

# LANGHAM

HOSPITALITY INVESTMENTS



## INTERIM REPORT 中期報告 2015

Stock code 股份代號 : 1270



# LANGHAM HOSPITALITY INVESTMENTS

## CORPORATE PROFILE

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

The initial asset portfolio comprises of:

- **THE LANGHAM, HONG KONG**
- **LANGHAM PLACE HOTEL, HONG KONG**
- **EATON, HONG KONG**

The Langham and Langham Place Hotel are both High Tariff A hotels and Eaton is a High Tariff B hotel under the classification set out by Hong Kong Tourism Board, with High Tariff A being the highest category and High Tariff B being the second highest category. Each of the Hotels is located on the Kowloon peninsula in Hong Kong, a vibrant commercial and leisure hub which offers a variety of activities ranging from shopping, food and beverage, 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.





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# CORPORATE INFORMATION



## TRUST

### Langham Hospitality Investments

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

## COMPANY

### Langham Hospitality Investments Limited

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

## TRUSTEE-MANAGER

### LHIL Manager Limited

*(as Trustee-Manager of the Trust)*

## COMPANY AND TRUSTEE-MANAGER BOARD OF DIRECTORS

### Non-executive Directors

LO Ka Shui *(Chairman)*

LO Bo Lun, Katherine

*(LO Chun Him, Alexander as her alternate)*

### Executive Director

IP Yuk Keung, Albert *(Chief Executive Officer)*

### Independent Non-executive Directors

LIN Syaru, Shirley

SO Yiu Wah, Eric

WONG Kwai Lam

## COMPANY AND TRUSTEE-MANAGER AUDIT COMMITTEES

WONG Kwai Lam *(Chairman)*

LIN Syaru, Shirley

SO Yiu Wah, Eric

## COMPANY REMUNERATION COMMITTEE

SO Yiu Wah, Eric *(Chairman)*

LO Ka Shui

LIN Syaru, Shirley

WONG Kwai Lam

## COMPANY NOMINATION COMMITTEE

LIN Syaru, Shirley *(Chairman)*

LO Ka Shui

LO Bo Lun, Katherine

*(LO Chun Him, Alexander as her alternate)*

SO Yiu Wah, Eric

WONG Kwai Lam

## COMPANY AND TRUSTEE-MANAGER COMPANY SECRETARY

WONG Mei Ling, Marina

## AUDITOR

Deloitte Touche Tohmatsu



## LEGAL ADVISORS

Conyers Dill & Pearman (Cayman) Limited  
Mayer Brown JSM

## PRINCIPAL BANKERS

Citibank, N.A.  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Oversea-Chinese Banking Corporation Limited

## COMPANY REGISTERED OFFICE

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

## COMPANY PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Great Eagle Centre  
23 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2186 2500  
Fax: (852) 2186 9867

## COMPANY PRINCIPAL SHARE REGISTRAR

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

## COMPANY HONG KONG BRANCH SHARE REGISTRAR

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

## SHARE STAPLED UNITS REGISTRAR

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

## WEBSITE

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

## LISTING

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

## STOCK CODE

1270

# DISTRIBUTION NOTICE AND KEY DATES

## INTERIM DISTRIBUTION

The Trustee-Manager Board has declared an interim distribution of HK11.7 cents per Share Stapled Unit (2014: HK14.6 cents) for the six-month period ended 30 June 2015, payable on 2 October 2015 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 15 September 2015, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed.

The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the Auditor of the Trust has reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per Share Stapled Unit and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unitholders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.

## CLOSURE OF REGISTERS

The Registers will be closed from Thursday, 10 September 2015 to Tuesday, 15 September 2015, both days inclusive, during which period no transfer of Share Stapled Units will be registered.

In order to qualify for the 2015 interim distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 9 September 2015.

## KEY DATES

Event	Date
2015 Interim Results Announcement	6 August 2015
Ex-distribution Date	8 September 2015
Closure of Registers	10 September 2015 – 15 September 2015 <i>(both days inclusive)</i>
Record Date for 2015 Interim Distribution	15 September 2015
Payment of 2015 Interim Distribution of HK11.7 cents per Share Stapled Unit	2 October 2015

# FINANCIAL HIGHLIGHTS



(in HK\$ million, unless otherwise specified)	1H 2015	1H 2014	Change
Total Rental Income	<b>323.2</b>	368.3	-12.2%
Net Property Income	<b>265.9</b>	305.3	-12.9%
Profit attributable to Holders of Share Stapled Units	<b>80.7</b>	192.3	-58.0%
Profit attributable to Holders of Share Stapled Units excluding Change in Fair Value of Investment Properties	<b>165.7</b>	188.4	-12.0%
Distributable Income	<b>226.4</b>	272.6	-16.9%
Distribution per Share Stapled Unit (Before distribution waiver)	<b>HK11.1 cents</b>	HK13.5 cents	-17.8%
Distribution per Share Stapled Unit (After distribution waiver)	<b>HK11.7 cents</b>	HK14.6 cents	-19.9%

	As at 30 Jun 2015	As at 31 Dec 2014
Gross Value of Hotel Portfolio (in HK\$ million)	<b>17,000</b>	17,000
Net Asset Value per Share Stapled Unit	<b>HK\$5.17</b>	HK\$5.28
Gearing Ratio	<b>38.7%</b>	38.4%

# CHAIRMAN'S STATEMENT



A marked deterioration was witnessed in Hong Kong's hotel industry in the first half of 2015, as the number of overnight visitor arrivals to Hong Kong declined year-on-year during the period. The decline in overnight arrivals was across different markets led by a drop in arrivals from Mainland China. The U.S. was the only key market that sustained a small growth. Given the weaker demand for hotel rooms, both occupancy and average room rates have dropped for the overall hotel industry in the first half of 2015.

Against the backdrop of a strong Hong Kong dollar, other tourist destinations, especially those countries with relaxed visa policies and whose currencies have depreciated rapidly, have become cheaper and more attractive alternatives. Furthermore, the already soft trend in arrivals to Hong Kong was further exacerbated by the negative impact of the anti-parallel trading protests in March 2015, which targeted cross-border parallel traders and shoppers from Mainland China. Even though the protests ended in the same month, they have raised concerns about safety for tourists from Mainland China, and as a result, overnight tourist visitation from Mainland China was very weak throughout the second quarter of 2015.

Despite an overall softer than expected demand for rooms over the first half period, the Trust Group made good use of this period of time to accelerate its planned renovations. Renovation at The Langham, Hong Kong, has been brought forward to early June from the end of June, whereas at Langham Place Hotel, Hong Kong, the number of rooms included in the first phase of the planned renovation in April has been increased to 61 rooms from 56 as previously planned. Such re-scheduling minimised disruption to the Hotels' business which was soft, whereas early completion of the room renovation will allow the Hotels to better capture demand when it recovers.

Based on an average of 1,556 available rooms in the first half of 2015, which were 44 rooms fewer than that in the same period of the prior year, RevPAR for our hotel portfolio dropped by 12.6% year-on-year during the period. Despite our instantaneous response to lower room rates, occupancy continued to decline over the first half period which reflected the weak demand for hotel rooms. As such, the decline in RevPAR was a combined result of a 6.1% year-on-year drop in average room rates and a 6.4 percentage points drop in occupancy.

As for the performance of the individual hotels, RevPAR decline of our two High Tariff A hotels, The Langham, Hong Kong and Langham Place Hotel, Hong Kong, averaged 11.4%, which was inline with their respective High Tariff A hotel market (considered as 5-star rated hotels), which dropped by 11.5% year-on-year during the same period. RevPAR decline of 16.1% year-on-year of our High Tariff B hotel, Eaton, Hong Kong was also similar to the decline witnessed for its respective High Tariff B hotel market (considered as 4-star rated hotel), which saw a drop of 16.2% year-on-year in RevPAR over the same period.

Room revenue of the hotel portfolio dropped by 15.0% year-on-year in the first half of 2015, while revenue from Food and Beverage ("F&B") of the portfolio held up better and declined by only 1.6% year-on-year. If it wasn't due to the two-month closure of The Place restaurant at Langham Place Hotel, Hong Kong due to renovation, there would have been a slight year-on-year increase in revenue from F&B for the portfolio.





Total revenue of the hotel portfolio dropped by 9.5% year-on-year to HK\$738.4 million in the first half of 2015, and given the high fixed-cost structure of the hotel business, the drop in operating profit before deduction of the global marketing fees was more severe, which decreased by 17.8% year-on-year to HK\$298.5 million in the first half of 2015.

Nonetheless, as the Hotels of the Trust Group are leased to the Master Lessee, the weaker performance of the hotel portfolio only affected the variable rental income received by the Trust Group. Supported by a portion of rental income that is fixed, the total rental income received by the Trust Group declined by a relatively smaller extent at 12.2% year-on-year, or HK\$323.2 million, in the first half of 2015.

A key distorting factor that undermined this year's interim results was recognition of a decrease in fair value of the investment properties, which amounted to HK\$85.0 million in the first half of 2015, as compared with an increase in fair value of HK\$3.9 million booked in the same period last year. As the Trust Group had spent an additional HK\$85.0 million in asset enhancements on the Hotels during the first half period, valuation should increase by the same amount. However, since valuation of the investment properties was unchanged, a shortfall or decrease in fair value was recorded in the Profit and Loss.

