



LANGHAM

HOSPITALITY INVESTMENTS

Annual Report

2015

Stock code : 1270

LANGHAM HOSPITALITY INVESTMENTS

CORPORATE PROFILE

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

- The Langham, Hong Kong;
- Cordis, Hong Kong; and
- Eaton, Hong Kong.

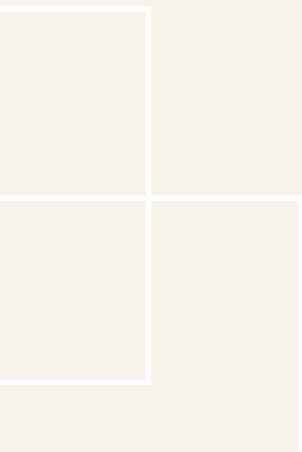
The Langham and Cordis (rebranded from Langham Place Hotel since August 2015) are both High Tariff A hotels and Eaton is a High Tariff B hotel under the classification set out by Hong Kong Tourism Board, with High Tariff A being the highest category and High Tariff B being the second highest category. 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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THE LANGHAM HONG KONG



THE LANGHAM

HONG KONG



HKTB RATING

HIGH TARIFF A

ROOMS

498

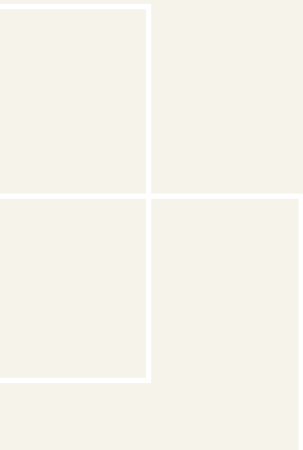
GFA ('000 SQ.FT)

375

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

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

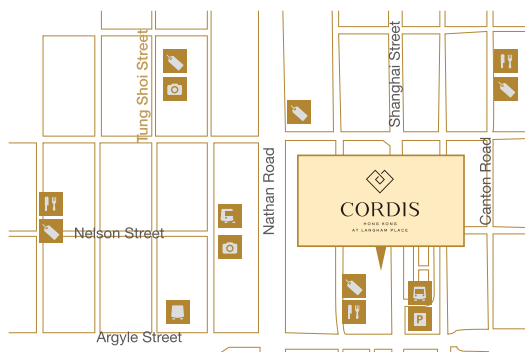
CORDIS HONG KONG





CORDIS

HONG KONG
AT LANGHAM PLACE



HKTB RATING

HIGH TARIFF A

ROOMS

664

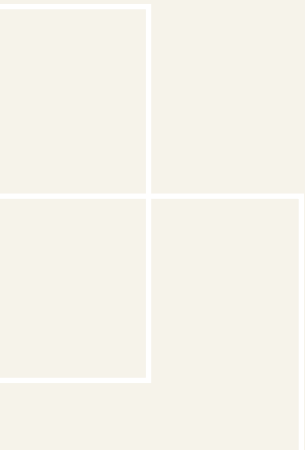
GFA ('000 SQ.FT)

580

Cordis, Hong Kong (rebranded from Langham Place Hotel in August 2015) provides a contemporary luxury hotel experience, with sleek and modern design inspired by contemporary Chinese art. Cordis hotel is a short walk away from famous street markets such as the night market on Temple Street, the Ladies Market and the Jade Market, and is directly connected to The Langham Place Shopping Mall and Office Tower. Cordis hotel is the only large scale luxury hotel in the heart of Mongkok and easily accessible by various modes of public transportation, including the MTR. Mongkok attracts many shoppers, both local and overseas, as the location has a plethora of shopping malls, street shops and open bazaar outlets. In addition to retail, Mongkok is an entertainment and commercial centre.

CORDIS HOTEL IS THE ONLY LARGE-SCALE
LUXURY HOTEL IN THE HEART
OF MONGKOK

EATON HONG KONG





HKTB RATING

HIGH TARIFF B

ROOMS

465

GFA ('000 SQ.FT)

339

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

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

LANGHAM

HOSPITALITY GROUP

The Trust Group comprises a hotel portfolio of three Hong Kong hotels including The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong. These three Hong Kong hotels are managed by the Hotel Manager, Langham Hotels International Limited under Langham Hospitality Group, which is one of the world's most outstanding hotel management companies.

Langham Hospitality Group, a member of the Great Eagle Group, encompasses a family of distinctive hospitality brands which include hotels, restaurants and spas, located on four continents. Langham Hospitality Group currently manages 18 hotels under The Langham Hotels and Resorts, Cordis and Eaton brands, with more than 20 hotel projects currently confirmed and under construction or in a developed stage of negotiations in China, Southeast Asia, Middle East and North America.

LANGHAM HOTELS AND RESORTS – THE LANGHAM AND LANGHAM PLACE

Langham Hotels and Resorts, is the flagship brand of Langham Hospitality Group, and comprise of hotels committed to delivering exceptional experiences across the globe. The Langham name has come to represent hotels that are the epitome of luxury, displaying a passion for genuine service, innovation, captivation of the senses and design. Our hotels are defined by 'The Art of the Stay' through their impeccable service with poise, timeless art & design and by their eclectic sensory experiences. The Langham brand reflects classic luxury, grand and timeless, whereas Langham Place brand represents modern luxury and sophistication.

CORDIS

Cordis, meaning "heart" in latin, is a collection of elegant upscale hotels, with plenty of heart & soul, utterly devoted to your business, personal and family well-being. The service is seamless, devoted, genuine, reliable, thoughtful, anticipatory, passionate and intuitive. The Cordis portfolio will include new built designs, resorts and contemporary residences. The brand will be developed through a combination of new-build and conversion projects in key cities in Asia and North America, with the first hotel to fly the Cordis flag 2015 in Hong Kong. Cordis has already signed management agreements and letters of intent to open seven hotels in six cities within the next three years. Apart from the Hong Kong hotel, Cordis will include five hotels in China, and one each in Indonesia and Sri Lanka.

EATON

Eaton is a modern high design hotel concept, at affordable prices, offering an honest, comfortable and effortless hotel experience for the smart traveller. Eaton is also about sustainable living through eco-friendly hospitality solutions to limit our footprint on the environment. It is the ideal hotel for the smart and responsible traveller interested in a fun and affordable stay. Each Eaton will be known for its modern and simple design in an environment that is fresh, young and vibrant, offering value and transparent pricing. Our guests will feel at ease as there will be no hidden charge.

LANGHAM

HOSPITALITY GROUP



- 📍 The Langham, Hong Kong
- 📍 Cordis, Hong Kong
- 📍 Eaton, Hong Kong
- 📍 The Langham, London
- 📍 The Langham, Boston
- 📍 The Langham, Huntington Pasadena

- 📍 The Langham, Chicago
- 📍 Langham Place, Fifth Avenue, New York
- 📍 The Langham, Melbourne
- 📍 The Langham, Sydney
- 📍 The Langham, Auckland
- 📍 The Langham, Xintiandi, Shanghai

- 📍 Langham Place, Beijing Capital Airport
- 📍 Langham Place Guangzhou
- 📍 Langham Place Ningbo
- 📍 Langham Place, Xiamen
- 📍 Langham Place, Haining
- 📍 The Langham, Shenzhen

Note:

The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong are existing hotel properties owned by the Trust Group. Apart from the said Hotels, the Trust Group does not own any other hotels in the above list.

CORPORATE INFORMATION AND FINANCIAL CALENDAR

TRUST

Langham Hospitality Investments

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

COMPANY

Langham Hospitality Investments Limited

(incorporated in the Cayman Islands with limited liability)

TRUSTEE-MANAGER

LHIL Manager Limited

(as Trustee-Manager of the Trust)

COMPANY AND TRUSTEE-MANAGER BOARDS 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 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

Suite 2702, 27th Floor

Great Eagle Centre

23 Harbour Road

Wanchai, Hong Kong

Tel: (852) 2186 2500

Fax: (852) 2186 9867

CORPORATE INFORMATION AND FINANCIAL CALENDAR

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 AND SHARE STAPLED UNITS REGISTRAR

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

WEBSITE

www.langhamhospitality.com

INVESTORS ENQUIRIES

For enquiries from investors or Holders of Share Stapled Units, please email to enquiry@langhamhospitality.com

HKEX STOCK CODE

1270

FINANCIAL CALENDAR

Event	Date
2015 Interim Results Announcement	6 August 2015
Payment of 2015 Interim Distribution of HK11.7 cents per Share Stapled Unit	2 October 2015
2015 Annual Results Announcement	18 February 2016
Closure of Registers for ascertaining the entitlement to attend and vote at the 2016 Annual General Meeting	18 April 2016 – 22 April 2016 (both days inclusive)
2016 Annual General Meeting	22 April 2016
Ex-distribution Date	26 April 2016
Closure of Registers for ascertaining the entitlement to the proposed 2015 Final Distribution	28 April 2016 – 3 May 2016 (both days inclusive)
Record Date for 2015 Final Distribution	3 May 2016
Payment of 2015 Final Distribution of HK12.9 cents per Share Stapled Unit	16 May 2016

DISTRIBUTION NOTICE

FINAL DISTRIBUTION

The Trustee-Manager Board has recommended the payment of a final distribution of HK12.9 cents per Share Stapled Unit (2014: HK15.2 cents) for the year ended 31 December 2015 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 3 May 2016, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed. Subject to the approval of the Holders of Share Stapled Units at the 2016 AGM, the payment of the final distribution will be made on 16 May 2016. Taken together with the interim distribution of HK11.7 cents per Share Stapled Unit paid in October 2015, the total distribution per Share Stapled Unit for the year 2015 is HK24.6 cents.

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 Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed during the following periods and during these periods, no transfer of Share Stapled Units will be registered:

(i) To attend and vote at the 2016 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2016 AGM, the Registers will be closed from Monday, 18 April 2016 to Friday, 22 April 2016, both days inclusive.

In order to be eligible to attend and vote at the 2016 AGM, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 April 2016.

(ii) To qualify for the proposed 2015 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2015 final distribution, the Registers will be closed from Thursday, 28 April 2016 to Tuesday, 3 May 2016, both days inclusive.

In order to qualify for the proposed 2015 final distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar for registration not later than 4:30 p.m. on Wednesday, 27 April 2016.

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2015	2014	Change
Total Rental Income	682.2	751.7	- 9.2%
Net Property Income	563.4	624.0	- 9.7%
Profit attributable to Holders of Share Stapled Units	1,442.2	557.1	158.9%
Profit attributable to Holders of Share Stapled Units excluding a Change in Fair Value of Investment Properties	343.2	401.5	- 14.5%
Distributable Income	477.5	558.8	- 14.5%
Distributions per Share Stapled Unit before Distribution Waiver (2015: Interim Distribution: HK11.1 cents; Final Distribution: HK12.2 cents)	HK23.3 cents	HK27.6 cents	
Distributions per Share Stapled Unit after Distribution Waiver (2015: Interim Distribution: HK11.7 cents; Final Distribution: HK12.9 cents)	HK24.6 cents	HK29.8 cents	

	As at 31 Dec 2015	As at 30 Jun 2015
Gross Value of Hotel Portfolio (in HK\$ million)	18,381	17,000
Net Asset Value per Share Stapled Unit	HK\$5.72	HK\$5.17
Gearing Ratio	36.2%	38.7%

CHAIRMAN'S STATEMENT

THE TRUST GROUP'S HOTELS HAVE DEMONSTRATED THEIR RESILIENCE
IN A WEAK DEMAND ENVIRONMENT,
AND AS A WHOLE, DELIVERED A 10.6% DECLINE IN REVPAR,
WHICH HAS OUTPERFORMED THE 13.3% DROP IN REVPAR OF
THE HONG KONG HOTEL MARKET IN 2015.

Hong Kong's hotel industry in 2015 was negatively impacted by the strong Hong Kong dollar, increased competition from other countries with more relaxed visa requirements and their intensified marketing initiatives targeted at Mainland China's visitors, given Hong Kong's reliance on visitors from the Mainland China. In addition, minority group of Hong Kong residents' unfriendly behavior and protests against Mainland cross-border shoppers have also dented Mainland China visitors' desire to visit Hong Kong. All-in-all, the number of overnight arrivals to Hong Kong declined by 3.9% in 2015, which marked the first time of a year-on-year decline in overnight arrivals since the global financial crisis in 2009.

Against the backdrop of decreasing visitations, Revenue per available room (RevPAR) for Hong Kong's hotels declined by 13.3% in 2015, as compared with a 2.9% growth in 2014. Nonetheless, supported by the Hotel Manager's strategic marketing and asset enhancement initiatives, the Trust Group's hotels have demonstrated their resilience in a weak demand environment, and as a whole, delivered a 10.6% decline in RevPAR, which has outperformed the 13.3% drop in RevPAR of the Hong Kong hotel market in 2015.

