK\$45,737,000) which is unsecured, interest-free and payable on presentation of invoices. Included in other creditors is an amounts due to fellow subsidiaries of HK\$66,000 (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 was an amount due to a fellow subsidiary of HK\$3,609,000 which was unsecured, interest-free and payable on presentation of invoices.

25. SECURED BANK LOANS

	THE GROUPS	
	2014 HK\$'000	2013 HK\$'000
Secured term loans	6,800,000	6,800,000
Loan front-end fee	(47,984)	(81,984)
	6,752,016	6,718,016
Less: Amount due within one year shown under current liabilities	–	–
Amount due after one year	6,752,016	6,718,016

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

	2014 HK\$'000	2013 HK\$'000
More than one year but not exceeding two years	6,800,000	–
More than two years but not exceeding three years	–	6,800,000
	6,800,000	6,800,000

The secured bank loans of HK\$6,800,000 are variable-rate borrowings, bearing interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of 1.2% and are repayable on 29 May 2016. Bank loans are secured by the Groups' investment properties and certificate of deposit.

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

For the year ended 31 December 2014

26. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
THE GROUPS			
At 1 January 2013	188,028	(102,015)	86,013
Charge to profit or loss	14,747	24,295	39,042
Under(over)provision in prior years	1,200	(1,253)	(53)
At 31 December 2013	203,975	(78,973)	125,002
Charge to profit or loss	26,365	34,241	60,606
Overprovision in prior years	–	(59)	(59)
At 31 December 2014	230,340	(44,791)	185,549

At the end of the reporting period, the Groups have unutilised tax losses of HK\$271,474,000 (2013: HK\$478,640,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$271,474,000 (2013: HK\$478,640,000) of such losses.

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

For the year ended 31 December 2014

27. ISSUED CAPITAL

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

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

For the year ended 31 December 2014

27. ISSUED CAPITAL (CONTINUED)

	Number of shares	Nominal value HK\$
Issued and fully paid:		
Ordinary shares of HK\$0.0005 each (note a)		
At 29 January 2013 (date of incorporation of the Company) (note b)	1	–
Issue of ordinary shares in exchange for interests in Hotel Holding Companies (note c)	1,147,825,999	573,913
Issue of ordinary shares upon global offering of Share Stapled Units (note d)	852,174,000	426,087
Issue of ordinary shares as payment of hotel management fees and licence fee (note e)	1,389,932	695
At 31 December 2013	2,001,389,932	1,000,695
Issue of ordinary shares as payment of hotel management fees and licence fee (note e)	10,983,756	5,492
Issue of ordinary shares as payment of hotel management fees and licence fee (note e)	10,017,171	5,009
At 31 December 2014	2,022,390,859	1,011,196
Preference shares of HK\$0.0005 each		
At 29 January 2013 (date of incorporation of the Company)	–	–
Issue of preference share (note b)	1	–
Issue of preference shares in exchange for interests in Hotel Holding Companies (note c)	1,147,825,999	573,913
Issue of preference shares upon global offering of Share Stapled Units (note d)	852,174,000	426,087
Issue of preference shares as payment of hotel management fees and licence fee (note e)	1,389,932	695
At 31 December 2013	2,001,389,932	1,000,695
Issue of preference shares as payment of hotel management fees and licence fee (note e)	10,983,756	5,492
Issue of preference shares as payment of hotel management fees and licence fee (note e)	10,017,171	5,009
At 31 December 2014	2,022,390,859	1,011,196

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

For the year ended 31 December 2014

27. ISSUED CAPITAL (CONTINUED)

	2014 HK\$'000	2013 HK\$'000
Issued capital as shown in the financial statements	2,022	2,001

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 for both years as payment of hotel management fees and licence fee are as follows (see notes 32 and 36(b)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$'000	Number of shares
30 August 2013	Listing Date to 30 June 2013	3.93	5,462	1,389,932
5 March 2014	1 July 2013 to 31 December 2013	3.79	41,628	10,983,756
22 August 2014	1 January 2014 to 30 June 2014	3.70	37,064	10,017,171