Taking into account of the above-mentioned decrease in fair value of investment properties, and further deducting finance cost of HK\$65.8 million, as well as adjusting for other income and expense, net profit of the Trust Group decreased by 58.0% year-on-year to HK\$80.7 million in the first half of 2015. If we exclude the impact of the fair value change on investment properties, net profit would have been HK\$165.7 million in the first half of 2015, or a drop of 12.0% year-on-year.

Distributable income, which was mainly adjusted for non-cash items, declined by 16.9% year-on-year to HK\$226.4 million for the first half of 2015. Distribution per Share Stapled Unit before distribution waived by the Great Eagle Group was HK11.1 cents and HK11.7 cents after the impact of distribution waiver was reflected.

Supported by recent comparable hotel sales transactions, despite challenging hotel markets, valuation of the Trust Group's hotel property portfolio remained at HK\$17,000 million as at 30 June 2015. The Trust Group had bank loans of HK\$6,800 million and Net Asset Value of the Trust Group amounted to HK\$10,516 million or HK\$5.17 per Share Stapled Unit, decreased from HK\$5.28 per Share Stapled Unit as at 31 December 2014.

Despite headwinds facing the Hong Kong hotel industry in the short to medium term, we remain optimistic about the long-term potential and strength of the Hong Kong hotel market, as more tourism and infrastructure projects will be completed, which serve to support Hong Kong's hotel industry over the long term. However, as a result of the current challenging operating environment, the Hotel Manager has taken a more proactive approach in managing the Hotels in order to mitigate the impact of lower visitation arrivals and lower revenue.

Apart from actively containing the operating costs and adjusting hotel room rates to maintain competitiveness, the Hotels also target to build more base business through aggressive marketing in targeting Meetings, Incentives, Conferences, and Exhibitions (MICE) or group travellers. At the same time, asset enhancement initiatives will continue, so as to foster faster organic growth when demand for hotel rooms returns.



Finally, it should be noted that the rebranding of Langham Place Hotel, Hong Kong to the “Cordis” brand has been rescheduled to August 2015, from the second quarter of 2015 previously mentioned. This slight delay was due to longer than expected time to obtain the necessary approvals from certain government regulatory bodies. The rebranding in August ties in nicely with the majority completion of hotel renovations, and we expect the new “Cordis” brand will allow the Hotel Manager to better position and market the Hotel, and operate with higher profitability in due course.

## OUTLOOK

The Hong Kong dollar is expected to remain strong or even appreciate further in the second half of 2015 as interest rates are set to rise. This would continue to shift leisure travellers to other tourist destinations with cheaper currency. At the same time, travel sentiment for Mainland tourists visiting Hong Kong remains weak despite the anti-parallel trading protests have ended several months ago.

All-in-all, overnight arrivals to Hong Kong will likely be under pressure in the short to near term. Nonetheless, new supply of hotel rooms in Hong Kong remains low and there is also a relatively low base effect in the fourth quarter of last year, during which business has been dampened by the Occupy Central protest. However, in July 2015, demand for rooms remained lacklustre and there was a high-teens year-on-year percentage drop in RevPAR for the portfolio.

Despite challenging operating environment for the short to medium term, the long-term potential of the Hong Kong hospitality industry should remain positive. As more tourism and infrastructure projects are completed, they will continue to support Hong Kong as a major MICE and leisure destination in the world. In addition, the Trust Group's hotel portfolio is well positioned to benefit from a recovery in demand for rooms, given the asset enhancement initiatives that have been put in place.

At The Langham, Hong Kong, the last phase of the renovation programme which included about 128 rooms, has begun in early June 2015, and is expected to complete in September 2015. Major renovations at the Langham Place Hotel, Hong Kong have also commenced since March 2015. Renovation at The Place, which is the main restaurant serving all day dining, was completed in April 2015, whereas renovation of the rooms has started in April 2015 and is expected to complete in November 2015. Renovation plan for Eaton, Hong Kong, which includes refurbishment of the lobby, ballroom, meeting space and the hotel entrance has been scheduled to commence in second half of 2016, as the design, which embraces a more engaging concept with more well-used communal spaces, is still being finalised.

Although renovations of the guest rooms at The Langham, Hong Kong and the Langham Place Hotel, Hong Kong will further hold back revenue and earnings growth of these Hotels in 2015, the renovation projects will enhance the Hotels' competitiveness and help them command better room rates and occupancy, which will drive earnings growth in future years.

**Lo Ka Shui**  
*Chairman*

# CEO'S REVIEW



As the Hotels of the Trust Group are leased to the Master Lessee, an indirect wholly-owned subsidiary of Great Eagle, the Trust Group receives rent in the form of a pre-determined fixed base rent (pro-rata at HK\$225 million per annum) and a variable rent calculated at 70% of the Hotels' aggregate gross operating profit before deduction of the global marketing fees. In addition to the fixed base and variable rental income from the Master Lessee, the Trust Group also receives rental income directly from the retail shops located at Eaton, Hong Kong that are leased to independent third parties.

For the six months ended 30 June 2015, fixed base rental income from the Master Lessee and direct rental income received from the retail shops at Eaton, Hong Kong were flat at HK\$111.6 million and HK\$2.7 million respectively, which aggregately accounted for 35.4% of total rental income of the Trust Group. Meanwhile, variable rental income, which is pegged to the performance of the hotels, dropped by 17.8% year-on-year to HK\$208.9 million for the first half of 2015 due to a decline in operating profit of the hotel portfolio. Total rental income received by the Trust Group was HK\$323.2 million in the reporting period, representing a year-on-year decline of 12.2%.

(in HK\$ million)	1H 2015	1H 2014	Change
Variable rental income	<b>208.9</b>	254.2	-17.8%
Base rental income	<b>111.6</b>	111.6	0.0%
Rental income from retail shops	<b>2.7</b>	2.5	+ 8.0%
<b>Total rental income to the Trust Group</b>	<b>323.2</b>	368.3	-12.2%

As the Trust Group primarily owns the Hotels and leases them out for rental income, the operating expenses incurred by the Trust Group are predominantly service fees and hotel properties related expenses. Service fees are comprised of hotel management fee, licence fee and global marketing fee.

Hotel management fee paid to the Hotel Manager for its services accounts for the largest share of service fees. Hotel management fee is comprised of a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee on 5% of adjusted gross operating profit of the Hotels. As both the revenue and adjusted operating profit of the hotel portfolio have declined in the first half of 2015, hotel management fee payable to the Hotel Manager dropped by 14.9% year-on-year to HK\$24.6 million in the first half of 2015.

In addition to the hotel management fee, service fees payable to the Hotel Manager also include the licence fee, which is calculated based on 1% of total revenue of the Hotels, and a global marketing fee, calculated at 2% of total room revenue of the Hotels. It should be noted that when calculating the distributable income, global marketing fee is paid in cash, while hotel management fee and licence fee are paid in the form of Share Stapled Units until the end of 2017. Thereafter, the Hotel Manager can elect the hotel management and license fees to be paid in the form of Share Stapled Units, cash or a combination of both.

(in HK\$ million)	1H 2015	1H 2014	Change
Hotel management fee	24.6	28.9	-14.9%
Licence fee	7.4	8.2	-9.8%
Global marketing fee	8.1	9.5	-14.7%
<b>Total service fees</b>	<b>40.1</b>	46.6	-13.9%

Related expenses of hotel properties are comprised of building management fee, insurance and government rent and rates. These expenses rose by 4.9% year-on-year to HK\$17.2 million in the first half of 2015, which was due to higher government rent and rates and building management fee. The higher payment of government rent and rates was attributable to higher assessed valuation of the hotel properties on which the government rent and rates are based.

(in HK\$ million)	1H 2015	1H 2014	Change
Total rental income	323.2	368.3	-12.2%
Hotel properties related expenses	(17.2)	(16.4)	+ 4.9%
Service fees (hotel management fee, licence fee and global marketing fee)	(40.1)	(46.6)	-13.9%
<b>Net property income</b>	<b>265.9</b>	305.3	-12.9%

Finance cost rose slightly by 1.5% year-to-year to HK\$65.8 million in the first half of 2015. Finance cost, which is comprised of an amortization of the upfront loan fee and interest expense payable for the period, is the single largest cost item incurred by the Trust Group for the period. Amortization of the upfront loan fee is a non-cash item and was fixed at the same amount as that amortised last year. Interest expense, which is calculated at a spread of 120 basis points over HIBOR, climbed 1.9% year-on-year in the first half of 2015. The increase was due to a slightly higher HIBOR rate in the first half of 2015 as compared with that in the first half of last year.

During the first half of 2015, the Trust Group recorded an interest income of HK\$7.4 million, which was 24.5% lower than that recorded in the same period last year. A majority of such income was derived from the Trust Group's deposits in Renminbi. While the interest rate of the Trust Group's Renminbi deposits remained high at over 3% per annum, the Trust Group's Renminbi deposits were lower for first half period, as part of the deposits had been converted into Hong Kong dollars for payment of the renovation programmes. Such conversion has resulted in a realised exchange loss of HK\$4.9 million during the period and it will be deducted from the calculation of distributable income for the period.



Included in the 2015 interim results was a decrease in the fair value of investment properties amounting to HK\$85.0 million, which is a non-cash item and will be deducted from the calculation of distributable income. Income tax expense incurred by the Trust Group during the first six months of 2015 was HK\$35.7 million, and profit attributable to Holders of Share Stapled Units dropped by 58.0% to HK\$80.7 million in the first half of 2015. If we strip out the impact of the fair value change of investment properties, net profit attributable to Holders of Share Stapled Units would have been HK\$165.7 million in the first half of 2015, or a drop of 12.0% year-on-year.