As for the individual hotels, RevPAR for The Langham, Hong Kong, based on an average of 457 rooms (2014: 465 rooms), decreased by 8.7% year-on-year in 2015, while the Cordis, Hong Kong (rebranded from Langham Place Hotel in August 2015) has recorded a drop in RevPAR (based on an average of 620 rooms (2014: 650 rooms)) of 8.9% in 2015. Both were more moderate than the 10.8% drop in their respective High Tariff A hotel market (considered as 5-star rated hotels). The drop in hotel room counts for The Langham, Hong Kong and Cordis, Hong Kong were due to ongoing phased renovation of the rooms.

Although the market conditions were challenging, in August 2015, the transition from the Langham Place to the Cordis brand, both managed by the same Hotel Manager, the Langham Hospitality Group, was a smooth one, as reflected in the improved occupancy and steady room rates after the rebrand. Meanwhile, as the Eaton, Hong Kong faced intense competition from the lower-priced hotels, the hotel recorded a rate-led decline in RevPAR of 16.1% in 2015, which was behind the 14.4% decline witnessed in its respective High Tariff B hotel market (considered as 4-star rated hotels).

Given the declines in RevPARs and with less available rooms in the hotel portfolio in 2015, room revenue of the portfolio dropped by 12.7% year-on-year to HK\$828.5 million. Despite some of the Food and Beverage ("F&B") outlets, including The Place at the Cordis, Hong Kong, which were closed during part of 2015 for renovations, revenue from F&B only dropped by 0.3% year-on-year to HK\$668.1 million in 2015. The steady F&B revenue in 2015 was attributable to the strong domestic F&B consumption, as well as a low base effect, since certain restaurants were closed for renovations during 2014 which suppressed the F&B revenue for that year.

Despite the soft business in 2015, the Trust Group has seized the opportunity and completed its planned renovations in a less disruptive manner, lessening the associated negative impact on the Hotels' operations.

During 2015, the full room inventory at the Cordis, Hong Kong of over 600 rooms was successfully renovated in phases by November 2015. The last phase of the renovation of 128 rooms at The Langham, Hong Kong was completed in September 2015. As all the rooms at the Eaton, Hong Kong have already been renovated in prior years, the full room inventory of the portfolio is now essentially in newly renovated conditions.

CHAIRMAN'S STATEMENT



Renovations have also been carried out on the majority of the F&B outlets and guest facilities at The Langham, Hong Kong and Cordis, Hong Kong by the end of 2015. Regarding the Hotels' F&B outlets, we are pleased that the renovated Ming Court at Cordis, Hong Kong regained its two stars in the 2016 Michelin Guide, whilst the T'ang Court at The Langham, Hong Kong was for the first time, awarded the most prestigious three star-rating from Michelin. It is worth mentioning that besides our T'ang Court, there is only one other Chinese cuisine that has attained this distinctive recognition in Hong Kong.

With such outstanding attainments, together with substantial renovations focused on improving overall guest experience, The Langham, Hong Kong and Cordis, Hong Kong are well positioned as top players in their respective markets, providing them with competitive edge against other high-end hotels and capturing more premium corporate and leisure hotel room demand.

In addition to revenue from rooms and F&B, which accounted for 97.7% of total revenue of the Hotels in 2015, the Hotels also generated other income of HK\$34.8 million, which include income such as revenue from spa. As a result, total revenue of the hotel portfolio amounted to HK\$1,531.4 million in 2015, representing a drop of 7.7% year-on-year, while operating profit before deduction of the global marketing fees of the hotel portfolio reduced by 13.4% year-on-year to HK\$645.4 million for the year.

However, it is important to highlight that the weaker performance of the hotel portfolio only affected the variable rental income received by the Trust Group, as the Hotels are leased to the Master Lessee, and the Trust Group primarily receives rental income from the Master Lessee. Overall rental income received by the Trust Group in 2015 was supported by the fixed rental income paid by the Lessee, as well as steady rental income from the shops at the Eaton, Hong Kong. As a whole, the total rental income of the Trust Group amounted to HK\$682.2 million in 2015 (2014: HK\$751.7 million), representing a decline of 9.2% year-on-year.

After deducting operating expenses incurred by the Trust Group, net property income of the Trust Group was down by 9.7% year-on-year to HK\$563.4 million in 2015 (2014: HK\$624.0 million). Other income, which the majority are interest income for the Trust Group dropped by 52.6% year-on-year to HK\$9.3 million in 2015, as the Trust Group's cash holdings decreased after payments for the renovation work, as well as less deposit interest was earned since the Trust Group had converted all of its remaining Renminbi deposits into Hong Kong dollars by the end of August 2015. In hindsight, the conversion had turned out to be well timed, given the Renminbi had depreciated rapidly towards the end of 2015. However, the conversion had still resulted in realized exchange losses and reduced the distributable income by a total of HK\$16.1

CHAIRMAN'S STATEMENT

million in 2015. Nevertheless, it should be noted that such losses were almost twice covered by the accumulated interest income earned on the Renminbi deposits in prior years of HK\$29.1 million (total accumulated realized exchange losses were HK\$16.3 million, as HK\$0.2 million was included in 2014's results).

Included in the results for 2015 was an increase in fair value of investment properties amounting to HK\$1,099.0 million. Although it is a non-cash item and has no impact on distribution, it has resulted in a significant uplift on the net profit for the Trust Group in 2015. Finance cost was steady at HK\$131.8 million during 2015. After adjusting for other expenses and deducting taxes, net profit was up by 158.9% year-on-year to HK\$1,442.2 million in 2015 (2014: HK\$557.1 million). Excluding the impact of fair value change of investment properties, net profit would have been down by 14.5% to HK\$343.2 million in 2015 (2014: HK\$401.5 million).

Distributable income, which was mainly adjusted for non-cash items, especially the fair value gain on investment properties, was HK\$477.5 million in 2015 (2014: HK\$558.8 million), representing a decline of 14.5% year-on-year. In 2015, distribution per Share Stapled Unit for the full year before distribution waived by the Great Eagle Group was HK23.3 cents (2014: HK27.6 cents) and HK24.6 cents (2014: HK29.8 cents) after the impact of distribution waiver was reflected.

Despite the sluggish hotel market in Hong Kong, valuation of the Trust Group's hotel property portfolio was supported by recent hotel sales transactions. Valuation of the hotel portfolio was valued at HK\$18,381 million as at 31 December 2015, 8.1% higher than that as at the end of June 2015.

The Trust Group had bank loans of HK\$6,800 million and the Net Asset Value of the Trust Group amounted to HK\$11,682 million or HK\$5.72 per Share Stapled Unit as at the end of December 2015 (30 June 2015: HK\$10,516 million or HK\$5.17 per Share Stapled Unit). Gearing ratio dropped to 36.2% as at the end of December 2015 from 38.7% as at the end of June 2015.

As the existing bank loan will mature in May 2016, the Trust Group has taken advantage of the favourably high liquidity conditions of the financial markets in the fourth quarter of 2015 and secured refinancing for the loan. The all-in interest rate for the new loan, is at HIBOR plus 1.23 percent, and down from HIBOR plus 1.7 percent for the existing one. Furthermore, the maturity of the Trust Group's debt profile has also been extended. The new term loan facility will mature four years from the date of drawdown as compared with three years for the existing loan.

OUTLOOK

In addition to concerns lingered since 2015, including further slowdown in China's economic growth, negative impact on the global economy arising from potentially more rate increases in the U.S. and intensifying geopolitical and economic uncertainties, the start of 2016 was marked with significant financial market volatilities. Furthermore, the strong Hong Kong dollar being linked to US dollar, coupled with depreciation of the yen, euro and surrounding nations' currencies have made Hong Kong relatively more expensive to international travellers, especially Mainland China tourists. These conditions could affect near term corporate travel spending and leisure tourists' short term enthusiasm to travel.

CHAIRMAN'S STATEMENT

Therefore, even though Hong Kong's hotels are currently more competitive due to the lowered room rates, at this juncture, we believe a significant rebound in RevPAR for Hong Kong's hotels is unlikely during the first quarter of 2016.

Nonetheless, we expect RevPAR for the full year in 2016 to be largely stable, as new supply of hotel rooms in Hong Kong in 2016 is manageable, whilst demand appears to be recovering from the large declines witnessed in the second and third quarter of 2015. On the supply side, new supply of rooms in Hong Kong is projected to grow at 3.4% (or 2,558 rooms) in 2016, which is below its five-year historical average rate of almost 4%. On the demand side, after the continuous decrease in Hong Kong's RevPAR over the past 15 months, the pace of RevPAR decline in recent months has already narrowed to mid-single digits from the high teen's percentage recorded in the third quarter of 2015.

As for our portfolio, we witnessed a RevPAR drop of 4.4% year-on-year in January 2016, but moving forward, we believe there is room for the Hotel Manager to further maximize revenue potential of the renovated hotels.

Furthermore, the availability of all the room inventory of the portfolio throughout 2016 should contribute additional room revenue this year. At the same time, stringent measures will be implemented on a continuous basis to contain operating cost of the Hotels to optimize profitability.

On asset enhancement initiatives, the remaining major renovation work will be at the Eaton, Hong Kong. The plan is to refurbish all the public areas of the hotel, so as to enhance its attractiveness and create a more engaging lifestyle experience for our targeted guests. However, as the design has yet to be finalised, the renovation work is expected to take place in 2017. On the financing side, the one-month Hong Kong dollar HIBOR could remain elevated for a certain time, but the impact will be partially offset by the lower interest rate spread we have achieved for the new loan facility.

While operating environment will remain challenging in the short term, we are still optimistic about the potential and strength of the hotel market, as Hong Kong maintains its position as one of the sought-after travel destinations in the world. Furthermore, as more tourism and infrastructure developments will be completed in the coming years, these will serve to support additional tourist visitations to Hong Kong over the long term.



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

Total rental income of the Trust Group, which comprise of a variable and base rental income received from the Master Lessee, as well as retail rental income from the shops at the Eaton, Hong Kong dropped by 9.2% year-on-year to HK\$682.2 million in 2015. Reflecting the drop in the Hotels' aggregate gross operating profit before deduction of the global marketing fees, variable rental income decreased by 13.4% year-on-year to HK\$451.8 million in 2015, while there was a slight increase in rental income received from the retail shops at Eaton, Hong Kong, which rose by 3.8% year-on-year to HK\$5.4 million in 2015. Base rental income from the Master Lessee was flat at HK\$225 million.

(in HK\$ million)	2015	2014	Change
Variable rental income (70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees)	451.8	521.5	- 13.4%
Base rental income (based on HK\$225 million per annum)	225.0	225.0	-
Rental income from the retail shops at Eaton, Hong Kong	5.4	5.2	3.8%
Total rental income to the Trust Group	682.2	751.7	- 9.2%

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

Service fees include hotel management fee, licence fee and global marketing fee. Hotel management fee, which is pegged to the Hotels' operating performance, was reduced by 11.2% to HK\$52.5 million in 2015 and was the largest share of service fees. Global marketing

fee, which was based only on the room revenue of the Hotels, dropped by 12.6% to HK\$16.6 million. License fee, calculated at 1% of the total revenue of the Hotels, decreased by 7.8% year-on-year to HK\$15.3 million. It should be noted that when calculating the distributable income, global marketing fee is paid in cash, while hotel management and licence fees are paid in the form of Share Stapled Units until the end of 2017. Thereafter, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination thereof.

CEO'S REVIEW

(in HK\$ million)	2015	2014	Change
Hotel management fee (comprised of a base fee at 1.5% of total hotel revenue and an incentive fee at 5% of adjusted gross operating profit of the Hotels)	52.5	59.1	- 11.2%
Global marketing fee (2% of total room revenue of the Hotels)	16.6	19.0	- 12.6%
Licence fee (1% of total revenue of the Hotels)	15.3	16.6	- 7.8%
Service fees	84.4	94.7	- 10.9%

Hotel properties' related expenses are comprised of building management fee, insurance and property taxes and rates. Property taxes and rates represented almost two-third of total hotel properties' related expenses and had increased by 3.0% year-on-year in 2015. The increase in property taxes and rates was due to higher

reassessed rateable values of the hotel properties valued by the government. Including building management fee, insurance and other hotel properties' related expenses, total hotel properties' related expenses borne by the Trust Group rose by 4.2% year-on-year to HK\$34.4 million for the year ended 31 December 2015.