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

For the year ended 31 December 2014

28. RESERVES

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY			
At 29 January 2013 (date of incorporation)	–	–	–
Issue of Share Stapled Units in exchange for interests in Hotel Holding Companies (see notes 2 and 27)	5,737,982	–	5,737,982
Issue of Share Stapled Units upon global offering of Share Stapled Units (see note 27)	4,260,018	–	4,260,018
Issue of Share Stapled Units (see notes 27 and 32)	5,461	–	5,461
Transaction costs attributable to issue of Share Stapled Units	(124,348)	–	(124,348)
Profit for the period	–	45,612	45,612
At 31 December 2013	9,879,113	45,612	9,924,725
Distribution paid	(623,495)	–	(623,495)
Issue of Share Stapled Units (see notes 27 and 32)	78,671	–	78,671
Profit for the year	–	128,079	128,079
At 31 December 2014	9,334,289	173,691	9,507,980

29. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

The capital structure of the Groups consists of net debt, which includes bank borrowings disclosed in note 25, net of cash and cash equivalents and equity attributable to holders of Share Stapled Units, comprising issued share capital, reserves and retained profits. The capital structure of the Company consists of equity attributable to holders of Share Stapled Units, comprising issued share capital, reserve and retained profits.

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

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

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUPS	
	2014 HK\$'000	2013 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Trade debtors	43,035	128,527
Interest receivable	1,025	451
Restricted cash	60,000	–
Bank balances and cash	589,248	751,932
	693,308	880,910
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade creditors	40,355	45,737
Other creditors	5,889	2,710
Secured bank loans	6,752,016	6,718,016
	6,798,260	6,766,463

	THE COMPANY	
	2014 HK\$'000	2013 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Amounts due from subsidiaries	9,165,998	9,712,696
Bank balances	784	75
	9,166,782	9,712,771
Financial liability		
<i>Financial liability at amortised cost</i>		
Amount due to a subsidiary	38	–

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

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

	THE GROUPS	
	2014 HK\$'000	2013 HK\$'000
Renminbi ("RMB")	498,136	509,150
United States dollars ("US\$")	16	–

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

Sensitivity analysis

The Groups are mainly exposed to RMB. As Hong Kong dollars are pegged to US\$, no material currency risk exposure is expected on US\$ denominated monetary assets. Therefore they are excluded from the sensitivity analysis below. The following table details the Groups' sensitivity to a 5% (2013: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currency. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rate. A positive number below indicates an increase in profit for the year where Hong Kong dollars weaken 5% (2013: 5%) against the relevant currency. For a 5% (2013: 5%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

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

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (continued)

- (i) Currency risk (continued)
Sensitivity analysis (continued)

	2014 HK\$'000	2013 HK\$'000
Renminbi	24,907	15,065

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

- (ii) Interest rate risk

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

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for secured bank loans at the end of the reporting period. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

If the interest rates had been 50 basis points (2013: 50 basis points) higher or lower and all other variables were held constant, the Groups' profit for the year would decrease/increase by HK\$28,390,000 (2013: HK\$16,801,000). This is mainly attributable to the Groups' exposure to interest rates on its floating rate secured bank loans.

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

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk

At 31 December 2014, the Groups and the Company's maximum exposure to credit risk which will cause a financial loss to the Groups and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position.

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

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

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

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

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

Liquidity risk

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

At 31 December 2014, the Company has net current liabilities of HK\$276,000 (2013: HK\$1,315,000). Taking into account of the internally generated funds, the capital commitment of the Groups as disclosed in note 33 and the continuous financial support from Great Eagle Holdings Limited, the management of the Groups and the Company was of the opinion that the Groups and the Company would be able to meet their financial obligations when they fall due.

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

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (continued)

Liquidity risk analysis

THE GROUPS

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

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

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2014 HK\$'000
Non-derivative financial liabilities							
Trade creditors	N/A	40,355	-	-	-	40,355	40,355
Other creditors	N/A	5,889	-	-	-	5,889	5,889
Secured bank loans – variable rate	1.42%	24,140	72,420	6,839,574	-	6,936,134	6,752,016
		70,384	72,420	6,839,574	-	6,982,378	6,798,260

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

THE COMPANY

The Company's financial liability is non-interest bearing as at 31 December 2014 and 2013. Based on the undiscounted cash flows of financial liability on the earliest date on which the Company can be required to pay, the Company's financial liability at 31 December 2014 and 2013 is expected to be settled within one year after the end of the reporting period.

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

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

The fair values of the financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions.

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

31. PLEDGE OF ASSETS

At 31 December 2014 and 2013, all of the Groups' investment properties have been pledged to secure banking facilities granted to the Groups.