(in HK\$ million)	1H 2015	1H 2014	Change
Net property income	<b>265.9</b>	305.3	-12.9%
Interest income	<b>7.4</b>	9.8	-24.5%
Other income	<b>0.1</b>	–	n.a.
Net exchange loss	<b>(1.0)</b>	(13.8)	-92.8%
(Decrease)/Increase in fair value of investment properties	<b>(85.0)</b>	3.9	n.a.
Finance cost	<b>(65.8)</b>	(64.8)	+1.5%
Trust and other expenses	<b>(5.2)</b>	(5.3)	-1.9%
Profit before tax	<b>116.4</b>	235.1	-50.5%
Income tax expense	<b>(35.7)</b>	(42.8)	-16.6%
<b>Profit attributable to Holders of Share Stapled Units</b>	<b>80.7</b>	192.3	-58.0%
<b>Profit attributable to Holders of Share Stapled Units excluding a change in fair value of investment properties</b>	<b>165.7</b>	188.4	-12.0%

In order to derive the Trust Group's distributable income, non-cash items are added back to profit. These items include decrease in fair value of investment properties, hotel management and licence fees paid in Share Stapled Units, amortisation of upfront loan fee 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) realised exchange loss. Overall, distributable income of the Trust Group dropped by 16.9% year-on-year to HK\$226.4 million in the first half of 2015.

(in HK\$ million)	1H 2015	1H 2014	Change
Profit attributable to Holders of Share Stapled Units	<b>80.7</b>	192.3	-58.0%
Add:			
Hotel management fee and Licence fee	<b>32.0</b>	37.1	-13.7%
Amortization of debt upfront fee, a non-cash cost	<b>17.0</b>	17.0	–
Deferred tax	<b>26.7</b>	28.5	-6.3%
Decrease in fair value of investment properties	<b>85.0</b>	–	n.a.
Net exchange loss on Renminbi holdings	<b>1.0</b>	13.8	-92.8%
Less:			
Realised exchange loss on Renminbi holdings	<b>(4.9)</b>	–	n.a.
Furniture, fixtures and equipment reserve	<b>(11.1)</b>	(12.2)	-9.0%
Increase in fair value of investment properties	–	(3.9)	n.a.
<b>Distributable income</b>	<b>226.4</b>	272.6	-16.9%

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 100 million Share Stapled Units (representing approximately 4.9% of the issued Share Stapled Units of the Trust Group as at 30 June 2015) for the financial year 2015, which was down from 150 million Share Stapled Units in 2014. Going forward, the number of distribution waiver units will remain at 100 million Share Stapled Units for the financial year 2016, and reduce to 50 million Share Stapled Units for the financial year 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 distribution waiver is meant to minimise the dilution impact on the yield of the Trust Group, as additional Share Stapled Units were issued at the time of the initial public offering, with the majority of the surplus additional funds raised being set aside for asset enhancement works of the three Hotels. For the first six months ended 30 June 2015, distribution per Share Stapled Unit was HK11.1 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK11.7 cents.

As at 30 June 2015, net debt was approximately HK\$6,322 million, which consisted of debt of HK\$6,800 million offset by cash of HK\$478 million. The debt, which was drawn for financing the acquisition of the hotel properties, will mature on 29 May 2016. As at 30 June 2015, the gearing ratio of the Trust Group was 38.7%. Majority of the cash balance will be used to fund the remaining asset enhancement of the three Hotels.



## Hotel Performance

	Average Daily		Occupancy		Average Room		RevPAR	
	Rooms Available				Rate (in HK\$)		(in HK\$)	
	1H 2015	1H 2014	1H 2015	1H 2014	1H 2015	1H 2014	1H 2015	1H 2014
The Langham, Hong Kong	472	485	81.8%	88.0%	2,204	2,291	1,802	2,017
<i>year-on-year growth</i>			-6.2ppt		-3.8%		-10.7%	
Langham Place Hotel, Hong Kong	619	650	88.2%	92.5%	1,725	1,871	1,522	1,731
<i>year-on-year growth</i>			-4.3ppt		-7.8%		-12.1%	
Eaton, Hong Kong	465	465	86.2%	95.7%	1,097	1,178	946	1,127
<i>year-on-year growth</i>			-9.5ppt		-6.9%		-16.1%	
Hotels average	519	533	85.7%	92.1%	1,675	1,784	1,435	1,643
<i>year-on-year growth</i>			-6.4 ppt		-6.1%		-12.6%	

	Occupancy		Average Room		RevPAR	
			Rate (in HK\$)		(in HK\$)	
	1H 2015	1H 2014	1H 2015	1H 2014	1H 2015	1H 2014
<b>Hong Kong Hotel Markets</b>						
High Tariff A	82.0%	86.0%	2,270	2,446	1,861	2,104
<i>year-on-year growth</i>	-4.0ppt		-7.2%		-11.5%	
High Tariff B	86.0%	91.0%	1,068	1,204	918	1,096
<i>year-on-year growth</i>	-5.0ppt		-11.3%		-16.2%	

With fewer available rooms in the first half of 2015 as compared with those in the same period last year, the hotel portfolio achieved a RevPAR of HK\$1,435 during the first six months of 2015, which was 12.6% lower than that achieved in the first half of last year. The decline was led by a 6.4 percentage points in occupancy, which dropped to 85.7% during the period, and a 6.1% decline in average daily rates, which fell to HK\$1,675. Room revenue accounted for 54.7% of total revenue of the hotel portfolio in the first six months of 2015.

Revenue from F&B decreased by 1.6% year-on-year, as compared with the first six months of last year. If there was not a decline in F&B revenue witnessed at Langham Place Hotel, Hong Kong due to the renovation of The Place, there would have been a growth of 0.9% in F&B revenue. In general, growth in businesses from banqueting and at the restaurants was witnessed for the first half period, as they were mostly domestically driven. F&B revenue accounted for 42.9% of total revenue of the three Hotels during the first six months of 2015.

The decline in operating profit before deduction of the global marketing fees of the portfolio was larger than that in RevPAR of the Hotels during the first six months of 2015, which was primarily attributable to the impact of negative operating leverage. Operating profit before deduction of the global marketing fees dropped by 17.8% year-on-year to HK\$298.5 million in the first half of 2015.

Revenue breakdown (in HK\$ million)	Langham			Total
	The Langham, Hong Kong	Place Hotel, Hong Kong	Eaton, Hong Kong	
Rooms	154.1	170.5	79.6	404.2
Food and Beverages	107.3	131.4	77.9	316.6
Others	6.9	9.0	1.7	17.6
<b>Total revenue</b>	268.3	310.9	159.2	738.4

In the first six months of 2015, demand for rooms from overnight tourists of Mainland China declined by 10.9% year-on-year. Furthermore, arrivals to our Hotels from other key markets, including other Asian countries, Australia, U.S. and Europe, have all dropped in the first half of 2015, as compared with that in the first half of 2014. Despite the decline in visitors from Mainland China, this market still accounted for 29.7% of total arrivals by geographical breakdown.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	-10.9%	-3.8%
% of overnight guests from Mainland China to total arrivals	29.7%	67.6%

### Performance of the Individual Hotels

For **The Langham, Hong Kong**, arrivals from Mainland China managed to sustain and remain flat in the first half of 2015, as compared with that in the same period last year. However, arrivals fell for almost all of the other key markets, including arrivals from other Asian countries, Australia, Europe and the U.S. While the rate of decline for arrivals from the U.S. was a modest one, the decline was much more severe for arrivals from other countries, especially arrivals from Australia and Europe.

For the first six months ended June 2015, the Hotel achieved an average occupancy of 81.8% on an average of 472 rooms (1H 2014: 88% on an average of 485 rooms) and an average room rate of HK\$2,204 (1H 2014: HK\$2,291).

At The Langham, Hong Kong, revenue from F&B rose by 2.8% year-on-year in the first six months of 2015. The increase was fuelled by stronger banqueting business, as well as pick-up in business from the Chinese restaurant.





At **Langham Place Hotel, Hong Kong**, business started on a negative note, as room bookings in the early part of 2015 were already negatively impacted by the lagged effect of the “Occupy Central” protests. As such, the Hotel started to build up business from the lower yielding aircrew travellers earlier during the year, and there was a 13.4% year-on-year growth in arrivals from this group. The Hotel also saw an increase in arrivals from Mainland China, which was up by 4.3% year-on-year, but arrivals fell from all other key markets.

For the first six months ended June 2015, the Hotel achieved an average occupancy of 88.2% on an average of 619 rooms (1H 2014: 92.5% on an average of 650 rooms) and an average room rate of HK\$1,725 (1H 2014: HK\$1,871).

For Langham Place Hotel, Hong Kong, revenue from F&B dropped by 7.6% year-on-year for the first six months of 2015. The decline was largely due to the renovation at the all day dining restaurant, The Place, which was closed for 2 months in the first quarter of 2015, as well as a slowdown in the Hotel's catering business.

**Eaton, Hong Kong**, faced severe impact from weaker overnight tourist visitations from Mainland China, and the Hotel witnessed a 33% year-on-year drop in arrivals from the Mainland China market in the first half of 2015. Even though there were increases in arrivals from some of the other key markets like Australia and the U.K., such increase was unable to offset the large decline in arrivals from Mainland China.

For the first six months ended June 2015, the Hotel achieved an average occupancy of 86.2% (1H 2014: 95.7%) and an average room rate of HK\$1,097 (1H 2014: HK\$1,178).