(in HK\$ million)	2015	2014	Change
Total rental income	682.2	751.7	- 9.2%
Service fees (hotel management fee, licence fee and global marketing fee)	(84.4)	(94.7)	- 10.9%
Hotel properties' related expenses	(34.4)	(33.0)	4.2%
Net property income	563.4	624.0	- 9.7%

After deducting the service fee and hotel properties' related expenses from the total rental income, net property income for the Trust Group was HK\$563.4 million in 2015, representing a decline of 9.7% year-on-year.

Other income of the Trust Group, of which the majority is interest income, dropped by 52.6% year-on-year to HK\$9.3 million in 2015, as the Trust Group's cash holdings decreased after payments for the renovation work. In addition, since the unexpected depreciation of Renminbi witnessed on 11 August 2015, the Trust Group took advantage of a short rebound in the Renminbi occurred

in the following days, and converted all of its remaining Renminbi deposits into Hong Kong dollars by August 2015. In hindsight, the conversion had turned out to be well timed, given the Renminbi had depreciated much more rapidly towards the end of 2015. Although the realization of the exchange losses on the Renminbi had lowered the Trust Group's distributable income in 2015 by HK\$16.1 million (total accumulated realized exchange losses were HK\$16.3 million, as HK\$0.2 million was included in 2014's results), such exchange losses had been more than offset by the accumulated interest income earned on the Renminbi deposits in prior years of HK\$29.1 million.

CEO'S REVIEW

Meanwhile, finance cost was steady in 2015 at HK\$131.8 million as compared with HK\$130.8 million in 2014. Finance cost incurred for the year consisted of: i) amortization of upfront loan fee, which is a non-cash item, and ii) interest expense for the year. Interest expense was calculated based on a spread of 120 basis points over one-month HIBOR for 2015.

Trust and other expenses, comprising of staff and other administration expenses, increased by 2.5% year-on-year to HK\$12.5 million for the year ended 31 December 2015. As the Trust Group is internally managed, no asset management fee is paid to external asset manager, but its own management team is remunerated instead.

Included in the 2015's final results was a gain arising from an increase in fair value of investment properties

amounting to HK\$1,099.0 million, which represented a substantial increase compared with the HK\$155.6 million increase in fair value of investment properties booked in 2014. However, such gain is a non-cash item, and will be deducted from the calculation of distributable income.

Given the lower operating profit of the Trust Group, income tax expense incurred by the Trust Group dropped by 12.0% year-on-year to HK\$76.6 million in 2015 (2014: HK\$87.0 million), while profit attributable to Holders of Share Stapled Units rose by 158.9% year-on-year to HK\$1,442.2 million in 2015 (2014: HK\$557.1 million). Excluding the impact of fair value change on investment properties, net profit attributable to Holders of Share Stapled Units was down 14.5% to HK\$343.2 million in 2015 (2014: HK\$401.5 million).

(in HK\$ million)	2015	2014	Change
Net property income	563.4	624.0	- 9.7%
Other income (majority are interest income)	9.3	19.6	- 52.6%
Finance cost	(131.8)	(130.8)	0.8%
Increase in fair value of investment properties	1,099.0	155.6	606.3%
Net exchange loss	(8.6)	(12.1)	- 28.9%
Trust and other expenses	(12.5)	(12.2)	2.5%
Profit before tax	1,518.8	644.1	135.8%
Income tax expense	(76.6)	(87.0)	- 12.0%
Profit attributable to Holders of Share Stapled Units	1,442.2	557.1	158.9%
Profit attributable to Holders of Share Stapled Units excluding a change in fair value of investment properties	343.2	401.5	- 14.5%

CEO'S REVIEW

In order to derive the Trust Group's distributable income, non-cash items are added back to profit. These items include hotel management and licence fees paid in Share Stapled Units, amortisation of upfront loan fee and deferred taxation. However, there are deduction adjustments relating to: i) increase in fair value of

investment properties; ii) cash contribution to the furniture, fixtures and equipment reserve, which is based on 1.5% of total revenue of the hotels; and iii) reversal of exchange losses recorded in prior years. Overall, distributable income of the Trust Group dropped by 14.5% year-on-year to HK\$477.5 million in 2015.

(in HK\$ million)	2015	2014	Change
Profit attributable to Holders of Share Stapled Units	1,442.2	557.1	158.9%
Adjustments:			
Add:			
Hotel management fee (base and incentive fees paid in Share Stapled Units)	52.5	59.1	- 11.2%
Licence fee	15.3	16.6	- 7.8%
Amortization of upfront loan fee, a non-cash cost	34.0	34.0	-
Deferred tax	63.0	60.5	4.1%
Non-cash exchange difference	-	12.0	n.a.
Less:			
Increase in fair value of investment properties	(1,099.0)	(155.6)	606.3%
Non-cash exchange difference (i.e. reversal of unrealized exchange losses in prior years)	(7.5)	-	n.a.
Cash contribution to furniture, fixtures and equipment reserve	(23.0)	(24.9)	- 7.6%
Distributable income	477.5	558.8	- 14.5%

Pursuant to the Distribution Entitlement Waiver Deed, the holding company of the Trust Group, the Great Eagle Group has waived 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 31 December 2015) for the financial year of 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 of 2016, and reduce to 50 million Share Stapled Units for the financial year of 2017, and all of the holdings of Share

Stapled Units of the 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. In 2015, distribution per Share Stapled Unit for the full year was HK23.3 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK24.6 cents.

CEO'S REVIEW

As at 31 December 2015, net debt was approximately HK\$6,496 million, which consisted of HK\$6,800 million of bank debt offset by cash of HK\$304 million. As the bank debt will mature in May 2016, the Trust Group has taken advantage of the high liquidity of the financial markets in the fourth quarter of 2015 and secured favourable refinancing for the loan. The all-in interest rate for the new term loan facility is calculated at HIBOR plus 1.23

percent (based on a spread of 0.98% plus an upfront fee of 1% amortized over 4 years), which was down from HIBOR plus 1.7 percent (based on a spread of 1.2% plus an upfront fee of 1.5% amortized over 3 years) for the existing one. Furthermore, the maturity of the Trust Group's debt profile has been extended, and the new term loan facility will mature four years from the date of drawdown as compared with three years for the existing term loan.

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2015	2014	2015	2014	2015	2014	2015	2014
The Langham, Hong Kong	457	465	84.7%	88.9%	2,198	2,295	1,862	2,040
<i>year-on-year growth</i>			<i>-4.2ppt</i>		<i>-4.2%</i>		<i>-8.7%</i>	
Cordis, Hong Kong	620	650	89.7%	91.2%	1,734	1,871	1,555	1,706
<i>year-on-year growth</i>			<i>-1.5ppt</i>		<i>-7.3%</i>		<i>-8.9%</i>	
Eaton, Hong Kong	465	465	89.5%	96.1%	1,093	1,213	978	1,166
<i>year-on-year growth</i>			<i>-6.6ppt</i>		<i>-9.9%</i>		<i>-16.1%</i>	
Hotels portfolio	1,542	1,580	88.1%	92.0%	1,670	1,789	1,472	1,646
<i>year-on-year growth</i>			<i>-3.9ppt</i>		<i>-6.7%</i>		<i>-10.6%</i>	

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2015	2014	2015	2014	2015	2014
High Tariff A	83.0%	86.0%	2,267	2,452	1,882	2,109
<i>year-on-year growth</i>	<i>-3.0ppt</i>		<i>-7.5%</i>		<i>-10.8%</i>	
High Tariff B	88.0%	91.0%	1,067	1,205	939	1,097
<i>year-on-year growth</i>	<i>-3.0ppt</i>		<i>-11.5%</i>		<i>-14.4%</i>	

CEO'S REVIEW

RevPAR for the hotel portfolio dropped by 10.6% year-on-year to HK\$1,472 in 2015, which was a result of 6.7% drop in average room rate and a 3.9 percentage point decline in occupancy. In addition, number of available rooms was reduced in 2015, resulting in a 12.7% drop of room revenue as compared to 2014. Room revenue accounted for 54.1% of total revenue of the hotel portfolio in 2015.

RevPAR growth of the two High Tariff A hotels, The Langham, Hong Kong and Cordis, Hong Kong, outperformed their respective High Tariff A hotel market. However, RevPAR growth of the Eaton, Hong Kong lagged behind its respective High Tariff B hotel market in 2015,

as certain players in the High Tariff B market, especially those lower-priced hotels that derived almost all of their room revenue from the Mainland China market, have aggressively slashed their room rates when the number of tours from Mainland China started to drop in the second quarter of 2015.

Revenue from F&B dropped by 0.3% year-on-year to HK\$668.1 million in 2015 and accounted for 43.6% of total revenue of the hotel portfolio in 2015. Adjusted gross operating profit of the portfolio fell by 13.4% year-on-year in 2015, given a 12.7% reduction in room revenue.

(in HK\$ million) Revenue breakdowns	The Langham, Hong Kong	Cordis, Hong Kong	Eaton, Hong Kong	Total
Rooms	310.8	351.7	166.0	828.5
Food and Beverages	224.3	280.1	163.7	668.1
Others	13.2	18.3	3.3	34.8
Total revenue	548.3	650.1	333.0	1,531.4

In 2015, demand for our rooms from overnight tourists of the Mainland China declined by 8.1% 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 2015, as compared with that in 2014. Despite the decline in visitors from the Mainland China, this market still accounted for 29.4% of total arrivals by geographical breakdown, stable as compared with 2014.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year change in guests from Mainland China	- 8.1%	- 5.7%
% of overnight guests from Mainland China to total arrivals	29.4%	67.4%

CEO'S REVIEW

Performance of the individual hotels

The Langham, Hong Kong managed to increase its share of arrivals from the Mainland China slightly in 2015 as compared with that in 2014, while arrivals from the U.S., which is another key market for the Hotel, remained flat in 2015 as compared to 2014. However, arrivals fell for almost all of the other key markets, including Australia, Europe and other Asian countries. In particular, the rates of decline for arrivals from Australia and Europe were more severe, attributable to the depreciation of their currencies in 2015.

During 2015, the Hotel achieved average occupancy of 84.7% on an average of 457 rooms (2014: 88.9% on an average of 465 rooms) and an average room rate of HK\$2,198 (2014: HK\$2,295). RevPAR was HK\$1,862 in 2015, down 8.7% from 2014.

Revenue from F&B rose by 2.1% year-on-year in 2015, which was due to stronger banqueting business, as well as pick-up in business from the Chinese restaurant, which achieved a three star-rating from Michelin in November 2015. This will help to enhance revenue growth of F&B in 2016.

Cordis, Hong Kong (rebranded from Langham Place Hotel in August 2015) also accommodated more arrivals from the Mainland China, while arrivals from most of the other key markets had dropped in 2015 as compared with that in 2014. However, the Cordis, Hong Kong witnessed a low single-digit year-on-year improvement in RevPAR during the fourth quarter of 2015. The increase was in part attributable to the low base effect, as the Hotel suffered from an extremely weak demand during the Occupy Central protest in Mongkok over the fourth quarter of 2014. As for the renovation for its rooms, they have all been completed by the end of November 2015 which will help the Hotel attract guests going forward.

For the year 2015, the Hotel achieved average occupancy of 89.7% (2014: 91.2%) and an average room rate of HK\$1,734 (2014: HK\$1,871). RevPAR in 2015 dropped 8.9% year-on-year to HK\$1,555.

Revenue from F&B decreased by 1.5% year-on-year in 2015. The decrease was attributable to a drop in revenue at The Place restaurant, which underwent renovation during the first quarter of 2015. There was also a lack of F&B revenue contribution from the Tokoro Japanese restaurant since October 2015, which was closed for conversion into additional office space for the Hotel. As the Tokoro was situated on the third floor of the Hotel with limited visibility and was not as easily accessible as the other F&B outlets, its patronage had been relatively low. On the other hand, the conversion will help to reduce the Hotel's rental expenses in 2016 and beyond, as the additional office space will suffice for its own use.

Eaton, Hong Kong suffered more from weaker overnight tourist visitations from the Mainland China, as compared with the other two Hotels of the portfolio. The Eaton, Hong Kong witnessed a 34.7% year-on-year drop in arrivals from the Mainland China market in 2015, as it faced intense competition from other lower-priced hotels. Even though Eaton's lowered room rates have attracted more budget travellers from other key markets like Australia, U.S., U.K. and other Asian countries, such increase was unable to offset the large decline in arrivals from the Mainland China.

For the year 2015, the Hotel achieved average occupancy of 89.5% (2014: 96.1%) and an average room rate of HK\$1,093 (2014: HK\$1,213). RevPAR dropped 16.1% to HK\$978 in 2015.