32. 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 year ended 31 December 2014 of HK\$75,697,000 (2013: HK\$47,090,000) (see note 36(b)), of which HK\$37,064,000 (2013: HK\$5,462,000) was settled by Share Stapled Units. The remaining balance of HK\$38,633,000 (2013: HK\$41,628,000) will also be settled by Share Stapled Units subsequent to the end of the reporting period.

33. COMMITMENTS

At 31 December 2014, the Groups had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$209,157,000 (2013: HK\$20,028,000) of which HK\$56,276,000 (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.

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

For the year ended 31 December 2014

34. 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:

	2014 HK\$'000	2013 HK\$'000
With Master Lessee		
Within one year	225,000	225,000
In the second to fifth year	900,000	900,000
Over five years	–	225,000
	1,125,000	1,350,000
With other tenants		
Within one year	3,266	2,364
In the second to fifth year	2,548	–
	5,814	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 36(a)). The above future minimum lease payments only include base rent as the variable rent cannot be determined as of the date of approval of the consolidated financial statements.

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

For the year ended 31 December 2014

34. OPERATING LEASE COMMITMENTS (CONTINUED)

The Groups as lessee

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

	2014 HK\$'000	2013 HK\$'000
With Renaissance City Development Company, Limited		
Within one year	4,566	4,566
In the second to fifth year	1,903	6,469
	6,469	11,035
With Moon Yik Company, Limited		
Within one year	682	–
In the second to fifth year	702	–
	1,384	–
With other landlords		
Within one year	459	200
In the second to fifth year	230	–
	689	200

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

35. RETIREMENT BENEFITS SCHEME

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

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

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

For the year ended 31 December 2014

35. RETIREMENT BENEFITS SCHEME (CONTINUED)

From 1 December 2000 onwards, new staff in Hong Kong joining the Groups are required to join the new Mandatory Provident Fund Scheme. The Groups are required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the scheme, capped at HK\$1,000 effective from 1 December 2000, HK\$1,250 effective from 1 June 2012 and HK\$1,500 effective from 1 June 2014.

Total contributions to retirement fund schemes for the year ended 31 December 2014 charged to the consolidated statement of profit or loss amounted to HK\$169,000 (2013: HK\$7,534,000).

36. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed in notes 21, 22, 24 and 34, the Groups had the following significant transactions with related parties during the year. All of the following related parties are subsidiaries of Great Eagle Holdings Limited and Dr. Lo Ka Shui, Director of the Company, is a substantial shareholder, the chairman and managing director of Great Eagle Holdings Limited. The transactions were carried out in the normal course of the Groups' business on terms mutually agreed between the parties. The following significant transactions are also connected transactions as defined in the chapter 14A of the Listing Rules upon the Listing. Details of the connected transactions have been disclosed in the prospectus for the global offering of Share Stapled Units dated 16 May 2013.

	Notes	2014 HK\$	2013 HK\$
Continuing operation			
Rental income			
Master Lessee	(a)	746,534	468,800
Hotel management fees and licence fee			
Langham Hotels International Limited	(b)	75,697	47,090
Global marketing fees			
Langham Hotels Services Limited	(c)	18,982	11,612
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d)	2,192	1,057
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(e)	5,230	3,039
The Great Eagle Company, Limited	(f)	12	299
Moon Yik Company, Limited	(g)	662	–

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

For the year ended 31 December 2014

36. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Notes	2014 HK\$	2013 HK\$
Continuing operation (continued)			
Lease agency fee			
The Great Eagle Estate Agents Limited	(h)	276	162
Administrative support service fee			
The Great Eagle Company, Limited	(i)	960	420
Procurement services fee			
Champion Global Services Limited	(j)	1,733	–
Project management services fee			
The Great Eagle Development and Project Management Limited	(k)	3,403	–
Design and construction contracting services fee			
Keysen Engineering Company, Limited	(l)	2,610	–
Discontinued operation			
Agency commission fee			
The Great Eagle Company, Limited	(m)	–	332
Bon Project Limited	(m)	–	245
Zamanta Investments Limited	(m)	–	495
Sundry income			
The Great Eagle Company, Limited	(m)	–	3
Bon Project Limited	(m)	–	4
Zamanta Investments Limited	(m)	–	4
Proceeds from disposal of available-for-sale investments			
The Great Eagle Company, Limited	(m)	–	54,601
Interest income			
The Great Eagle Finance Company, Limited	(m)	–	4,289
Interest expenses			
Profit Lord Limited	(m)	–	8,349
The Great Eagle Company, Limited	(m)	–	11,433