Revenue from F&B rose by 3.5% year-on-year in the first six months of 2015. The growth was attributable to an increased number of guests with improved average spending in its catering business, as well as improvements from most of its restaurants.



## FINANCIAL REVIEW

### Distributions

The distributable income of the Trust Group for the 2015 interim period was HK\$226,433,000, which represents 100% of total distributable income for current period (six months ended 30 June 2014: HK\$272,603,000). It is the stated intention of the Board to distribute 100% of total distributable income in respect of the period from the Listing Date to 31 December 2013 and each financial year ending 31 December 2014 and 2015 and not less than 90% of total distributable income in respect of each financial year thereafter.

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

The Distribution per Share Stapled Unit for current period was HK11.7 cents (six months ended 30 June 2014: HK14.6 cents) (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 100,000,000 Share Stapled Units (six months ended 30 June 2014: 150,000,000 Share Stapled Units)). Based on the closing Share Stapled Unit price of HK\$3.33 as at 30 June 2015, the Distribution per Share Stapled Unit represents an annualized distribution yield of 7.03%.

### Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$10,516 million or HK\$5.17 per Share Stapled Unit as at 30 June 2015 (31 December 2014: HK\$10,683 million or HK\$5.28 per Share Stapled Unit) which represents a 55.3% premium to the closing Share Stapled Unit price of HK\$3.33 as at 30 June 2015.

### Debt Profile

Total outstanding borrowings of the Trust Group as at 30 June 2015 and 31 December 2014 were HK\$6,800 million. The secured term loan is on a floating-rate interest basis and repayable in full on 29 May 2016. The Trust Group will closely monitor interest rate movements and may, depending on market conditions, consider fixing the interest rate on part or all of the bank debt.

As at 30 June 2015, total gross assets of the Trust Group were HK\$17,575 million (31 December 2014: HK\$17,705 million). The gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 38.7% (31 December 2014: 38.4%).

### Cash Position

As at 30 June 2015, the Trust Group had a cash balance of HK\$478 million (31 December 2014: HK\$649 million) to satisfy the asset enhancement of the 3 hotels, the working capital and operating requirements.



### **Pledge of Assets**

As at 30 June 2015, investment properties of the Trust Group with a fair value of HK\$17,000 million (31 December 2014: HK\$17,000 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 30 June 2015, the Trust Group had authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$141,125,000 (31 December 2014: HK\$209,157,000) of which HK\$114,000,000 (31 December 2014: HK\$56,276,000) were contracted for.

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

A handwritten signature in black ink, appearing to read "Albert Yuk Keung". The signature is fluid and cursive, with a large, stylized initial "A".

**Ip Yuk Keung, Albert**

*Chief Executive Officer*

# BIOGRAPHICAL DETAILS OF DIRECTORS



The Directors's updated information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2014 Annual Report of the Trust and the Company is set out below. Upon specific enquiry and following confirmations from the Directors, save as otherwise set out in this Interim Report, there is no change in the information of the Directors since the last published annual report of the Trust and the Company.

## **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 Holdings Limited, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Champion Real Estate Investment Trust. 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, all of 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 and Mr. Lo Chun Him, Alexander. Ms. Lo Bo Lun, Katherine is a Non-executive Director of the Trustee-Manager and the Company and Mr. Lo Chun Him, Alexander is the alternate to Ms. Lo. 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, a Director of the subsidiaries of the Company and of LHIL Assets Holdings Limited, a substantial Holder of Share Stapled Units of the Trust and 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 launches and oversees 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. Ms. Lo is a daughter of Dr. LO Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, a substantial shareholder, the Chairman and Managing Director of Great Eagle Holdings Limited, and an elder sister of Mr. LO Chun Him, Alexander.



### **Mr. LO Chun Him, Alexander**

*(as the alternate to Ms. LO Bo Lun, Katherine)*

Mr. LO Chun Him, Alexander, aged 30, has been the alternate to Ms. Lo Bo Lun, Katherine, a Non-executive Director of the Trustee-Manager and the Company and a member of the Nomination Committee of the Company, since May 2015. He is an alternate director to Ms. Lo for the subsidiaries of the Company and for LHIL Assets Holdings Limited, a substantial Holder of Share Stapled Units of the Trust and the Company. He is a Senior Associate Director of Business Development of Great Eagle Holdings Limited, the holding company of the Trust and the Company. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Prior to joining the Great Eagle Group, he had worked at Citibank's investment banking division for two years with a focus on Hong Kong's market. He joined the Great Eagle Group in 2010 and has had experience in the hotel division as well as property management and leasing. He is currently responsible for matters related to financial investments, business and project development for the Great Eagle Group, including commercial properties as well as hotel properties. Mr. Lo is a son of Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, a substantial shareholder, the Chairman and Managing Director of Great Eagle Holdings Limited, and a younger brother of Ms. Lo Bo Lun, Katherine.

### **Mr. IP Yuk Keung, Albert**

*Chief Executive Officer and Executive Director*

Mr. IP Yuk Keung, Albert, aged 63, 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 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 Real Estate Investment Trust. He is also an Independent Non-executive Director of AEON Credit Service (Asia) Company Limited, Hopewell Highway Infrastructure Limited, Hopewell Holdings Limited, Lifestyle International Holdings Limited, New World China Land Limited, Power Assets Holdings Ltd. and TOM Group 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, an Executive Fellow in Asia of Washington University in St. Louis and a Research Fellow of the Institute for Financial Economics of Singapore Management University. 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 47, 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 Group and in some other reputable international and Hong Kong hotel groups such as Le Meridien, Hilton and Regal.



**Mr. WONG Kwai Lam**

*Independent Non-executive Director*

Mr. WONG Kwai Lam, aged 66, 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.

# GOVERNANCE AND COMPLIANCE



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

Sound corporate governance practices underpin the foundation for the Directors to perform and fulfill their respective roles and obligations effectively. Various policies and procedures were established and have constituted the core elements of the governance framework of the Trust Group. The Trustee-Manager Board and the Company Board regularly review the policies and procedures on corporate governance as well as legal and regulatory compliance. Further enhancement will be made from time to time in light of the latest statutory regime and recommended best practices.

## STRUCTURE OF THE TRUST GROUP

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.





As the components of the Share Stapled Units, all of the Units, the Ordinary Shares and the Preference Shares in issue are 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-subsidary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two groups. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules. Details of the transactions which are subject to disclosure requirements in the interim report are summarized under the sub-section headed “Connected Transactions and/or Continuing Connected Transactions Subject to Disclosure Requirements” on pages 26 to 29 of this Interim Report.

These business relationships and the fact that some of the Directors and senior management members also hold directorships and/or roles in the Great Eagle Group might give rise to potential conflicts of interests between the Group and the Great Eagle Group in their respective business operations. 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 standalone 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 among the major contributors 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 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 standalone 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 conflicts of interest thereby safeguarding the interests of independent Holders of Share Stapled Units. Details of which are set out in the latter section headed “Corporate Governance Measures to address Potential Conflicts of Interest”.

### **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.

During the six-month period ended 30 June 2015, the Trust (via the Trustee-Manager) and the Company had complied with all the applicable code provisions and, where appropriate, adopted some of the recommended best practices as set out in the CG Code. The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employee.



In compliance with the new requirements of CG Code to be effective in the financial year 2016, both Terms of Reference of the Audit Committees of the Trustee-Manager and the Company were updated in August 2015 to incorporate “risk management”, where appropriate, in accordance with the amendments to CG Code. The Audit Committees reviewed the current risk management control procedures adopted by the Trust Group during the Audit Committee meetings held on 6 August 2015. The Committees are of the view that the existing controls in place are satisfactory.

## **BOARD AND BOARD COMMITTEES**

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

The Board of Directors currently comprises 6 members, with 1 Executive Director and 5 Non-executive Directors (including 3 Independent Non-executive Directors). On 5 May 2015, Mr. Lo Chun Him, Alexander was appointed as the Alternate Director to Ms. Lo Bo Lun, Katherine, a Non-executive Director of the Trustee-Manager and the Company. A comprehensive induction pack had been given to Mr. Lo to familiarize him with the business and operations of the Trust Group.

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

### **Audit Committees of the Trustee-Manager and the Company**

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

### **Remuneration Committee of the Company**

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



### **Nomination Committee of the Company**

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

## **CORPORATE GOVERNANCE MEASURES TO ADDRESS POTENTIAL CONFLICTS OF INTEREST**

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

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

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



The Trustee-Manager with the Company (on the one hand) and Great Eagle (on the other hand) have boards of directors which function independently of each other. Notwithstanding that Dr. Lo Ka Shui, Ms. Lo Bo Lun, Katherine and her alternate, Mr. Lo Chun Him, Alexander, all being Directors of the Trustee-Manager and the Company, are also directors of the Great Eagle Group, given 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, Ms. Lo and Mr. Lo are required to abstain from voting on matters relating to the Great Eagle Group.

## CONNECTED TRANSACTIONS AND/OR CONTINUING CONNECTED TRANSACTIONS SUBJECT TO DISCLOSURE REQUIREMENTS

Provided below are the details of the continuing connected transactions which are subject to disclosure requirements in the interim reports and of which waivers have been granted by the Stock Exchange. Further details and conditions of the waivers were disclosed in the initial public offering prospectus dated 16 May 2013.