Revenue from F&B at the Eaton, Hong Kong, dropped by 1.7% year-on-year in 2015 due to lower banqueting revenue, whereas most of the other restaurants showed better pickup with increased number of customers.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the year ended 31 December 2015 was HK\$477,534,000 (2014: HK\$558,825,000). It is the stated intention of the Boards to distribute 100% of total distributable income in respect of financial year ending 31 December 2014 and 2015 and not less than 90% of total distributable income in respect of each financial year thereafter.

CEO'S REVIEW

Pursuant to the Distribution Entitlement Waiver Deed, LHIL Assets Holdings Limited, a wholly-owned subsidiary of the Great Eagle Group, has waived 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 the six months ended 31 December 2015 was HK12.9 cents (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 100,000,000 Share Stapled Units (2014: 150,000,000 Share Stapled Units)). With an interim Distribution per Share Stapled Unit of HK11.7 cents, Total Distribution per Share Stapled Unit for the year amounted to HK24.6 cents. Based on the closing Share Stapled Unit price of HK\$2.84 as at 31 December 2015, Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 8.66%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$11,682 million or HK\$5.72 per Share Stapled Unit as at 31 December 2015 which represents a 101.4% premium to the closing Share Stapled Unit price of HK\$2.84 as at 31 December 2015.

Debt Profile

Total outstanding borrowings of the Trust Group as at 31 December 2015 were HK\$6,800 million (2014: HK\$6,800 million). The secured term loan is on a floating-rate interest basis and repayable in full on 29 May 2016. As previously mentioned, a favorable refinancing had been secured to repay the existing term loan. The Trust Group will closely monitor interest rate movements and may, depending on market conditions, consider hedging the interest rate exposure on part or all of the bank debt.

As at 31 December 2015, total gross assets of the Trust Group were HK\$18,803 million (2014: HK\$17,705 million). The gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 36.2% (2014: 38.4%).

Cash Position

As at 31 December 2015, the Trust Group had a cash balance of HK\$304 million (2014: HK\$649 million) to satisfy the asset enhancement of the 3 hotels, primarily Eaton, Hong Kong, as well as the working capital and operating requirements.

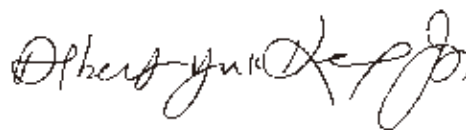
Pledge of Assets

As at 31 December 2015, investment properties of the Trust Group with a fair value of HK\$18,381 million (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 secure a HK\$6,800 million syndicated bank facility granted to the Trust Group.

Commitments

At 31 December 2015, the Trust Group had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$126,407,000 (2014: HK\$209,157,000), of which HK\$16,182,000 (2014: HK\$56,276,000) were contracted for.

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



IP Yuk Keung, Albert
Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 69, 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 a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a 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.

Ms. LO Bo Lun, Katherine

Non-executive Director

Ms. LO Bo Lun, Katherine, aged 34, has been a Non-executive Director of the Trustee-Manager and the Company since 2013. She is a Member of the Company's Nomination Committee and a Director of the subsidiaries of the Company. She graduated from Yale University with a Bachelor of Arts with distinction in Sociocultural Anthropology, and subsequently earned her Master of Fine Arts Degree from the University of Southern California. She is a hospitality industry professional. She joined the hotel division of Great Eagle Group in 2011 and acted as Executive Director of Langham Hospitality Group Limited. In 2014, she was appointed President of Eaton Hotels. As President, she 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, and an elder sister of Mr. LO Chun Him, Alexander.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LO Chun Him, Alexander *(as the alternate to Ms. LO Bo Lun, Katherine)*

Mr. LO Chun Him, Alexander, aged 31, 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 of the subsidiaries of the Company. He is also an Executive Director of Great Eagle Holdings Limited, which is listed on the Main Board of the Stock Exchange. Prior to joining the Great Eagle Group in 2010, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of The Real Estate Developers Association of Hong Kong and a member of the Management Committee of The Federation of Hong Kong Hotel Owners Limited. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Mr. Lo is a son of Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, 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 64, 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 City University of Hong Kong, Lingnan University and University of Macau. He is also 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 Bank Limited and Mercuries Life Insurance Co., Ltd. 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 72, 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 38 years of extensive experience of international hotel management. He had been the Executive Vice President of Langham Hotels International Limited responsible for finance, operations, business development and administration before his retirement in 2009. Prior to that, he held various senior management positions including Group and Regional Financial Controller in the hotel division of Great Eagle and in some other reputable international and Hong Kong hotel groups such as Le Meridien, Hilton and Regal.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Kwai Lam ***Independent Non-executive Director***

Mr. WONG Kwai Lam, aged 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, 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, and an Independent Non-executive Director of Hutchison Port Holdings Management Pte. Limited, as trustee-manager of Hutchison Port Holdings Trust, listed on the Stock Exchange of Singapore. 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 Director of the CUHK Medical Centre Limited. 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 34 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.

Directors' interests in the Trust Group and/or in the substantial Holders of Share Stapled Units of the Trust Group are set out in the Report of the Directors in this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LI Man Wai, Alexander
Chief Financial Officer

Mr. LI Man Wai, Alexander, aged 61, has been the Chief Financial Officer of the Company since 2013. He joined the Great Eagle Group in 1999 as the financial controller of The Langham, Hong Kong and was promoted to regional director of finance – Hong Kong of the Hotel Manager in 2012 overseeing the finance department of all Hong Kong properties, namely The Langham, Hong Kong, Cordis, Hong Kong, Eaton, Hong Kong and Eaton serviced apartments, as well as the Chinese restaurant, Yat Tung Heen, in Wanchai. He has extensive experience in the hospitality industry of around 36 years and held various positions in the finance department in international hotel chains including Mandarin Oriental, Shangri-la and Regal before joining the Great Eagle Group.

Ms. LIANG Lai Yee, Lisa
Finance and Office Administration Manager

Ms. LIANG Lai Yee, Lisa, aged 42, has been the Finance and Office Administration Manager of the Company since 2013. She is primarily responsible for the financial reporting and general office administration of the Group. With over 19 years' accounting and audit experience, Ms. Liang had previously worked as accounting manager of various commercial companies. Earlier in her career, she was employed by a reputable certified public accountants firm to perform external audit duties. Prior to joining the Group, she was an accountant of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust on the Main Board of the Stock Exchange) since March 2008. Her duties include preparing consolidated accounts, maintaining profit and cashflow forecasts and performing financial reporting duties. Ms. Liang holds a Master of Science Degree in Professional Accounting and Corporate Governance from City University of Hong Kong. She is a fellow of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

Ms. TANG Wai Yan, Carmen
Head of Investor Relations

Ms. TANG Wai Yan, Carmen, aged 38, has been the Head of Investor Relations of the Company since 2013. She is also the investment services director of Great Eagle Holdings Limited, and is responsible for facilitating communications and liaison with its shareholders and investors. Ms. Tang has 14 years of experience in the real estate sector in Hong Kong and China. Prior to joining Great Eagle in 2008, she worked as an analyst with an international investment bank covering the real estate investment trusts (REITs) and hospitality sector in Hong Kong and China. Ms. Tang graduated from the University of Cambridge with a MPhil in Finance Degree, and holds a Bachelor of Science (First Class Honours) Degree in Business Economics from Queen Mary and Westfield College, the University of London.

COMPANY SECRETARY

Ms. WONG Mei Ling, Marina

Ms. WONG Mei Ling, Marina, aged 49, has been the Company Secretary of the Trustee-Manager and the Company since 2013. She is responsible for the company secretarial and compliance function of the Trust Group. Ms. Wong is the Company Secretary of Great Eagle Holdings Limited and is also responsible for the company secretarial matters of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion REIT). Ms. Wong is a fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration jointly awarded by the University of Wales and the University of Manchester and a Bachelor of Arts Degree in Accountancy from City Polytechnic of Hong Kong respectively. Ms. Wong had over 20 years' post qualification experience in company secretarial and compliance.

CORPORATE SOCIAL RESPONSIBILITY REPORT

CONNECT is our corporate social responsibility programme. The name CONNECT implies that all colleagues recognise the connection of our initiatives with the environment and society. We collectively act responsibly every day and contribute to the sustainable development of the neighbourhoods where we operate. The four priorities are: Governance, Environment, Community and Colleagues, which form the framework to address the most relevant corporate responsibility issues to the hotel business.



Since the last introduction of Vision, Mission, Objectives and Values (VMOV) in 2008, the Hotel Manager launched the renewed VMOV in 2015 with the aim of articulating a common future picture of the organisation to every colleague. The vision statement “We will be recognised as the leading and visionary hospitality group in the world by offering unique brands for different market segments and building guest loyalty” provides a clear picture to every employee on the direction of the company. “The Commitments” outline the purpose of our business existence and provide a sense of meaning to the colleague instead of only a job.

The 5 Key Objectives are well communicated to all colleagues so that everyone are working towards the same targets. They are (1) Increase Guest Loyalty (Guest), (2) Optimise our Profitability (Finance), (3) Increase Colleague Loyalty (Colleague), (4) Provide Reliable and Timely service while maximize efficiency (Process) and (5) Be a sustainable company (Sustainability).

To cascade the same message across different brands and level of colleagues, the Hotel Manager formulated an easily communicated document covering the overall business model, operations model as well as the leadership model. The Hotel Manager and the Hotels deployed various learning and quality systems that were designed to make our culture sustainable. In 2015, the Hotel Manager and the Hotels organised two colleague engagement campaigns focusing on two of the Stakeholders – Colleagues and Sustainability.

Engaging the stakeholders is a factor in the success of our business. We reach out to the key stakeholders in many different ways for business purposes. Sustainability messages to stakeholders were reinforced by rolling out stakeholder engagement exercise in all Hotels in 2015. Corporate social responsibility issues are local as well as international, thus we should engage them holistically.

CORPORATE SOCIAL RESPONSIBILITY REPORT

ENVIRONMENT

The Hotel Manager engages the Hotels in the sustainability journey through the partnership with EarthCheck. EarthCheck is the leading international sustainability benchmarking and certification service for the travel and tourism industry. Achieving EarthCheck certification is one of our hotel's key performance indicators. In 2015, the Hotels are certified at the EarthCheck Gold level as their sustainability efforts have been recognised for more than five years. In addition, Cordis, Hong Kong is accredited with an ISO 14001 certification. Eaton, Hong Kong has been named Highly Commended in the Green Hotelier Awards 2015 in Asia Pacific organised by International Tourism Partnership for their commitment and innovation in sustainable practices and community outreach programmes.

Performance Monitoring

Total electricity consumption of the Hotels was 156,291 GJ in 2015, representing a 0.7% increase when compared to 2014 (155,215 GJ) due to 2015 was the hottest year on record in Hong Kong. Total gas/fuel consumption of the Hotels in 2015 was 46,755 GJ, down 11% when compared to 2014 (52,460 GJ) due to the boiler replacement project in The Langham, Hong Kong and other gas efficiency initiatives. Total water consumption was 472,483 CuM, representing a 0.5% decrease when compared to 2014 (474,680 CuM).

Resource Conservation

The Hotels always identify energy and water saving opportunities through optimising the operational efficiency of plants and equipment, and upgrading the system if necessary. In 2015, Cordis, Hong Kong was rebranded from Langham Place Hotel, Hong Kong. The rebranding project included the replacement of roof sky signage and the renovation of guest rooms, the international buffet restaurant and the Club Lounge. Energy efficient LED lightings were installed in this project including the roof sky

signage uses LED lighting which saves approximately 60% of electricity as compared to the original signage. Eaton, Hong Kong also replaced some of the lighting in Yat Tung Heen and back of house area with energy efficient LED type.



The renovation of guest rooms continued at The Langham, Hong Kong in 2015 using energy and water conservation features. Moreover, the water boiler plant in The Langham, Hong Kong was replaced by an energy efficient model using cleaner energy. Instead of using diesel as the energy source, the plant uses Towngas which is a cleaner gas fuel with lower greenhouse gas emission. The annual energy consumption of the plant is estimated to be reduced by 30%. Cordis, Hong Kong upgraded one of their hotel vehicles to a hybrid car which reduces the use of petroleum fuel leading to less exhaust of air pollutants and greenhouse gases.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Waste Reduction

Reducing the amount of waste being sent to landfill remains our focus in our sustainability journey. The Hotels have been implementing waste minimisation initiatives including recycling/reusing (paper, metal, plastics, cardboard, glass bottles, cooking oil, printer cartridges, wet amenities, soap, wine corks), food waste donation and composting, and used items donation (furniture, fabric items, electronic equipment). The Hotels also look into other opportunities to reduce paper consumption.