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

For the year ended 31 December 2014

36. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Notes	2014 HK\$	2013 HK\$
Discontinued operation (continued)			
Management fee income			
Eaton House Management Limited	(m)	–	189
Management fee			
Langham Hotels International Limited	(m)	–	13,084
Global marketing fee			
Langham Hotels International Limited	(m)	–	13,084
Repair and maintenance fee			
Keysen Engineering Company, Limited	(n)	–	21
Hotel service fee for provision of staff services			
Langham Hotels (LHK) Limited	(n)	–	13,057
Langham Hotels (LPHK) Limited	(n)	–	14,529
Langham Hotels (EHK) Limited	(n)	–	7,594
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d) & (o)	–	738
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(e) & (o)	–	1,599
The Great Eagle Company, Limited	(f) & (o)	–	239
Lease agency fee			
The Great Eagle Estate Agents Limited	(h) & (o)	–	140

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

For the year ended 31 December 2014

36. 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 year ended 31 December 2014. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees of HK\$745,048,000 (2013: HK\$479,499,000) 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:

	2014 HK\$'000	Listing Date to 31 December 2013 HK\$'000
Hotels' aggregate gross operating profit before deduction of global marketing fees	745,048	479,499
70% thereon, variable rent	521,534	335,649
Base rent	225,000	133,151
Add:		
Rental income from retail shops in Eaton, Hong Kong	5,204	2,964
Groups' segment revenue	751,738	471,764
Less:		
Hotel management fees (i.e. base fee and incentive fee)	(59,110)	(37,113)
Licence fee	(16,587)	(9,977)
Global marketing fees	(18,982)	(11,612)
Property taxes, rates and insurance	(31,710)	(17,886)
Other deductions	(1,265)	(784)
Groups' segment profit	624,084	394,392

- (b) Langham Hotels International Limited is entitled, in accordance with hotel management agreement, to (i) a base fee of 1.5% of the total revenue of the relevant hotel; (ii) licence fee of 1% of the total revenue of the relevant hotel (payable under the trademark licence agreements); and (iii) an incentive fee of 5% of the adjusted gross operating profit (i.e. Hotels' gross operating profit less the base fee and the licence fee) of the relevant hotel. The hotel management fees and licence fee would be settled by Share Stapled Units (see notes 27 and 32).

	2014 HK\$'000	Listing Date to 31 December 2013 HK\$'000
(A) Total revenue of relevant hotel	1,658,658	997,748
(B) Adjusted Hotel's aggregate gross operating profit	684,600	442,944
(i) Base fee (A x 1.5%)	24,880	14,966
(ii) Licence fee (A x 1%)	16,587	9,977
(iii) Incentive fee (B x 5%)	34,230	22,147
Total fees	75,697	47,090

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

For the year ended 31 December 2014

36. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (continued)

- (c) Global marketing fees were payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$949,108,000 (2013: HK\$580,607,000)) 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.
- (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) Project management services fee at a rate of 3% of the actual amount of the construction cost for renovation of the Hotels as certified by project quantity surveyor or other consultants.
- (l) The contract sum for the work of design and construction contracting services shall be negotiated on an arm's length basis and determined between Keyesen Engineering Company, Limited and/or its associated companies and the Groups subject to tender or price comparison process to be arranged by the Groups in accordance with its internal control policy.
- (m) These transactions ceased after the Listing Date.
- (n) The transactions were charged to hotel operating expenses borne by Master Lessee instead of owner of hotel after the Listing Date.
- (o) The transactions were charged to hotel operating expenses borne by the Groups before the Listing Date.
- (p) 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 12. During the year, distribution of HK\$21,008,000 was waived by LHIL Assets Holdings Limited and its fellow subsidiary.

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

	2014 HK\$'000	2013 HK\$'000
Short-term benefits	3,908	2,583
Post-employment benefits	130	134
	4,038	2,717

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

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

For the year ended 31 December 2014

37. PARTICULARS OF THE SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2014 and 2013 are set out below:

Direct subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2014	2013
– Incorporated in the British Virgin Islands:				
LHIL Properties Limited	1 share of US\$1	Investment holding	100%	100%
LHIL Treasury Holdings Limited*	1 share of US\$1	Investment holding	100%	–
– Incorporated and operating in Hong Kong:				
LHIL Company Limited	1 share of HK\$1	Provision of administrative services	100%	100%