		Aggregate Transaction Amount for the six-month period ended 30 June 2015 (HK\$'000)
(1)	Master Lease Agreements <sup>(a)</sup>	
	– Base Rent	111,576
	– Variable Rent <sup>(b)</sup>	208,919
(2)	Hotel Management Agreements <sup>(a)(b)(c)</sup>	
	– Base Fee	11,075
	– Incentive Fee	13,596
(3)	Centralized Services and Marketing Agreements <sup>(a)(b)</sup>	
	– Reimbursement of Costs	3,897
	– Global Marketing Fees	8,084
	– Reservation Fees	1,730
(4)	Trademark Licence Agreements <sup>(a)(b)(c)</sup>	7,384

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 and 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



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 adjusted gross operating profit (being gross operating profit less the base fee (as mentioned above) and Licence Fees payable under the relevant Trademark Licence Agreement).

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

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

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

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

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



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

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

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

## ISSUED SHARE STAPLED UNITS

As at 30 June 2015, the total number of issued Units of the Trust and the Company was 2,032,888,934. As compared with the position of 31 December 2014, 10,498,075 new Share Stapled Units were issued during the reporting period as follows:

Date	Particulars	No. of Share Stapled Units
31 December 2014	Number of Issued Share Stapled Units	2,022,390,859
3 March 2015	Issue of new Share Stapled Units at the price of HK\$3.68 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees to the Hotel Manager of approximately HK\$38,633,000 for the second half of 2014	10,498,075
<b>30 June 2015</b>	<b>Number of Issued Share Stapled Units</b>	<b>2,032,888,934</b>



## COMPLIANCE WITH MODEL CODE

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

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2015.

## REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Trust Group and unaudited condensed financial statements of the Trustee-Manager for the six-month period ended 30 June 2015 were prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA and have also been reviewed by the Audit Committees of the Trustee-Manager and the Company. Such financial information has been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Trustee-Manager and the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## SUFFICIENCY OF PUBLIC FLOAT

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

## BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

Pursuant to the Trust Deed, the Trustee-Manager shall not buy-back or redeem 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. Accordingly, the Trust and the Company are not allowed to buy-back or redeem their own Share Stapled Units.

During the six-month period ended 30 June 2015, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

## HOTEL MANAGER AND EMPLOYEES

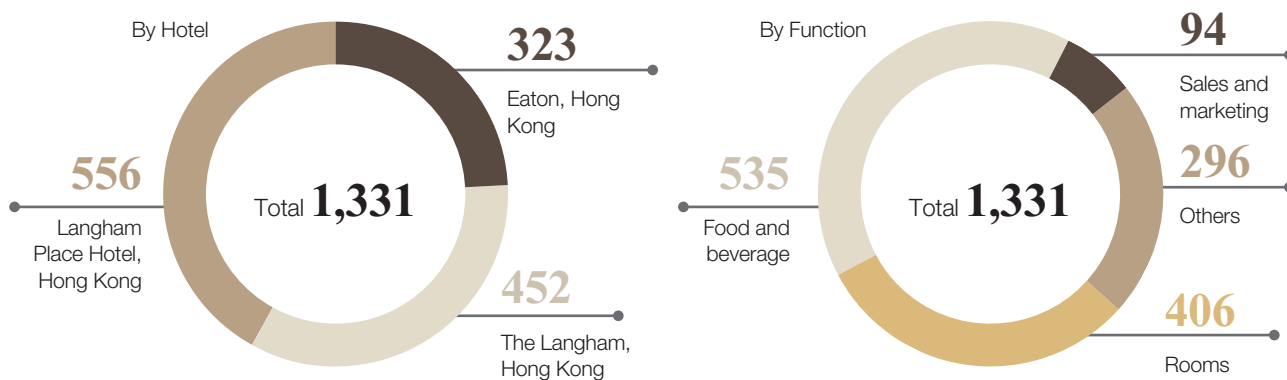
The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated in providing services to the Hotels. When compared to the figure as at 31 December 2014, total number of employees of the Hotels decreased by 67 (4.8%) attributable to the fall in business demand.





The following charts show the breakdown of employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels as at 30 June 2015:

### Number of Employees of the Hotel Manager



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

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



## CORPORATE SOCIAL RESPONSIBILITY

The Hotel Manager has in place the corporate social responsibility programme CONNECT in the Hotels with the four key sustainability values – Environment, Community, Colleagues and Governance. CONNECT forms the framework to address those corporate social responsibility areas that are most relevant to the Hotels' business.

The commitment to protecting the environment is integrated into the operations of the Hotels. The Langham, Hong Kong is certified to the EarthCheck Silver level. Langham Place Hotel, Hong Kong and Eaton, Hong Kong are certified to EarthCheck Gold level. Langham Place Hotel, Hong Kong is accredited with an ISO 14001 certification.

Moreover, each of the Hotels has been recognized as a Caring Company for over five years and has been working with local community partners through various employee community services, donations, visits, free or in-kind sponsorships, and on-going partnership programmes. For the first six months in 2015, the Hotels' colleagues served a total of approximately 900 hours of community services and volunteering efforts.

Colleagues are the most important assets for a successful organization. The Hotel Manager and the Hotels are mindful of the health and safety obligations to colleagues, and various occupational health and safety trainings are delivered regularly to the colleagues. It is the Hotels' commitment to provide suitable career and training opportunities for their colleagues, and the average number of training hours per colleague in the Hotels was approximately 14.3 hours for the first half of 2015.

# DISCLOSURE OF INTERESTS



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

As at 30 June 2015, 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 <sup>(3)</sup>
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Lo Ka Shui	1,950,500	-	1,189,345,934 <sup>(1)</sup>	17,200,000 <sup>(2)</sup>	-	1,208,496,434	59.45
Ip Yuk Keung, Albert	765,000	-	-	-	-	765,000	0.04

Notes:

- (1) These 1,189,345,934 Share Stapled Units comprise the following:
  - (i) 1,188,345,934 Share Stapled Units held by LHIL Assets Holdings Limited as to 1,180,714,934 Share Stapled Units, Great Eagle Nichemusic Limited as to 5,965,000 Share Stapled Units and Fine Noble Limited as to 1,666,000 Share Stapled Units, all of the said companies are wholly-owned subsidiaries of Great Eagle. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. His interests in Great Eagle are disclosed below on page 34; and
  - (ii) 1,000,000 Share Stapled Units held by Katherine B L Limited which is a company wholly-owned by Dr. Lo Ka Shui. He is also a director of the said company.
- (2) These interests were held by a charitable trust. Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee of the trust.
- (3) This percentage has been compiled based on 2,032,888,934 Share Stapled Units of the Trust and the Company in issue as at 30 June 2015.



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

### Great Eagle

As at 30 June 2015, Great Eagle owned 58.46% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The interests of Directors of the Trustee-Manager and the Company in Great Eagle as at 30 June 2015 are disclosed as follows:

Name of Director	Number of Ordinary Shares				Number of Underlying Shares	Share Options	Total	Percentage of Issued Share Capital <sup>(3)</sup>
	Personal Interests	Family Interests	Corporate Interests	Other Interests				
Lo Ka Shui	62,026,208	–	3,893,976 <sup>(1)</sup>	306,154,404 <sup>(2)</sup>	–	2,543,000	374,617,588	56.36
Lo Bo Lun, Katherine	–	–	–	–	–	50,000	50,000	0.01
Lo Chun Him, Alexander*	–	–	–	–	–	75,000	75,000	0.01
Ip Yuk Keung, Albert	–	–	–	–	–	10,000	10,000	0.00
So Yiu Wah, Eric	446	–	–	–	–	–	446	0.00

\* As Alternate Director to Ms. Lo Bo Lun, Katherine

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 306,154,404 shares comprise the following:
  - (i) 222,946,147 shares owned by a discretionary trust of which Dr. Lo Ka Shui is one of the discretionary beneficiaries; and
  - (ii) 83,208,257 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.
- (3) This percentage has been compiled based on 664,677,017 shares of Great Eagle in issue as at 30 June 2015.



### 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 30 June 2015, Great Eagle owned 61.75% 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 interests of Directors of the Trustee-Manager and the Company in Champion REIT as at 30 June 2015 are disclosed as follows:

Name of Director	Number of Units				Number of Underlying Units	Total	Percentage of Issued Units <sup>(3)</sup>
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Lo Ka Shui	–	–	3,556,691,735 <sup>(1)</sup>	6,200,000 <sup>(2)</sup>	3,494,095	3,566,385,830	61.93
So Yiu Wah, Eric	400,873	60,000	–	–	–	460,873	0.01

Notes:

- (1) These 3,556,691,735 units comprise the following:
  - (i) 3,555,862,735 units indirectly held by Great Eagle of which Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director. His interests in Great Eagle are disclosed above on page 34; and
  - (ii) 829,000 units 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 Ka Shui is the settlor and a member of the Advisory Committee and Management Committee of the trust.
- (3) This percentage has been compiled based on 5,758,888,964 units of Champion REIT in issue as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, 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.

## INTERESTS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at 30 June 2015, the interests and short positions of persons (other than a Director or the chief executive of the Trustee-Manager and the Company) in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of the SFO as having an interest in 5% or more of the issued Share Stapled Units of the Trust and the Company are as follows:

Name	Number of SSUs	Number of Underlying SSUs	Total	Percentage of Issued SSUs <sup>(3)</sup>
Great Eagle Holdings Limited	1,188,345,934 <sup>(1)</sup>	–	1,188,345,934 <sup>(1)</sup>	58.46
LHIL Assets Holdings Limited	1,180,714,934	–	1,180,714,934	58.08
HSBC International Trustee Limited	1,176,777,859 <sup>(2)</sup>	–	1,176,777,859 <sup>(2)</sup>	57.89

Notes:

- (1) These 1,188,345,934 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) 1,666,000 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 33.54% interests in Great Eagle as at 30 June 2015.
- (3) This percentage has been compiled based on 2,032,888,934 Share Stapled Units of the Trust and the Company in issue as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, no person (other than Directors of the Trustee-Manager and the Company as set out on page 33) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of the SFO.