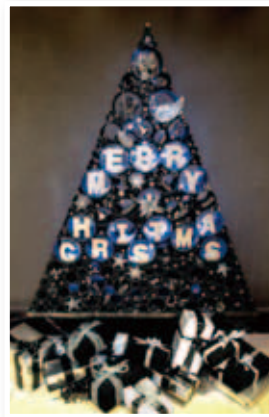
The Langham, Hong Kong installed a paperless room check-in and check-out system starting from 2015. The new process allows the room reservation information to be displayed on a tablet computer. Upon guests' preference, billing statements and receipts can be sent via email using this device. The system reduces the paper consumption and also facilitates the check-in/check-out process for guests' convenience.



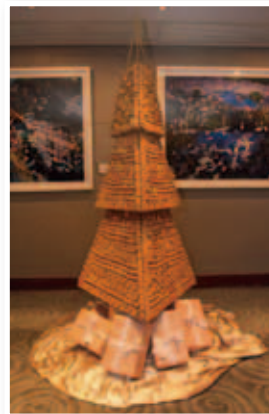
Cordis, Hong Kong implemented a Langham Logic (process re-engineering) project to review the paper consumption by each department. Office paper is one of the top consumable items in the hotel. This project focuses on analysing the paper usage pattern in each department through paper audits in order to develop a systematic monitoring mechanism and thus minimise paper consumption. The project was completed with reducing significant reduction in A4 paper consumption in the Hotel by 16%.

Engagement – Colleagues & Guests

Simple actions and messages can create strong influences on our guests and colleagues. In 2015, the Hotel Manager launched a Sustainable Christmas Tree competition as one of the colleague engagement campaigns on the subject of Sustainability. Each Hotel colleagues designed and created a Christmas tree made by used or waste materials collected in the Hotel. The winners are voted by public through different social media channels with the aim of engaging the hotel guests about environmental protection awareness.



From Eaton, Hong Kong



From The Langham, Hong Kong



From Cordis, Hong Kong

CORPORATE SOCIAL RESPONSIBILITY REPORT

The CONNECT featured environment event 2015 was named as “Loving Earth Month” covering March to April. The Hotels kicked off the week with the “lights out” campaign known as Earth Hour. Throughout the month, The Hotels offered meatless dishes at restaurants and colleague cafeterias on Mondays to promote healthy green diet. Internally, the Hotels launched a 10,000 steps challenge campaign encouraging colleagues walk more and use less transportation.



In the Loving Earth Month, Cordis, Hong Kong turned its gift shop into a pop-up store selling upcycled products made by members of St. James’ Settlement’s Sheltered Workshop, a non-profit multi-social service agency. Popular items include creative handmade wine cork boards, magnets and pens, with part of the wine corks collected from Cordis Hotel. Complimentary upcycling demonstration sessions given by St James were also organised for guests and general public to promote the concept of upcycling. Profits generated from the pop-up store will be donated to the fund for the training allowance of St James’ members.



COMMUNITY

The Hotel Manager and the Hotels contribute to local communities through multiple means including donations and visits, free or in-kind sponsorships, and employee volunteering. In 2015, our colleagues delivered 2,000 hours of support to charitable and other social projects. Both the Hotel Manager and the Hotels have each been recognised as a Caring Company, with The Langham, Hong Kong and Eaton, Hong Kong in particular receiving accreditation for the past 10 years, and Cordis, Hong Kong received 5 years plus accreditation. In addition, Cordis, Hong Kong received Corporate Citizenship Logo Winners under Enterprise Category 2015 under the Hong Kong Corporate Citizenship Award Scheme organised by Hong Kong Productivity Council and the Silver Certificate for Volunteer Service under the Volunteer Movement organised by the Social Welfare Department. The following sections highlight some of the major community engagement activities in 2015.

Support of the Arts and Children

We believe in building strategic partnerships for community investment that yield enduring advantages to both our partners and to us. The Hotel Manager and the Hotels have been partnering with HOPE worldwide Hong Kong for the third consecutive year. In this year, we jointly organised “The Six Pillars of Character Workshop: Be a Young Hotelier”. Thirty children from local low-income families were invited to experience the life of a hotelier. Through the experience, the hotel colleagues demonstrates the importance of the “Six Pillars of Character” – Caring, Respect, Trustworthiness, Responsibility, Fairness and Citizenship for a hotelier.

In addition, we extended our support to our community partner by offering our public relation professionals and network to line up several media interviews for Hope WW during this event. This is the first time we invited media and bloggers to participate in our community service event, and also a valuable experience to maximise our resources to support our partners in a 360-degree approach. Our community partner can therefore expand their public relation network and gain more media exposure to share their stories and knowledge on “Six Pillars of Character”.

CORPORATE SOCIAL RESPONSIBILITY REPORT



Colleagues of Eaton, Hong Kong conducted an art workshop to create reusable shopping bags with 20 children from Tung Wah Group of Hospitals, Tuen Mun Integrated Service Centre. These shopping bags are not only reusable but also environmentally friendly as they were made of condemned linen (e.g. bed sheets and blanket covers) collected from the Hotel. The participating children were very creative by designing and making their unique bags with acrylic and also old buttons collected from our colleagues.



Support of the Environment

It is always our commitment to make our environment a better place for us to live and work. The Hotels support the leading global environmental events such as Earth Hour, as well as the local engagement activities, e.g. Green Monday and Green Luck Banquet.

In 2015, The Langham, Hong Kong partnered with Victor Chu, a young talented sustainable fashion designer and winner of The EcoChic Design Award 2014/15 second

prize, created textile waste-reducing staff uniforms for T'ang Court, the 3-star Michelin Chinese Restaurant. The uniform is designed with minimal waste generated and using the durable materials to maximum capacity. Female jackets are designed without lapels or pocket flaps and select male shirts have shorter stand-up collars as opposed to a traditional turnover style to reduce the use of additional material. Cut-offs from garment production were incorporated into the uniforms collars and pockets to ensure minimal fabric wastage.



Colleagues from Cordis, Hong Kong and Eaton, Hong Kong participated in beach clean-up activities at Cafeteria Old Beach and Lung Kwu Tan in Tuen Mun respectively. Over 40 colleagues not only turned the beach into a clean one, but also recorded, sort and disposed the collected trash properly. Our colleagues learnt the importance of coastal protection and also supported in protecting the environment.



CORPORATE SOCIAL RESPONSIBILITY REPORT

Support Local Community

The Trust Group's CEO Mr. Albert Ip gave the Scholarship for Top-up Degree Programmes of Hong Kong Institute of Vocational Education in 2015. The scholarship aims at providing financial assistance to graduating students from the Hotel, Service and Tourism Studies Discipline to continue their Top-up degree studies of Hotel Administrations or Hospitality Management. Two students were awarded the scholarships based on their outstanding academic achievement and leadership abilities.



The Hotels offer continuous support to the local educational institutions. Eaton, Hong Kong and The Langham, Hong Kong were invited by the Hong Kong Polytechnic University School of Hotel and Tourism Management (SHTM) to participate in the "Professor for A Day" programme to share their experience on topics such as human resources, environmental and sustainability management in hospitality industry. Cordis, Hong Kong participated in the Hong Kong Polytechnic University SHTM Mentorship Programme which links full-time SHTM students to industry professionals for advice and guidance.



The Company's CEO also shared his experience in hospitality industry by delivering a talk to the students from the 3rd HKIEd-HKMA Student Career Development Certificate Course which is jointly offered by The Hong Kong Institute of Education (HKIEd) and The Hong Kong Management Association (HKMA).



To mark the 25th Anniversary of AIDS Concern in Hong Kong, The Langham, Hong Kong launched the TRIPLE ZERO RED campaign, with a special red-themed menu, red strawberry candy marshmallow macaron and red cocktail to raise funds for AIDS Concern. Ten per cent of the proceeds of these menus went to the charity. The Hotel also contributed prizes for the silent auction, including a one-night stay in the newly renovated Director Suite and a tasting menu in T'ang Court.

CORPORATE SOCIAL RESPONSIBILITY REPORT



COLLEAGUES

"Fostering an engaging and respectful work environment for our colleagues to achieve their career aspirations" is our commitment to our colleagues. The Hotel Manager organised an colleague engagement activity: the Lovin' My League Photo Competition with the theme "Sharing of favourite moments with colleagues at work". The objective of this activity is to share the team culture of the company which can only be created by everyone of them. The competition was well received with 255 photo entries and 765 votes from colleagues.

In 2015, the Hotels received the 18 Districts Caring Employers 2015 Award by The Hong Kong Joint Council for People with Disabilities and The Hong Kong Council of Social Services. The Hotels also continued the participation to the Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme by Labour and Welfare Bureau. These achievements indicated our pledge in cherishing our colleagues from all aspects.



Employee Health and Safety

Ensuring the safety of our colleagues is always at the top of our agenda. The Hotels maintain their health and safety systems with policies, committees, training and incident reporting and analysis. The system is implemented and monitored by the senior management, human resources directors and security departments. The effectiveness of the system is reviewed through Key Performance Indicators (KPI) systems, looking at the injury rates and numbers of lost days. Improvement teams would be set up to analyse the data, finding the root cause, implementing improvement action plan and follow up the results.

The frequency of the colleagues being injured and taking work leave was 8.1 reported lost-time accidents per 100 employees. The injury rate was increased slightly as compared to previous year with an increase of minor injury cases. The Hotels will continue monitoring of the performance and enhance the staff awareness in workplace healthy and safety.



The Hotels organise the Workplace Health and Safety Week every year, as part of the global awareness programme of the Hotel Manager. A week in the fourth quarter was designated for activities that increase colleagues' awareness and promote the importance of workplace health and safety. Colleague Wellness was the theme for 2015. Health promotion programmes such as medical

CORPORATE SOCIAL RESPONSIBILITY REPORT

screening, healthy diet at colleague cafeteria, and seminars on smoking cessation. Cordis, Hong Kong and Eaton, Hong Kong organised a Smoking Cessation Program in workplace. The programme offered carbon monoxide breath test and blood pressure test for colleagues so that they are aware of their health condition. The program also provided health talk on how colleague can get through different stages of smoking cessation.

Employee Training

Training and development opportunities form a crucial part of the Hotels to develop talents. Our learning and development programmes ensure our colleagues have the right skill sets and knowledge needed to grow our business now and in the future.

In 2015, the Hotels deployed the First60 Certification programme, a mandatory programme for all colleagues to be completed within the first 60 days of their employment. It architecture a structural pathway for all colleagues to understand company culture (5 Ms: My Company, My Brand, My Guest, My Colleague and Myself), the hotel mission, hotel's unique features and facilities, a series of customer services skills training and the brand & operations standard. This Programme not only educates our colleagues the purpose of their work but also prepares them to deliver our brand promise to the guests.



The Langham, Hong Kong continued focusing on service training to consistently deliver 5 Star service to the guests after they received the Silver Award at 2014 Total Quality Management Award from Hong Kong Management Association. This year the Hotel invited Forbes Travel Guide conducting a two-days training sessions for over 100 service colleagues from various departments. Forbes Travel Guide is the originator of the Five Star Ratings which has established the benchmark for excellence in global hospitality. Through various interactive activities and engaging group discussions, our colleagues were again inspired to deliver flawless service which is also above and beyond guests' expectations.



In 2015, T'ang Court at The Langham, Hong Kong received Michelin Three-stars by Michelin Guide (Hong Kong and Macau). There is a robust training programme for the colleagues. The team is dedicated in serving authentic Cantonese cuisine and providing outstanding service to diners. The training series include guest engagement skills, and product knowledge and ways to promote the history, essence and culture about authentic Cantonese cuisine to the guest. The team was also involved in designing the tasting menu which is tailored for foreigners with wine pairing. The service process is rehearsed and refined daily to ensure flawless execution all the time.

CORPORATE SOCIAL RESPONSIBILITY REPORT



Langham Place Hotel was rebranded as Cordis, Hong Kong in 2015. The Hotel Manager has launched a series of special designed training modules to educate the colleagues about the Cordis brand, service philosophy and skills to deliver the brand service promises – Heartfelt Service. With the opening of the newly renovated international buffet restaurant, The Place and the Club Lounge, the new restaurant Alibi, all the Food and Beverage colleagues received trainings on the new service standard and procedures.

Apart from these, a holistic internal marketing programme was launched to cascade the re-branding messages through various channels to ensure colleagues at different levels are well communicated in a consistent way.



The Hotels achieved an average of 33 training hours per colleague in 2015. The Langham, Hong Kong received an accolade from the Hong Kong Magazine with a Silver Award at the “Excellence in HR Strategic Plan” of HR Innovation Award 2015. With the Hotel re-positioning began in 2013, the Hotel Human Resources team took the

role to facilitate the change and motivate our colleagues to achieve the Five-Star luxury service standard through interactive and innovative approaches.



GOVERNANCE

Operating responsibly is not simply about supporting the environment, community or our colleagues. It also implies conducting all aspects of our business in an ethical manner and being recognised as reliable by our business partners and guests.