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2014	2013
– Incorporated in the British Virgin Islands:				
Braveforce Investments Limited	1 share of US\$1	Investment holding	100%	100%
LHIL Finance Holdings Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (EHK) Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (LHK) Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (LPHK) Limited	1 share of US\$1	Investment holding	100%	100%
Rowan Enterprises Limited	1 share of US\$1	Investment holding	100%	100%
– Incorporated and operating in Hong Kong:				
Grow On Development Limited	5,000 shares of HK\$1 each	Property investment	100%	100%
Harvest Star International Limited	2 shares of HK\$1 each	Property investment	100%	100%
Langham Place Hotel (HK) Limited	2 shares of HK\$1 each	Property investment	100%	100%
LHIL Finance Limited	1 share of HK\$1	Financing	100%	100%
LHIL Treasury (HK) Limited*	1 share of HK\$1	Financing	100%	–
LHIL Treasury Company Limited*	1 share of HK\$1	Treasury management	100%	–
– Incorporated in Liberia:				
Baxter Investment Limited	500 shares of US\$1 each	Investment holding	100%	100%
Glendive Investment Limited	500 shares of US\$1 each	Investment holding	100%	100%

* All these subsidiaries commenced their business during the year ended 31 December 2014.

None of the subsidiaries had any debt securities subsisting at 31 December 2014 and 2013 or at any time during the year.

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED



TO THE MEMBER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of LHIL Manager Limited (the "Company") set out on pages 142 to 148, which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2014, and of its result and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 February 2015

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

For the year ended 31 December 2014

	Notes	1 January 2014 to 31 December 2014 HK\$	25 January 2013 to 31 December 2013 HK\$
Revenue		–	–
Administrative expenses		(22,355)	(23,030)
Less: Amount borne by a fellow subsidiary		22,355	23,030
Profit or loss before tax	4	–	–
Income tax	5	–	–
Profit or loss and other comprehensive income/expense for the year/period		–	–

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 31 December 2014

	Note	2014 HK\$	2013 HK\$
Current asset			
Cash on hand		1	1
NET ASSET		1	1
Capital			
Share capital	6	1	1
TOTAL EQUITY		1	1

The financial statements on pages 142 to 148 were approved and authorised for issue by the Board of Directors on 16 February 2015 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

IP Yuk Keung, Albert
DIRECTOR

STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the year ended 31 December 2014

	Share capital HK\$
At 25 January 2013 (date of incorporation), 31 December 2013 and 31 December 2014	1

STATEMENT OF CASH FLOWS OF LHIL MANAGER LIMITED

For the year ended 31 December 2014

	1 January 2014 to 31 December 2014 HK\$	25 January 2013 to 31 December 2013 HK\$
Net cash from operating activity	–	–
Cash from financing activity		
Issue of ordinary share	–	1
Net increase in cash and cash equivalent	–	1
Cash and cash equivalent of the beginning of the year/period	1	–
Cash and cash equivalent at the end of the year/period, represented by cash on hand	1	1

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 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 year/period, thus the distribution statement is not presented.

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

The financial statements for the last period cover an approximately eleven-month period from 25 January 2013 to 31 December 2013. The current period amounts shown for the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and related notes cover a twelve-month period ended 31 December 2014 and therefore may not be comparable with amounts shown for last period. The period covered by the last period financial statements was less than twelve months because the Company was incorporated on 25 January 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Company has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Company's financial statements for the first time in the current year:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

The application of the new and revised HKFRSs in the current year has had no material impact on the Company’s financial performance and positions for the current year and prior period and/or on the disclosures set out in these financial statements.

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

Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

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

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

The significant accounting policies are set out below.

Financial instruments

Financial asset

Financial asset represents cash on hand.

Equity instrument

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

4. PROFIT OR LOSS BEFORE TAX

	1 January 2014 to 31 December 2014 HK\$	25 January 2013 to 31 December 2013 HK\$
Profit or loss before tax has been arrived at after charging:		
Auditor's remuneration	20,000	20,000

5. INCOME TAX

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

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2014

6. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK\$
Authorised:		
Ordinary shares of HK\$1 each At 25 January 2013 (date of incorporation) and 31 December 2013	10,000	10,000
At 31 December 2014	N/A	N/A
Issued and fully paid:		
Ordinary share of HK\$1 At 25 January 2013 (date of incorporation) and 31 December 2013	1	1
Ordinary share with no par value At 31 December 2014 (note)	1	1

Note: In accordance with the provisions of the Hong Kong Companies Ordinance (Cap. 622) as from its commencement on 3 March 2014, the authorised share capital of a company and the par value of a company's shares were abolished. As a result, the Company no longer has an authorised share capital and its shares ceased to have a par value as from 3 March 2014.