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



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

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

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 64 (hereinafter collectively referred to as "the Trust and the Company's condensed consolidated financial statements"). As explained in note 1 to the Trust and the Company's condensed consolidated financial statements, the condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together. The Trust and the Company's condensed consolidated financial statements together comprise the condensed consolidated statement of financial position of the Trust Group and of the Group as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Trust Group and of the Group for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Trustee-Manager of the Trust and directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

### Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

6 August 2015



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

For the six months ended 30 June 2015

	NOTES	Six Months Ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	323,201	368,287
Property related expenses		(17,167)	(16,363)
Service fees		(40,139)	(46,578)
		265,895	305,346
Other income		7,524	9,768
(Decrease) increase in fair value of investment properties	13	(85,043)	3,949
Trust and other expenses		(6,219)	(19,095)
Finance costs	6	(65,746)	(64,841)
Profit before tax		116,411	235,127
Income tax expense	7	(35,751)	(42,779)
<b>Profit and total comprehensive income for the period attributable to holders of Share Stapled Units</b>	10	<b>80,660</b>	192,348
<b>Basic earnings per Share Stapled Unit</b>	11	<b>HK\$0.0397</b>	HK\$0.0955

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

At 30 June 2015

	NOTES	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	22	25
Investment properties	13	17,000,000	17,000,000
		<b>17,000,022</b>	17,000,025
<b>Current assets</b>			
Debtors, deposits and prepayments	14	96,868	55,024
Tax recoverable		–	283
Restricted cash		60,000	60,000
Bank balances		418,374	589,248
		<b>575,242</b>	704,555
<b>Current liabilities</b>			
Creditors, deposits and accruals	15	69,592	84,448
Secured bank loans due within one year	16	6,769,016	–
Tax payable		8,844	61
		<b>6,847,452</b>	84,509
<b>Net current (liabilities) assets</b>		<b>(6,272,210)</b>	620,046
<b>Total assets less current liabilities</b>		<b>10,727,812</b>	17,620,071
<b>Non-current liabilities</b>			
Secured bank loans due after one year	16	–	6,752,016
Deferred tax liabilities		212,212	185,549
		<b>212,212</b>	6,937,565
<b>NET ASSETS</b>		<b>10,515,600</b>	10,682,506
<b>Capital and reserves</b>			
Issued capital	17	2,033	2,022
Reserves		10,513,567	10,680,484
<b>TOTAL EQUITY</b>		<b>10,515,600</b>	10,682,506

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

For the six months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Property revaluation reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
At 1 January 2014	2,001	9,879,113	(11,562,543)	12,598,157	(246,482)	10,670,246
Profit for the period	–	–	–	–	192,348	192,348
Distribution paid	–	(350,126)	–	–	–	(350,126)
Issue of Share Stapled Units (see note 17)	11	41,617	–	–	–	41,628
<b>At 30 June 2014 (unaudited)</b>	<b>2,012</b>	<b>9,570,604</b>	<b>(11,562,543)</b>	<b>12,598,157</b>	<b>(54,134)</b>	<b>10,554,096</b>
At 1 January 2015	<b>2,022</b>	<b>9,334,289</b>	<b>(11,562,543)</b>	<b>12,598,157</b>	<b>310,581</b>	<b>10,682,506</b>
Profit for the period	–	–	–	–	<b>80,660</b>	<b>80,660</b>
Distribution paid	–	<b>(286,199)</b>	–	–	–	<b>(286,199)</b>
Issue of Share Stapled Units (see note 17)	<b>11</b>	<b>38,622</b>	–	–	–	<b>38,633</b>
<b>At 30 June 2015 (unaudited)</b>	<b>2,033</b>	<b>9,086,712</b>	<b>(11,562,543)</b>	<b>12,598,157</b>	<b>391,241</b>	<b>10,515,600</b>

Notes:

- (a) Under the Cayman Islands Companies Law, the share premium of the Company is available for distribution.
- (b) Pursuant to a group reorganisation, certain businesses were transferred to the Groups (as defined in note 2). The other reserve represents the difference between the considerations of the transfers and the share capital of the businesses as of the date of the transfer.

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

For the six months ended 30 June 2015

	Six Months Ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>Cash generated from operations</b>	<b>259,626</b>	360,461
Interest paid	(48,455)	(47,547)
Hong Kong Profits Tax paid	(22)	–
<b>Net cash from operating activities</b>	<b>211,149</b>	312,914
<b>Investing activities</b>		
Additions of investment properties	(102,546)	–
Interest received	7,600	9,769
Proceeds from disposals of investment properties	115	–
<b>Net cash (used in) from investing activities</b>	<b>(94,831)</b>	9,769
<b>Financing activities</b>		
Distribution paid	(286,199)	(350,126)
Expenses on issue of Share Stapled Units	–	(3,676)
<b>Cash used in financing activities</b>	<b>(286,199)</b>	(353,802)
<b>Net decrease in cash and cash equivalents</b>	<b>(169,881)</b>	(31,119)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>589,248</b>	751,932
<b>Effect of foreign exchange rate changes</b>	<b>(993)</b>	(13,794)
<b>Cash and cash equivalents at the end of the period, represented by bank balances</b>	<b>418,374</b>	707,019

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015



## 1. GENERAL

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

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

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

## 2. BASIS OF PRESENTATION AND PREPARATION

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust’s condensed consolidated financial statements for the six months ended 30 June 2015 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the “Trust Group”). The Company’s condensed consolidated financial statements for the six months ended 30 June 2015 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”).

The Trust controls the Company and the sole activity of the Trust during the six months ended 30 June 2015 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust are identical to the condensed consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust and the Company together. The condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as “the Trust and the Company’s condensed consolidated financial statements”.

The Trust Group and the Group are referred as the “Groups”.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 2. BASIS OF PRESENTATION AND PREPARATION (Continued)

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

The Trust and the Company's condensed consolidated financial statements have been prepared on a going concern basis because the Trustee-Manager and the Directors of the Company are of the opinion that the banking facilities could be refinanced taking into account of the existing banking relationship and the current fair value of the assets of the Groups.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Trust and the Company's annual financial statements for the year ended 31 December 2014.

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

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

## 4. REVENUE

	Six Months Ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Rental income from GE (LHIL) Lessee Limited ("Master Lessee") (see note 21(a))		
Base rent	111,576	111,576
Variable rent	208,919	254,190
	320,495	365,766
Rental income from retail shops in Eaton, Hong Kong	2,706	2,521
	323,201	368,287

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 5. SEGMENT INFORMATION

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

### Segment revenue and results

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

#### Six months ended 30 June 2015

	The Langham, Hong Kong HK\$'000 (unaudited)	Langham Place Hotel, Hong Kong HK\$'000 (unaudited)	Eaton, Hong Kong HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	117,053	138,668	67,480	323,201
Segment results*	97,387	111,689	56,819	265,895
Other income				7,524
Decrease in fair value of investment properties				(85,043)
Trust and other expenses				(6,219)
Finance costs				(65,746)
Profit before tax				116,411
Income tax expense				(35,751)
Profit for the period attributable to holders of Share Stapled Units				80,660

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 5. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

Six months ended 30 June 2014

	The Langham, Hong Kong HK\$'000 (unaudited)	Langham Place Hotel, Hong Kong HK\$'000 (unaudited)	Eaton, Hong Kong HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	131,794	161,889	74,604	368,287
Segment results*	110,374	132,027	62,945	305,346
Other income				9,768
Increase in fair value of investment properties				3,949
Trust and other expenses				(19,095)
Finance costs				(64,841)
Profit before tax				235,127
Income tax expense				(42,779)
Profit for the period attributable to holders of Share Stapled Units				192,348

\* 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

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\$6,190,000,000, HK\$7,190,000,000 and HK\$3,620,000,000 (31 December 2014: HK\$6,130,000,000, HK\$7,120,000,000 and HK\$3,750,000,000), respectively.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015



## 6. FINANCE COSTS

	Six Months Ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	48,456	47,551
Loan front-end fee amortisation	17,000	17,000
Other borrowing costs	290	290
	<b>65,746</b>	<b>64,841</b>

## 7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax:		
Current period	9,102	14,192
Overprovision in prior year	(14)	–
	<b>9,088</b>	<b>14,192</b>
Deferred tax:		
Current period	26,663	28,587
	<b>35,751</b>	<b>42,779</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 8. TOTAL DISTRIBUTABLE INCOME

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

	Six Months Ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit for the period attributable to holders of Share Stapled Units	80,660	192,348
Adjustments:		
Add:		
Depreciation	3	1
Deferred tax	26,663	28,587
Non-cash finance costs	17,000	17,000
Hotel management fees and licence fee payable in form of Share Stapled Units (see notes 18 and 21(b))	32,055	37,064
Decrease in fair value of investment properties	85,043	–
Net exchange loss	993	13,794
Less:		
Increase in fair value of investment properties	–	(3,949)
Net realised exchange loss	(4,909)	–
Reserve for furniture, fixtures and equipment	(11,075)	(12,242)
<b>Total distributable income</b>	<b>226,433</b>	<b>272,603</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 9. DISTRIBUTION STATEMENT

	NOTE	Six Months Ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>Interim distribution period (note a)</b>			
Total distributable income in respect of the six months ended 30 June 2015 (Six months ended 30 June 2014: in respect of the six months ended 30 June 2014)	8	226,433	272,603
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for interim distribution period		226,433	272,603
Interim distribution (note c)		226,433	272,603
<b>Final distribution period (note a)</b>			
Total distributable income in respect of the financial year ended 31 December 2014 (Six months ended 30 June 2014: in respect of the period from the Listing Date to 31 December 2013)		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
<b>Distribution per Share Stapled Unit</b>			
Interim distribution per Share Stapled Unit to be paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.111	HK\$0.135
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.117	HK\$0.146
Final distribution per Share Stapled Unit 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015



## 9. DISTRIBUTION STATEMENT (Continued)

Notes:

- (a) The interim distribution in 2015 was based on total distributable income for the six months ended 30 June 2015.