The Hotel Manager always emphasizes maintaining good corporate governance and business integrity in our business activities. The Code of Conduct provides guidance on acceptance, soliciting or offering of advantages, declaration of conflicts of interest, fraud and bribery, gambling, fair dealing, and handling confidential information. The Code is introduced to all new employees through compulsory induction training. Colleagues also receive regular communications, refresher training, and team briefings on various aspects of our compliance programme, depending on their role. All colleagues are also aware that they have a duty to report any breaches of our Code of Conduct.

Every year, there is one CONNECT Event relates to internal review and training on a selected topic about corporate ethics. In 2015, employee right and equal opportunities was selected to be the topic, following the updated relevant policy by the Hotel Manager. The Hotels conducted an internal review of their corporate ethics programmes including policies and procedures, communication and training on the selected topic.

CORPORATE GOVERNANCE REPORT

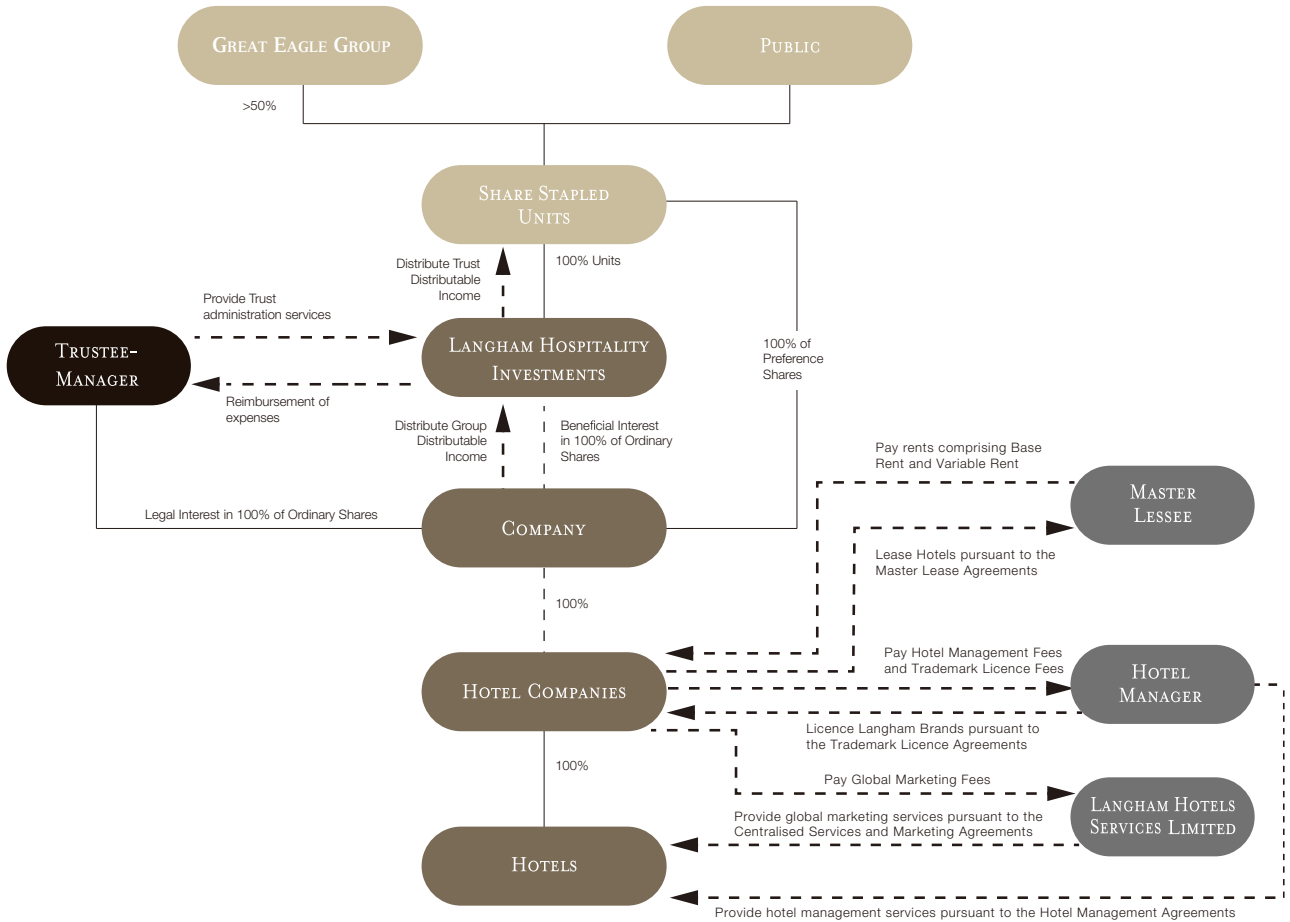
Langham Hospitality Investments, LHIL Manager Limited and Langham Hospitality Investments Limited are committed to maintaining and developing high standards of corporate governance practices that are designed to enhance corporate image, create value for our Unitholders, minimize risk in fraudulent practices and address potential conflict of interest issues. This combined Corporate Governance Report of the Trust and the Company set out a summary of the key processes, systems and measures that have been used in implementing this corporate governance framework being adopted by the Trust, Trustee-Manager and the Company for the year ended 31 December 2015. The major activities during the year 2015 are set out below:

- **General Mandate to Issue Share Stapled Units of the Trust and the Company**
General mandate to allot, issue and deal with no more than 20% of the issued Share Stapled Units of the Trust and the Company was granted by the Holders of Share Stapled Units at the AGM of the Trust and the Company held on 20 April 2015.
- **Appointment of Alternate Director**
On 5 May 2015, Ms. Lo Bo Lun, Katherine, a Non-executive Director of both the Trustee-Manager and the Company and a member of the Nomination Committee of the Company has appointed Mr. Lo Chun Him, Alexander as her alternate and such appointment was approved by the Trustee-Manager Board and the Company Board. Formal announcements in relation thereto were published.
- **Early Adoption of the Proposed Amendments to Corporate Governance Code in relation to Risk Management**
The proposed amendments to the Corporate Governance Code in relation to risk management and internal control will become effective for accounting periods beginning on or after 1 January 2016. To enhance transparency and place greater emphasis on risk management, the Trust Group has early adopted the proposed amendments and updated the terms of reference of the Audit Committees of both the Trustee-Manager and the Company in accordance with the amendments to Corporate Governance Code in August 2015.
- **Proposed amendments to the Constitutional Documents**
The Trustee-Manager Board and the Company Board persistently review the policies and constitutional documents of the Trust Group to drive for continuous improvements. In light of the recent amendments made to the Listing Rules, the Companies Law of Cayman Islands and the Companies Ordinance of Hong Kong, the Trustee-Manager Board and the Company Board proposed to seek the approval of Holders of Share Stapled Units at the forthcoming 2016 AGM to update the Trust Deed and the Company's Articles in order to bring them up to date and in line with the current laws, regulations and practices in Hong Kong. Details of the proposed amendments are contained in the circular to Holders of Share Stapled Units dated 18 March 2016.

CORPORATE GOVERNANCE REPORT

STRUCTURE OF THE TRUST GROUP

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



CORPORATE GOVERNANCE REPORT

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

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

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

Capital Structure of the Trust and the Company

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

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

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

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

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 as summarized in the chart on page 41. 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 and reporting requirements are provided in the Report of the Directors contained in this Annual Report on pages 75 to 80.

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

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

CORPORATE GOVERNANCE REPORT

These business relationships and the fact that some of the Directors and senior management 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. The Board believes that the potential conflicts can be sufficiently reduced as follows:

- the Group focuses on optimizing the performance of the three existing hotel properties, adopting a growth strategy of investing in completed stand-alone hotels in Asia. The Great Eagle Group, on the other hand, focuses on further capitalizing on its resources and expertise in developing its hotel management services operations and brand building.
- the Group is 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 to the Company a Deed of Right of First Refusal pursuant to which the Group will have the first right to participate and to acquire completed stand-alone hotels in Asia (excluding Australia and New Zealand) should Great Eagle Group wish to sell or have the opportunity to invest in these hotels.
- Various corporate governance measures are established seeking to address any potential conflicts of interest thereby safeguarding the interests of independent Unitholders. Details of which are set out in the section headed "Corporate Governance Measures to address Potential Conflicts of Interest" in this Corporate Governance Report.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Trustee-Manager Board and the Company Board play a central support and supervisory role in the respective corporate governance duties of the Trust and the Company. The Boards are responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report prepared on a combined basis.

Corporate Governance Practices

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

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

CORPORATE GOVERNANCE REPORT

Compliance with Corporate Governance Code

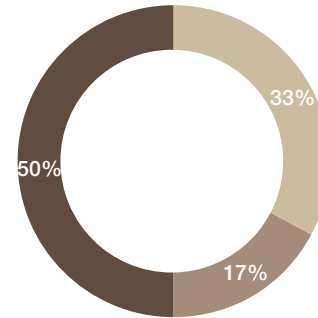
Pursuant to the Trust Deed, each of the Trustee-Manager and the Company must co-operate with each other to ensure that each party complies with the Listing Rules and other relevant rules and regulations.

Throughout the year under review, the Trust (via the Trustee-Manager) and the Company had complied with all applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code. The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust nor the Trustee-Manager, and the Trustee-Manager does not have any employee.

BOARD OF DIRECTORS

Board Composition

Pursuant to the Trust Deed, the Directors of the Trustee-Manager shall at all times be the same individuals who serve as Directors of the Company. During the year, Mr. 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 with effect from 5 May 2015. An Alternate Director shall be entitled to attend and vote as a Director and be counted in the quorum at any Board Meeting at which Ms. Lo Bo Lun, Katherine is not personally present and to perform all the functions as a Director as if he (instead of his appointor) were a Director.



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

The Trustee-Manager Board and the Company Board currently comprise two Non-executive Directors, being Dr. Lo Ka Shui (*Chairman*) and Ms. Lo Bo Lun, Katherine (Mr. Lo Chun Him, Alexander as her alternate); one Executive Director being Mr. Ip Yuk Keung, Albert (*Chief Executive Officer*); and three Independent Non-executive Directors, namely Dr. Lin Syaru, Shirley, Mr. So Yiu Wah, Eric and Mr. Wong Kwai Lam respectively.

Biographies of the Directors of the Trustee-Manager and the Company are set out in this Annual Report on pages 26 to 30.

Dr. Lo Ka Shui, being the Non-executive Chairman of the Trustee-Manager and the Company and also a substantial shareholder, the Chairman and Managing Director of Great Eagle, the holding company of the Trust Group, is the father of Ms. Lo Bo Lun, Katherine and Mr. Lo Chun Him, Alexander. Saved as disclosed above, there are no other financial, business, family or other material or relevant relationships between board members.

CORPORATE GOVERNANCE REPORT

Set out below is a summary of expertise and responsibilities of each Board member.

	Expertise	Responsibilities
Non-executive Directors		
LO Ka Shui (Chairman)	Property and hotel development and investment both in Hong Kong and overseas	Overseeing the operations and affairs of the Board's effectiveness and the relationships among the Board, management and stakeholders; leading the Board in formulating the corporate and financial strategy at the best interest of the Group by taking into account, among other things, the opportunities and risks of the business of the Group; enhancing further synergies between the Group and Great Eagle; and for the overall supervision of the policies governing the conduct of the Group's business
LO Bo Lun, Katherine	Brand standards, hotel design and hospitality development	Formulation of strategic directions and high level oversight of the management and operations of the Group
LO Chun Him, Alexander (as Alternate Director to LO Bo Lun, Katherine)	Property development, financial investments, business and project development	Formulation of strategic directions and high level oversight of the management and operations of the Group
Executive Director		
IP Yuk Keung, Albert (Chief Executive Officer)	International banking, investment and financing	Responsible for all day-to-day management decisions and for leading the development and implementing the long and short term strategy and plans; identifying potential risks and opportunities of the Group and implementing appropriate policies; developing procedures designed to ensure compliance with the overall risk management policies; acting as a direct liaison between the Board and management and communicating to the Board on behalf of management

CORPORATE GOVERNANCE REPORT

	Expertise	Responsibilities
Independent Non-executive Directors		
LIN Syaru, Shirley	International affairs and global investment	Chairing the Nomination Committee; scrutinizing and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance
SO Yiu Wah, Eric	Finance and business development in international hotel management	Chairing the Remuneration Committee; scrutinizing and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance
WONG Kwai Lam	Commercial and investment banking	Chairing the Audit Committee; scrutinizing and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance

Board Diversity

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

The Nomination Committee of the Company is responsible for reviewing Board composition, identifying candidates

and making recommendations to the Company Board. Diversity in board composition is considered to be an important driver of the Board's effectiveness. In reviewing Board composition, the Nomination Committee will take into account the Company's strategic priorities to determine the right skill sets required in the boardroom, which include the appropriate range and balance of skills, experience, knowledge and independence. All appointments of Directors are based on merit against objective criteria. The Nomination Committee will pay due thought to the issues of diversity when compiling a shortlist of suitable candidates, including areas of experience, types of expertise, gender, age, cultural and educational background.