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.

7. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the equity balance. The Company's overall strategy remains unchanged from prior period.

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

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

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2014

8. FINANCIAL INSTRUMENT

(a) Category of financial instrument

	2014 HK\$	2013 HK\$
Financial asset		
<i>Loans and receivables</i>		
Cash on hand	1	1
	1	1

(b) Financial risk management objectives and policies

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

9. RELATED PARTY DISCLOSURES

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

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

SCHEDULE OF INVESTMENT PROPERTIES

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

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

FINANCIAL SUMMARY

	For the year ended 31 December					2014 Continuing operation HK\$'000
	2010	2011	2012	2013		
	Discontinued operation HK\$'000	Discontinued operation HK\$'000	Discontinued operation HK\$'000	Discontinued operation HK\$'000	Continuing operation HK\$'000	
RESULTS						
Revenue	1,265,715	1,490,539	1,623,459	657,356	471,764	751,738
Profit before tax	256,448	388,656	448,932	206,317	309,958	644,088
Income taxes	(23,718)	(34,410)	(51,441)	(33,429)	(37,571)	(87,025)
Profit for the year attributable to Holders of shares of the Company/Share Stapled Units	232,730	354,246	397,491	172,888	272,387	557,063
	2010	2011	2012	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
ASSETS AND LIABILITIES						
Total Assets	5,341,953	5,312,971	5,305,842	17,582,749	17,704,580	
Total liabilities	(6,510,005)	(6,240,491)	(5,974,036)	(6,912,503)	(7,022,074)	
Net (liabilities)/assets	(1,168,052)	(927,520)	(668,194)	10,670,246	10,682,506	

Note:

After the execution of the master lease agreements, the Groups' business changed from hotel operations to property investment. Therefore, hotel operations were discontinued on the Listing Date. As such, the Groups' 2014 and 2013 consolidated results were not directly comparable to the results for the year ended 31 December 2010, 2011, and 2012.

DEFINITIONS

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

Terms	Definition
"AGM"	The annual general meeting of the Trust and the Company to be held on a combined basis as a meeting
"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
"Company's Articles"	The amended and restated articles of association of the Company adopted on 19 April 2013 with effect from 8 May 2013 as amended, supplemented, substituted or otherwise modified for the time being in force
"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 any 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 58.22% issued Share Stapled Units as at 31 December 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

DEFINITIONS

Terms	Definition
"Hotel(s)"	The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong
"Listing Date"	30 May 2013, being the date of listing of the Share Stapled Units on the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Master Lessee"	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle
"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 as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed
"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">(a) a unit in the Trust;(b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager; and(c) a specifically identified preference share of the Company stapled to the unit
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust"	Langham Hospitality Investments (朗廷酒店投資), as constituted pursuant to the Trust Deed
"Trust Deed"	The trust deed dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company
"Trust Group"	The Trust and the Group
"Trustee-Manager"	LHIL Manager Limited (朗廷酒店管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly-owned subsidiary of Great Eagle, in its capacity as trustee-manager of the Trust
"Trustee-Manager Board"	The board of directors of the Trustee-Manager

This annual report is available in both English and Chinese versions and has been published on our website at www.langhamhospitality.com and the designated website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

Where (i) Holders of Share Stapled Units who have chosen to receive or are deemed to have consented to receiving this annual report by electronic means wish to receive printed form of this annual report; or (ii) Holders of Share Stapled Units who have received or chosen to receive printed form wish to receive another language version of this annual report; or (iii) Holders of Share Stapled Units who wish to change their choice of means of receipt or language of our future corporate communications (including but not limited to directors' report, annual accounts, independent auditor's report, interim report, notice of meeting and circular), they may at any time send their request by reasonable notice in writing by post or by email to Langham.ecom@computershare.com.hk or by completing and returning the Change Request Form to the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited by using the mailing label on the Change Request Form (postage prepaid if delivered within Hong Kong). The Change Request Form is being sent to Holders of Share Stapled Units together with the printed form of this annual report or written notification (as the case may be).

LANGHAM
HOSPITALITY
INVESTMENTS

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

&

LANGHAM
HOSPITALITY
INVESTMENTS
LIMITED

(Incorporated in the Cayman Islands with limited liability)



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

www.langhamhospitality.com