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.

- (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 interim distribution after 30 June 2015 has not been recognised as a liability as at 30 June 2015.

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.

- (d) The interim distribution per Share Stapled Unit of HK\$0.111 (Six months ended 30 June 2014: HK\$0.135) for the interim distribution period in 2015 is calculated based on the interim distribution to be paid of HK\$226,433,000 (Six months ended 30 June 2014: HK\$272,603,000) for the period and 2,032,888,934 (Six months ended 30 June 2014: 2,012,373,688) Share Stapled Units as at 30 June 2015.

The final distribution per Share Stapled Unit of HK\$0.141 (Six months ended 30 June 2014: 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 (Six months ended 30 June 2014: HK\$348,753,000) for the period and 2,022,390,859 (Six months ended 30 June 2014: 2,001,389,932) Share Stapled Units as at 31 December 2014.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 9. DISTRIBUTION STATEMENT (Continued)

Notes: (Continued)

- (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 interim distribution per Share Stapled Unit of HK\$0.117 (Six months ended 30 June 2014: HK\$0.146) for the interim distribution period in 2015 is calculated based on 1,932,888,934 (Six months ended 30 June 2014: 1,862,373,688) Share Stapled Units after taking into account of the 100,000,000 (Six months ended 30 June 2014: 150,000,000) units waived by LHIL Assets Holdings Limited. The interim distribution of HK\$226,433,000 will be paid to holders of Share Stapled Units on or before 2 October 2015.

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.

The final distribution per Share Stapled Unit of HK\$0.152 (Six months ended 30 June 2014: HK\$0.188) for the final distribution period in 2014 is calculated based on 1,872,390,859 (Six months ended 30 June 2014: 1,851,389,932) Share Stapled Units after taking into account of the 150,000,000 (Six months ended 30 June 2014: 150,000,000) units waived by LHIL Assets Holdings Limited.

After the issue of 10,498,075 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 31 December 2014 on 3 March 2015, the number of Share Stapled Units entitled for the final distribution in 2014 should be 1,882,888,934. The final distribution for the final distribution period in 2014 of HK\$286,199,000 was paid to holders of Share Stapled Units on 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO HOLDERS OF SHARE STAPLED UNITS

	Six Months Ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)	2,133	2,718
Depreciation	3	1
Interest income	(7,409)	(9,768)
Net unrealised exchange (gain) loss (included in trust and other expenses)	(3,916)	13,794
Net realised exchange loss (included in trust and other expenses)	4,909	–
Gain on disposals of investment properties	(115)	–

## 11. BASIC EARNINGS PER SHARE STAPLED UNIT

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

	Six Months Ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>Earnings</b>		
Profit for the period for the purpose of basic earnings per Share Stapled Unit	80,660	192,348

	Six Months Ended 30 June	
	2015 '000 (unaudited)	2014 '000 (unaudited)
<b>Number of Share Stapled Units</b>		
Weighted average number of Share Stapled Units for the purpose of basic earnings per Share Stapled Unit	2,034,164	2,013,771

No diluted earnings per Share Stapled Unit has been presented as there were no potential Share Stapled Units in issue in both periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015



## 12. PROPERTY, PLANT AND EQUIPMENT

The Groups did not have additions of property, plant and equipment during both periods.

## 13. INVESTMENT PROPERTIES

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	17,000,000	16,696,000
Additions	85,043	148,442
(Decrease) increase in fair value recognised in profit or loss	(85,043)	155,558
At the end of the period/year	17,000,000	17,000,000

The fair values of the Groups' investment properties of HK\$17,000,000,000 as at 30 June 2015 (31 December 2014: HK\$17,000,000,000) have been arrived at on a basis of valuation carried out by Vigers Appraisal and Consulting Limited, an independent professional property valuer not connected with the Groups.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015



## 14. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Trade debtors	54,806	43,035
Interest receivable	833	1,025
Deposits and prepayments	41,229	10,964
	<b>96,868</b>	55,024

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

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

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
0-3 months	54,806	43,035

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\$54,806,000 (31 December 2014: HK\$43,035,000) which is unsecured, interest-free and payable on presentation of invoices. Included in deposits and prepayments is an amount due from a fellow subsidiary of HK\$1,351,000 (31 December 2014: HK\$1,351,000) which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015



## 15. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Trade creditors	34,266	40,355
Deposits received	1,394	1,394
Other creditors	17,938	5,889
Accruals and other payables	15,994	36,810
	<b>69,592</b>	84,448

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

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
0-3 months	16,126	23,527
3-6 months	18,140	16,828
	<b>34,266</b>	40,355

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\$34,266,000 (31 December 2014: HK\$40,355,000) which is unsecured, interest-free and payable on presentation of invoices. Included in other creditors is amounts due to fellow subsidiaries of HK\$2,251,000 (31 December 2014: HK\$66,000) which is unsecured, interest-free and payable on presentation of invoices.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 16. SECURED BANK LOANS

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Secured term loans	6,800,000	6,800,000
Loan front-end fee	(30,984)	(47,984)
	<b>6,769,016</b>	6,752,016
Less: Amount due within one year shown under current liabilities	<b>(6,769,016)</b>	–
Amount due after one year	–	6,752,016

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

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
Within one year	6,800,000	–
More than one year but not exceeding two years	–	6,800,000
	<b>6,800,000</b>	6,800,000

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015



## 17. ISSUED CAPITAL

	Number of shares  (unaudited)	Nominal value HK\$  (unaudited)
Authorised:		
Ordinary shares of HK\$0.0005 each At 1 January 2014, 31 December 2014 and 30 June 2015	<b>5,000,000,000</b>	<b>2,500,000</b>
Preference shares of HK\$0.0005 each At 1 January 2014, 31 December 2014 and 30 June 2015	<b>5,000,000,000</b>	<b>2,500,000</b>

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 17. ISSUED CAPITAL (Continued)

	Number of shares  (unaudited)	Nominal value HK\$ (unaudited)
Issued and fully paid:		
<b>Ordinary shares of HK\$0.0005 each (note a)</b>		
At 1 January 2014	2,001,389,932	1,000,695
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	10,983,756	5,492
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	10,017,171	5,009
At 31 December 2014	2,022,390,859	1,011,196
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	<b>10,498,075</b>	<b>5,249</b>
At 30 June 2015	<b>2,032,888,934</b>	<b>1,016,445</b>
<b>Preference shares of HK\$0.0005 each</b>		
At 1 January 2014	2,001,389,932	1,000,695
Issue of preference shares as payment of hotel management fees and licence fee (note b)	10,983,756	5,492
Issue of preference shares as payment of hotel management fees and licence fee (note b)	10,017,171	5,009
At 31 December 2014	2,022,390,859	1,011,196
Issue of preference shares as payment of hotel management fees and licence fee (note b)	<b>10,498,075</b>	<b>5,249</b>
At 30 June 2015	<b>2,032,888,934</b>	<b>1,016,445</b>

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) Details of Share Stapled Units issued during the period/year as payment of hotel management fees and licence fee are as follows (see notes 18 and 21(b)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$' 000	Number of shares
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
3 March 2015	1 July 2014 to 31 December 2014	3.68	38,633	10,498,075

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015



## 18. MAJOR NON-CASH TRANSACTION

The Groups incurred hotel management fees and licence fee payable to Langham Hotels International Limited for the six months ended 30 June 2015 of HK\$32,055,000 (Six months ended 30 June 2014: HK\$37,064,000) (see note 21(b)), which will be settled by Share Stapled Units subsequent to the end of the reporting period.

## 19. COMMITMENTS

At 30 June 2015, the Groups had authorised capital expenditures for investment properties which were not provided for in these condensed consolidated financial statements amounting to HK\$141,125,000 (31 December 2014: HK\$209,157,000) of which HK\$114,000,000 (31 December 2014: HK\$56,276,000) were contracted for.