CORPORATE GOVERNANCE REPORT

At the Nomination Committee Meeting held on 18 January 2016, having taken into account the Company's corporate strategy and the skills, knowledge and experience of the Board members of the Company, the Nomination Committee considered the structure, size and composition of the Board was satisfactory.

Board Responsibilities

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

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

The Company Board, on the other hand, is responsible for setting out the overall strategies and business objectives of the Group and providing oversight of their implementation by the management team to promote the long-term success of the Group and create sustainable value for the Holders of Share Stapled Units. While day-to-day management and operation of the business activities of the Group are delegated to senior management who is accountable for the execution of business strategies and initiatives adopted by the Company Board, specific functions reserved to the Company Board are set out in the Schedule of Matters Reserved for the Board and where

appropriate shall also be applicable to the Trustee-Manager Board. The schedule is reviewed periodically to ensure that the arrangements remain appropriate to the Group's needs. Provided below is a summary of the key reserved matters which should be discharged by the full Board, the Board Committees, or the independent members of the Board, as appropriate in the circumstances:

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

CORPORATE GOVERNANCE REPORT

Board Independence

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

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

Chairman and Chief Executive Officer

Dr. Lo Ka Shui and Mr. Ip Yuk Keung, Albert hold the positions of Chairman and Chief Executive Officer respectively. The Chairman is responsible to oversee the operations and affairs of the Board's effectiveness and the relationships among the Board, management and stakeholders. He is accountable to the Board for leading the Board in formulating the corporate and financial strategy at the best interest of the Group by taking into

account, among other things, the opportunities and risks of the business of the Group and enhancing further synergies between the Group and its parent company and for the overall supervision of the policies governing the conduct of the Group's business. Chief Executive Officer entails being ultimately responsible for all day-to-day management decisions and for leading the development and implementing the long and short term strategy and plans. He is accountable for identifying potential risks and opportunities of the Group and implementing appropriate policies, and developing procedures designed to ensure compliance with the overall risk management policies. He also acts as a direct liaison between the Board and management and communicating to the Board on behalf of management.

Appointment, Re-election and Rotation of Directors

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

According to the rotation record and as determined by lot, Dr. Lin Syaru, Shirley and Mr. Wong Kwai Lam will retire as the Directors at the forthcoming AGM. Having been considered and approved by the Nomination Committee of the Company, both retiring Directors are being eligible to stand for re-election at the 2016 AGM of the Trust and the Company. The appointment of Mr. Lo Chun Him, Alexander

CORPORATE GOVERNANCE REPORT

as the Alternate Director of Ms. Lo Bo Lun, Katherine shall determine on the happening of any event which, were he a Director, would cause him to vacate such office or if his appointor ceases to be a Director.

Directors' Orientation and Continuing Development

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

During the year ended 31 December 2015, the Directors received information packages with focus on the topics of the risk management and internal control, hospitality industry review and latest update of statutory and regulatory requirements relevant to the Directors. Individual Director also attended seminars or workshops relevant to his/her profession and duties as director. All Directors had provided confirmation on their respective training records to the Trustee-Manager and the Company and each Directors participated in no less than 10 training hours during the year ended 31 December 2015.

BOARD COMMITTEES

Directors attend Board meetings and make fruitful contribution by sharing views, advices and experiences on matters material to the Trust Group's affairs, on the basis of the shared goal in further enhancing the interests of the Trust Group and the Unitholders as a whole. Board meetings of the Trustee-Manager and the Company are held regularly at least four times a year at approximately quarterly intervals. Proposed dates of the regular Board and Board Committee meetings for each new calendar

year are set out in a schedule and notified to all Board members before the beginning of the year concerned with a view to facilitating their attendance. Additional meetings are convened as and when circumstances warrant.

Board Committee of the Trustee-Manager

As mentioned above, the requirement to establish a Nomination Committee is not relevant to the Trustee-Manager as the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not applicable to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust nor the Trustee-Manager, and the Trustee-Manager does not have any employees.

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

Audit Committee of the Trustee-Manager

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

Chairman:

Mr. Wong Kwai Lam

Members:

Dr. Lin Syaru, Shirley

Mr. So Yiu Wah, Eric

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

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2015, the Audit Committee of the Trustee-Manager held two meetings with all members present. The following is a summary of the major work done categorized by the primary areas of duties of the Committee:

Primary areas of duties	Summary of major work done of the Audit Committee in 2015
Disclosure of financial information	<ul style="list-style-type: none"> • reviewed and approved the draft 2015 Interim Report and interim results announcement of the Trust and the Company for the period ended 30 June 2015 • reviewed the unaudited financial statements of the Trust and the Company and the unaudited financial statements of the Trustee-Manager for the period ended 30 June 2015 • reviewed and approved the draft 2014 Annual Report and final results announcement of the Trust and the Company for the year ended 31 December 2014 • reviewed the audited financial statements of the Trust and the Company and the audited financial statements of the Trustee-Manager for the year ended 31 December 2014
Risk management and internal control	<ul style="list-style-type: none"> • reviewed the significant findings and recommendations from the internal auditor • reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager • reviewed the updated terms of reference of the Audit Committee of the Trustee-Manager
Reports from external auditor	<ul style="list-style-type: none"> • considered the reports from Deloitte Touche Tohmatsu on interim review of the financial information and annual audit of the financial statements of the Trust and the Company and of the Trustee-Manager
Re-appointment of external auditor	<ul style="list-style-type: none"> • reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the external auditor and approved its remuneration
Connected Transaction	<ul style="list-style-type: none"> • reviewed and monitored connected transactions and continuing connected transactions through half-yearly reports submitted by management to ensure compliance with the terms of the waivers granted by the Stock Exchange and all other applicable rules and regulations
Great Eagle ROFR Deed	<ul style="list-style-type: none"> • reviewed and adopted the corporate governance measures in respect of the operation of the Great Eagle ROFR Deed • reviewed the implementation and compliance of the Great Eagle ROFR Deed

CORPORATE GOVERNANCE REPORT

Board Committees of the Company

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

Nomination Committee of the Company

The composition of the Nomination Committee of the Company comprises three Independent Non-executive Directors and two Non-executive Directors:

Chairman:

Dr. Lin Syaru, Shirley*

Members:

Dr. Lo Ka Shui#

Ms. Lo Bo Lun, Katherine#

Mr. Lo Chun Him, Alexander

(as Alternate Director to Ms. Lo Bo Lun, Katherine)

Mr. So Yiu Wah, Eric*

Mr. Wong Kwai Lam*

* Independent Non-executive Director

Non-executive Director

The Nomination Committee focuses on strengthening, broadening, balancing and understanding the range of skills, experience and diversity on the Company Board. The Committee shall formulate policy and make recommendations to the Company Board on nomination, appointment or re-appointment of Directors and board succession.

During the year ended 31 December 2015, one physical Nomination Committee meeting with the attendance of Dr. Lin Syaru, Shirley, Dr. Lo Ka Shui, Mr. So Yiu Wah, Eric and Mr. Wong Kwai Lam was held. The following is a summary of the major work done categorized by the primary areas of duties of the Committee:

Primary areas of duties	Summary of major work done of the Nomination Committee in 2015
Board composition	<ul style="list-style-type: none"> reviewed the size, structure and composition of the Company Board by taking into account the diversity of skills, knowledge and experience of the Board members reviewed Directors' time commitment to the affairs of the Trust and the Company through, inter alia, their meeting attendance and other listed companies' directorships
Independence of Independent Non-executive Directors	<ul style="list-style-type: none"> assessed independence of all the Independent Non-executive Directors
Appointment or re-appointment of Directors	<ul style="list-style-type: none"> approved Ms. Lo Bo Lun, Katherine, Mr. So Yiu Wah, Eric and Mr. Ip Yuk Keung, Albert to retire at the 2015 AGM of the Trust and of the Company held on a combined basis

CORPORATE GOVERNANCE REPORT

Remuneration Committee of the Company

The composition of the Remuneration Committee of the Company comprises three Independent Non-executive Directors and one Non-executive Director:

Chairman:

Mr. So Yiu Wah, Eric*

Members:

Dr. Lo Ka Shui#

Dr. Lin Syaru, Shirley*

Mr. Wong Kwai Lam*

* Independent Non-executive Director

Non-executive Director

The Remuneration Committee sets up formal and transparent procedures for setting policy on Executive Director's remuneration and for fixing the remuneration packages for all Directors and senior management and to ensure remuneration levels are sufficient to attract and retain Directors to run the Company successfully without paying more than necessary.

During the year ended 31 December 2015, one physical Remuneration Committee meeting was held with full attendance of the Committee members. Below is a summary of major work done categorized by the primary areas of duties of the Committee:

Primary areas of duties	Summary of major work done of the Remuneration Committee in 2015
Remuneration packages of Executive Director and senior management	<ul style="list-style-type: none"> approved the salary review and discretionary bonus distribution for the year 2015 and other remuneration packages of the Executive Director and senior management of the Company
Remuneration of Directors	<ul style="list-style-type: none"> recommended to the Company Board on the Directors' fees for the year 2015

Audit Committee of the Company

The composition of the Audit Committee of the Company is the same as that of the Audit Committee of the Trustee-Manager, comprising three Independent Non-executive Directors:

Chairman:

Mr. Wong Kwai Lam

Members:

Dr. Lin Syaru, Shirley

Mr. So Yiu Wah, Eric

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

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

During the year ended 31 December 2015, two meetings of the Audit Committee of the Company were held with all members present. The major works done by the Audit Committee of the Company were substantially the same as those done by the Audit Committee of the Trustee-Manager as mentioned above.

Board and Board Committee Meetings

Apart from understanding the respective responsibilities of the Trustee-Manager Board and the Company Board, the Directors must be able and willing to devote the required amount of time to the affairs of the Trust and the Company, including attendance at Board meetings and Board committee meetings. While the Executive Director works fulltime for the Trust and the Company, all the Non-executive Directors and the Independent Non-executive Directors had confirmed to the Trustee-Manager and the Company that they had given sufficient time and attention to the affairs of the Trust and the Company throughout 2015.

Board Proceedings for Board and Board Committee Meetings

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

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

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During the year under review, each of the Trustee-Manager and the Company held four physical Board meetings. Directors attended the meetings in person or by his/her appointed alternate or by means of telephone or other audio communications equipment in accordance with the Trustee-Manager's articles of association and the Company's Articles. The attendance of individual Directors at all the Board and Board Committee meetings and AGM held during the year ended 31 December 2015 is set out below:

Number of Meeting(s) Attended/Eligible to Attend in 2015

Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	2015 Annual General Meeting
Non-executive Directors					
LO Ka Shui (<i>Chairman</i>)	4/4	–	1/1	1/1	1/1
LO Bo Lun, Katherine	1*+3 [#] /4	–	–/1	–	–/1
Attendance Rate	100%	–	50%	100%	50%
Executive Director					
IP Yuk Keung, Albert (<i>Chief Executive Officer</i>)	4/4	–	–	–	1/1
Attendance Rate	100%	–	–	–	100%
Independent Non-executive Directors					
LIN Syaru, Shirley	4/4	2/2	1/1	1/1	1/1
SO Yiu Wah, Eric	4/4	2/2	1/1	1/1	1/1
WONG Kwai Lam	4/4	2/2	1/1	1/1	1/1
Attendance Rate	100%	100%	100%	100%	100%
Overall Attendance Rate	100%	100%	75%	100%	83.34%

Note:

* Attended personally by Ms. LO Bo Lun, Katherine

Attended by Ms. Lo's Alternate Director, Mr. LO Chun Him, Alexander who was appointed on 5 May 2015

^ The Board and Board Committee meetings of the Trustee-Manager and the Company were held on a concurrent basis

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

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

Remuneration Framework

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

As discussed above, Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust or the Trustee-Manager. The Directors' fees entitled to be received by each Director of the Company and the members of the respective Board Committees of the Company for the year 2015 are set out hereinbelow. The remuneration levels were proposed with reference to the time and effort involved in the individual Directors' specific duties and services and the prevailing market conditions.

An Alternate Director shall be entitled to enter into contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director, but he shall not be entitled to receive from the Company in respect of his appointment as Alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

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Further details of Directors' emoluments are provided in note 14 to the consolidated financial statements of the Trust and the Company.