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

## 20. OPERATING LEASE COMMITMENTS

### The Groups as lessor

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

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
<b>With Master Lessee</b>		
Within one year	225,000	225,000
In the second to fifth year	787,500	900,000
	<b>1,012,500</b>	1,125,000
<b>With other tenants</b>		
Within one year	4,781	3,266
In the second to fifth year	3,187	2,548
	<b>7,968</b>	5,814

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 20. OPERATING LEASE COMMITMENTS (Continued)

### The Groups as lessee

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

	At 30 June 2015 HK\$'000 (unaudited)	At 31 December 2014 HK\$'000 (audited)
<b>With Renaissance City Development Company, Limited</b>		
Within one year	4,186	4,566
In the second to fifth year	–	1,903
	<b>4,186</b>	<b>6,469</b>
<b>With Moon Yik Company, Limited</b>		
Within one year	682	682
In the second to fifth year	361	702
	<b>1,043</b>	<b>1,384</b>
<b>With other landlords</b>		
Within one year	460	459
In the second to fifth year	–	230
	<b>460</b>	<b>689</b>

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

## 21. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed in notes 14, 15, 18 and 20, the Groups had the following significant connected and related party transactions during the period. All of the following related parties are subsidiaries of Great Eagle Holdings Limited and Dr. Lo Ka Shui, Director of the Company, is a substantial shareholder, the chairman and managing director of Great Eagle Holdings Limited. The transactions were carried out in the normal course of the Groups' business on terms mutually agreed between the parties. The following significant transactions are also connected transactions as defined in the chapter 14A of the Listing Rules upon the Listing. Details of the connected transactions have been disclosed in the prospectus for the global offering of Share Stapled Units dated 16 May 2013.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 21. CONNECTED AND RELATED PARTY DISCLOSURES (Continued)

	NOTES	Six Months Ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Rental income			
Master Lessee	(a)	<b>320,495</b>	365,766
Hotel management fees and licence fee			
Langham Hotels International Limited	(b)	<b>32,055</b>	37,064
Global marketing fees			
Langham Hotels Services Limited	(c)	<b>8,084</b>	9,514
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d)	<b>1,235</b>	1,096
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(e)	<b>2,634</b>	2,615
The Great Eagle Company, Limited	(f)	–	12
Moon Yik Company, Limited	(g)	<b>341</b>	321
Lease agency fee			
The Great Eagle Estate Agents Limited	(h)	<b>204</b>	180
Administrative support service fee			
The Great Eagle Company, Limited	(i)	<b>480</b>	480
Procurement services fee			
Champion Global Services Limited	(j)	<b>569</b>	16
Project management services fee			
The Great Eagle Development and Project Management Limited	(k)	<b>910</b>	–
Design and construction contracting services fee			
Keysen Engineering Company, Limited	(l)	<b>86</b>	–
Toptech Company Limited	(l)	<b>1,084</b>	–

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 21. CONNECTED AND RELATED PARTY DISCLOSURES (Continued)

Notes:

- (a) Rental income is charged to Master Lessee in accordance with the master lease agreement. Annual base rent of HK\$225 million was proportionately charged over the period for the six months ended 30 June 2015. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees of HK\$298,455,000 (Six months ended 30 June 2014: HK\$363,129,000) earned by Master Lessee.

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

	Six Months Ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Hotels' aggregate gross operating profit before deduction of global marketing fees	298,455	363,129
70% thereon, variable rent	208,919	254,190
Base rent	111,576	111,576
Add:		
Rental income from retail shops in Eaton, Hong Kong	2,706	2,521
Groups' segment revenue	323,201	368,287
Less:		
Hotel management fees (i.e. base fee and incentive fee)	(24,671)	(28,903)
Licence fee	(7,384)	(8,161)
Global marketing fees	(8,084)	(9,514)
Property taxes, rates and insurance	(16,320)	(15,696)
Other deductions	(847)	(667)
Groups' segment profit	265,895	305,346

- (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 17 and 18).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 21. CONNECTED AND RELATED PARTY DISCLOSURES (Continued)

Notes: (Continued)

(b) (Continued)

	Six Months Ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
(A) Total revenue of relevant hotel	<b>738,352</b>	816,119
(B) Adjusted Hotel's aggregate gross operating profit	<b>271,912</b>	333,212
(i) Base fee (A x 1.5%)	<b>11,075</b>	12,242
(ii) Licence fee (A x 1%)	<b>7,384</b>	8,161
(iii) Incentive fee (B x 5%)	<b>13,596</b>	16,661
Total fees	<b>32,055</b>	37,064

- (c) Global marketing fees were payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$404,222,000 (Six months ended 30 June 2014: HK\$475,728,000)) 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.
- (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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the six months ended 30 June 2015

## 21. CONNECTED AND RELATED PARTY DISCLOSURES (Continued)

Notes: (Continued)

- (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 Keysen 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) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited has agreed to waive its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out in note 9. During the period, distribution of HK\$9,471,000 (Six months ended 30 June 2014: HK\$11,858,000) was waived by LHIL Assets Holdings Limited and its fellow subsidiary.

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

	Six Months Ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Short-term benefits	1,535	2,162
Post-employment benefits	9	124
	<b>1,544</b>	2,286

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

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



**TO THE MEMBER OF LHIL MANAGER LIMITED**

*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the condensed financial statements of LHIL Manager Limited (the “Company”) set out on pages 66 to 69, which comprise the condensed statement of financial position as of 30 June 2015 and the related condensed statement of profit or loss and other comprehensive income and condensed statement of changes in equity for the six months ended 30 June 2015, and certain explanatory notes. Pursuant to the deed of trust dated 8 May 2013 constituting Langham Hospitality Investments entered into between the Company and Langham Hospitality Investments Limited (the “Trust Deed”), the Company is required to prepare its interim financial information in accordance with The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

6 August 2015

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

For the six months ended 30 June 2015

	NOTE	Six Months Ended 30 June	
		2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Revenue		-	-
Administrative expenses		(11,957)	(10,357)
Less: Amount borne by a fellow subsidiary		11,957	10,357
<b>Profit or loss before tax</b>		-	-
Income tax	4	-	-
<b>Profit or loss and other comprehensive income/expense for the period</b>		-	-

# CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 30 June 2015

	<i>NOTE</i>	At 30 June 2015 HK\$ (unaudited)	At 31 December 2014 HK\$ (audited)
<b>Current asset</b>			
Cash on hand		1	1
<b>NET ASSET</b>		1	1
<b>Capital</b>			
Share capital	5	1	1
<b>TOTAL EQUITY</b>		1	1

# CONDENSED STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the six months ended 30 June 2015

	Share capital HK\$ (unaudited)
At 1 January 2014, 30 June 2014, 1 January 2015, and 30 June 2015	1

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2015



## 1. GENERAL

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

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

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

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

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

The Company had no cash transaction during the period as all of its transactions were settled through inter-company current account, thus the condensed statement of cash flows is not presented.

## 2. BASIS OF PREPARATION

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2015



## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2014.

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

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

## 4. INCOME TAX

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

## 5. SHARE CAPITAL

	30 June 2015 (unaudited)		31 December 2014 (audited)	
	Number of ordinary shares	Nominal value HK\$	Number of ordinary shares	Nominal value HK\$
<b>Ordinary shares with no par value (note)</b>				
Issued and fully paid: Balance brought forward and carried forward	1	1	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.

## 6. RELATED PARTY DISCLOSURES

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

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

# DEFINITIONS



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

## Terms

“CG Code”

“Code of Conduct for Securities Transactions”

“Company”

“Company Board”

“Distribution Entitlement Waiver Deed”

“Distribution Waiver Units”

“Great Eagle”

“Great Eagle Group”

“Great Eagle ROFR Deed”

“Group”

“HKAS”

“HKFRS”

“HKICPA”

“Holder(s) of Share Stapled Units”

“Hotel Companies”

## Definition

Appendix 14 “Corporate Governance Code and Corporate Governance Report” of the Listing Rules

Code of Conduct regarding Securities Transactions by Directors and Relevant Employees adopted by the Trustee-Manager and the 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

The board of directors of the Company

The deed dated 10 May 2013 entered into among LHIL Assets Holdings Limited, Great Eagle and the Trustee-Manager in relation to the waiver by LHIL Assets Holdings Limited of its entitlement to receive distributions payable by the Trustee-Manager

Share Stapled Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed

Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust Group holding 58.46% issued Share Stapled Units as at 30 June 2015

Great Eagle and its subsidiaries

The Deed of Right of First Refusal dated 10 May 2013 entered into between Great Eagle and the Company

The Company and its subsidiaries

Hong Kong Accounting Standard

Hong Kong Financial Reporting Standard

Hong Kong Institute of Certified Public Accountants

Holder(s) of Share Stapled Units of the Trust and the Company

The companies which own the Hotels, being Harvest Star International Limited, Cordis Hong Kong Limited (Formerly known as: Langham Place Hotel (HK) Limited) and Grow On Development Limited; and “Hotel Company” shall mean any of them



## Definitions



“Hotel Manager”	Langham Hotels International Limited (朗廷酒店國際有限公司), a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
“Hotel(s)”	The Langham, Hong Kong, Langham Place Hotel, Hong Kong (Rebranded as “Cordis, Hong Kong” with effect from 26 August 2015) 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)”	Share stapled unit(s) jointly issued by the Trust and the Company. A share stapled unit is the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: <ul style="list-style-type: none"><li>(a) a unit in the Trust;</li><li>(b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager; and</li><li>(c) a specifically identified preference share of the Company stapled to the unit</li></ul>

## Definitions



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	Langham Hospitality Investments (朗廷酒店投資), as constituted pursuant to the Trust Deed
“Trust Deed”	The trust deed dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company
“Trust Group”	The Trust and the Group
“Trustee-Manager”	LHIL Manager Limited (朗廷酒店管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly-owned subsidiary of Great Eagle, in its capacity as trustee-manager of the Trust
“Trustee-Manager Board”	The board of directors of the Trustee-Manager



## Langham Hospitality Investments 朗廷酒店投資

(as constituted pursuant to a deed of trust on 8 May 2013 under the laws of Hong Kong, the trustee of which is LHIL Manager Limited)  
(根據香港法律按日期為二零一三年五月八日之信託契約組成，其託管人為朗廷酒店管理人有限公司)

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## Langham Hospitality Investments Limited 朗廷酒店投資有限公司

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

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