Director's Fee and Board Committee Remuneration

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE MEASURES TO ADDRESS POTENTIAL CONFLICTS OF INTEREST

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

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

CORPORATE GOVERNANCE REPORT

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

During the year 2015, Great Eagle had announced its acquisition of properties in Tokyo, Japan for potential hotel development. While such acquisition is still under progress and uncompleted standalone hotel development project shall not subject to right of first refusal, the Board noted that Great Eagle Group shall offer to sell its interest in that standalone hotel to the Trust Group when such hotel development project is completed, subject to the conditions of Great Eagle ROFR Deed. Saved as disclosed above, the Audit Committees of the Trustee-Manager and the Company, whose members are all Independent Non-executive Directors, had conducted review on the implementation of Great Eagle ROFR Deed and confirmed that both Great Eagle and the Company complied with the terms of Great Eagle ROFR Deed during the year.

The Trustee-Manager with the Company (on the one hand) and Great Eagle (on the other hand) have boards of directors that function independently of each other. Notwithstanding that Dr. Lo Ka Shui, Ms. Lo Bo Lun, Katherine and Mr. Lo Chun Him, Alexander, 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 would 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Trustee-Manager Board and the Company Board are entrusted with the overall responsibility on an ongoing basis for ensuring that appropriate and effective risk management and internal control systems are established and maintained for the Trustee-Manager and the Company. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure there are appropriate and effective risk management and internal control systems within the Trustee-Manager and the Company:

- (a) a good control environment including well defined organizational structure, limit of authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by the Trustee-Manager and the Company;
- (c) appropriate control activities including clear and written company policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives;
- (d) effective information platforms to facilitate internal and external information flow; and
- (e) structured internal audit function to perform independent appraisal of major operations on an ongoing basis.

CORPORATE GOVERNANCE REPORT

Through the Audit Committees of the Trustee-Manager and the Company and the Great Eagle Group's Internal Audit Department, the Trustee-Manager Board and the Company Board have conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2015.

With adoption of a risk-based approach, the Internal Audit Department takes the lead to evaluate the risk management and internal control systems of the Trustee-Manager and the Company by reviewing all their major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The 3-year audit plan of the Internal Audit Department is approved by the Audit Committees. The Head of Internal Audit Department reports directly to the Audit Committees and the Chairman of the Trustee-Manager and the Company. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committees for discussion at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Audit Department to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2015 and the assessment of the Audit Committees thereon, no significant irregularity or deficiency in the risk management and internal control systems has drawn the attention of the Audit Committees.

The Trustee-Manager Board and the Company Board therefore are satisfied that the Trust (together with the Trustee-Manager) and the Company have maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2015.

HOLDERS OF SHARE STAPLED UNITS

Communication with Holders of Share Stapled Units

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

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

CORPORATE GOVERNANCE REPORT

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

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

General Meeting

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

The 2015 AGM of the Trust and the Company was held on 20 April 2015 at Yat Tung Heen, 2nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The matters resolved thereat are listed below:

- Received and adopted the audited consolidated Financial Statements of the Trust and the Company for the year ended 31 December 2014, the audited Financial Statements of the Trustee-Manager for the year ended 31 December 2014, together with their respective Reports of the Directors and the Independent Auditor.
- Declared a final distribution of HK15.2 cents per Share Stapled Unit for the year ended 31 December 2014.
- Re-elected Ms. Lo Bo Lun, Katherine as a Non-executive Director; Mr. Ip Yuk Keung, Albert as an Executive Director; and Mr. So Yiu Wah, Eric as an Independent Non-executive Director.
- Authorized the Directors of the Company to fix their remuneration.
- Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor of the Trust, the Company and the Trustee-Manager, and authorized the Directors to fix their remuneration.
- Approved the grant of a general mandate to the Directors of the Trustee-Manager and the Company to issue new Share Stapled Units not exceeding 20% of the issued number of Share Stapled Units.

CORPORATE GOVERNANCE REPORT

Proceedings of General Meetings

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

CORPORATE GOVERNANCE REPORT

Rights of Holders of Share Stapled Units

As mentioned above, the Trustee-Manager Board and the Company Board proposed to bring the Trust Deed and the Company's Articles up to date in light of the recent amendments of the laws and regulations, as well as to make certain housekeeping improvements. Subject to the approval of Holders of Share Stapled Units in the forthcoming 2016 AGM, the Holders of Share Stapled Units shall have their rights as set out below effective from the conclusion of the 2016 AGM.

Under paragraph 1.2 of Schedule 1 of the Trust Deed, the Trustee-Manager may (and the Trustee-Manager shall at the request in writing of holders of Units holding not less than 10% of the Units for the time being in issue and outstanding) at any time convene a meeting of holders of Units at such time or place in Hong Kong as the party convening the meeting may think fit and propose resolutions for consideration at such meeting.

Pursuant to Article 12.3 of the Company's Articles, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists hold as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 10% of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Within 21 days from the date of deposit of the requisition, the Company Board shall proceed to convene the meeting to be held with such notice in accordance with Article 12.4.

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

Pursuant to Article 16.5 of the Company's Articles, two members of the Company (not including the person to be proposed) together representing not less than 10% of the total voting rights of all the members are entitled to propose a person for election as a Director of the Company at the general meeting by lodging a written notice with the principal office of the Company in Hong Kong of their such intention together with the consent of the nominated person at least 7 days before the date of the general meeting.

EXTERNAL AUDITORS

Auditor's responsibilities for the financial statements

The statement by the Auditor about its reporting responsibilities for the Trust Group and the Trustee-Manager are set out in the Independent Auditor's Report on pages 85 to 86 and pages 137 to 138 respectively of this Annual Report.

CORPORATE GOVERNANCE REPORT

Auditor's Remuneration

During the year ended 31 December 2015, the total fees in respect of audit and non-audit services provided to the Trust Group and the Trustee-Manager by the external auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

(in HK\$'000)	For the year ended 31 December 2015	
	Trust Group	Trustee-Manager
Audit services	1,180	20
Non-audit services		
Interim review fee	350	–
Other review fees including continuing connected transactions review, etc	98	2
Total:	1,628	22

Note: The total amounts of Auditor's Remuneration as disclosed in note 13 to the consolidated financial statements of the Trust and the Company and note 4 to the financial statements of the Trustee-Manager are HK\$1,180,000 and HK\$20,000 respectively and do not include the fees in respect of non-audit services.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2015, there was no change to the Trust Deed and the Company's Articles, the current versions of which are available for download from our website and the HKEX's website.

Subject to the approval of Holders of Share Stapled Units by way of special resolution at the forthcoming AGM to be held on 22 April 2016, the new Trust Deed and the Company's Articles incorporating all proposed amendments will be published on our website and the HKEX's website after the conclusion of 2016 AGM.

CONNECTED TRANSACTIONS AND/ OR CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2015, the Trust Group and the Trustee-Manager entered into certain connected transactions and/or continuing connected transactions. Disclosure requirements in accordance with the Listing Rules were fully complied with.

Details of the connected transactions and/or continuing connected transactions entered into during the year under review and the annual review are set out in the Report of the Directors contained in this Annual Report on pages 75 to 81.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

Having made specific enquiry, all members of the Board and relevant employees of the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions during the year ended 31 December 2015. The Directors' interests in the securities of the Trust and the Company and the associated corporations (within the meaning of the SFO) as at 31 December 2015 are set out in the Report of the Directors.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Trustee-Manager Board and the Company Board, supported by the Accounts and Finance Department, are responsible for the preparation of the accounts of the Trust Group and the Trustee-Manager for the year ended 31 December 2015.

DIRECTORS' AND OFFICERS' INSURANCE

During the year ended 31 December 2015, appropriate Directors' and Officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Trustee-Manager and the Company.

PUBLIC FLOAT

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

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, the Trust Group and the Trustee-Manager also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Several of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 33 to the consolidated financial statements of the Trust and the Company.

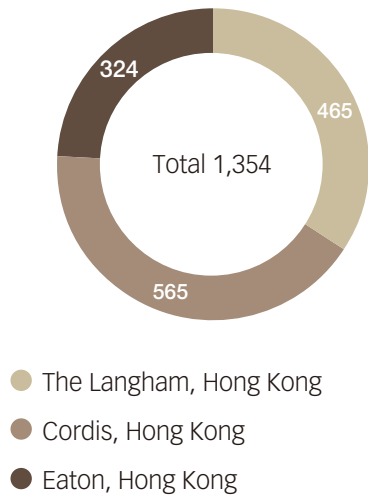
HOTEL MANAGER AND EMPLOYEES

The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated in providing services to the Hotels. The Hotels control the payroll and related expense in accordance with the business level and also continuously review the process for higher efficiency. Comparing to 31 December 2014, there is a decrease of 44 headcount in 2015.

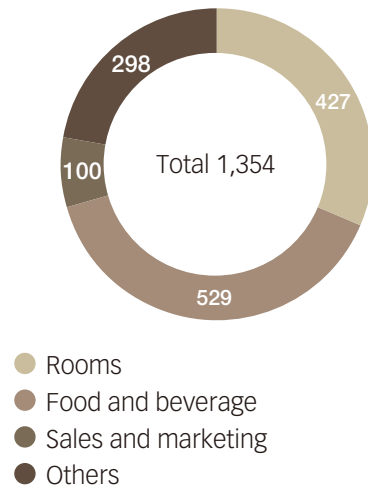
CORPORATE GOVERNANCE REPORT

The following charts show the breakdown of the employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels as at 31 December 2015:

By Hotel



By Function



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.

The total remuneration of the three current senior management (including the Chief Executive Officer) borne by the Company for the year ended 31 December 2015 falls within the range of HK\$1-2 million for one member and below HK\$1 million for the remaining two members.

REPORT OF THE DIRECTORS

The Trustee-Manager Board and the Company Board have pleasure in presenting the annual report together with the audited consolidated financial statements of the Trust Group for the year ended 31 December 2015.

The Trustee-Manager Board also presents its audited financial statements of the Trustee-Manager for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Trust

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

The Company

The principal activities of the Group are primarily to own and invest in a portfolio of hotels, with a focus on completed hotels located in Asia. The current hotel portfolio of the Group comprises: The Langham, Hong Kong, Cordis, Hong Kong (rebranded from Langham Place Hotel in August 2015) and Eaton, Hong Kong. The principal activities and other particulars of the Company's principal subsidiaries as at 31 December 2015 are set out in note 35 to the consolidated financial statements of the Trust Group.

The Trustee-Manager

The Trustee-Manager has a specific and limited role to administer the Trust. The Trustee-Manager is not actively

engaged in running the businesses operated by the Trust Group.

BUSINESS REVIEW

A detailed review on the Trust Group's business performance during the reporting period, as well as the principal risks and uncertainties and future prospects of the Trust Group are set out in the Chairman's Statement and CEO's Review on pages 14 to 25 of this Annual Report, the discussions thereof form part of this Directors' Report.

DISTRIBUTION

Distributable Income

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

Distribution per Share Stapled Unit

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

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

REPORT OF THE DIRECTORS

After taking into account the Distribution Waiver, the Trustee-Manager Board and the Company Board have recommended the payment of a final distribution of HK12.9 cents per Share Stapled Unit for the year ended 31 December 2015 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 3 May 2016, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed. Subject to the approval of the Holders of Share Stapled Units at the forthcoming 2016 AGM, the payment of the final distribution will be made on 16 May 2016. Taken together with the interim distribution of HK11.7 cents per Share Stapled Unit paid in October 2015, the total distribution per Share Stapled Unit for the year 2015 is HK24.6 cents.

FINANCIAL SUMMARY

A summary of the results and of the assets and/or liabilities of the Trust Group is set out on page 146 of this Annual Report.

MOVEMENTS IN RESERVES

Details of the movements in the reserves of the Trust Group during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity and note 25 to the consolidated financial statements.

FIXED ASSETS

Details of the movements in the property, plant and equipment of the Trust Group during the year are set out in note 17 to the consolidated financial statements of the Trust Group.

INVESTMENT PROPERTIES

Movements in the investment properties of the Trust Group during the year ended 31 December 2015 are set out in note 18 to the consolidated financial statements. All of the Trust Group's investment properties were revalued by independent professional property valuer as at 31 December 2015 adopting income approach by using discounted cashflow analysis and market approach by using comparison method of valuation to arrive the valuation of investment properties.

Details of the investment properties of the Trust Group as at 31 December 2015 are set out in the Schedule of Investment Properties on page 145 of this Annual Report.

REPORT OF THE DIRECTORS

ISSUED SHARE STAPLED UNITS

As at 31 December 2015, the total number of issued Share Stapled Units of the Trust and the Company was 2,042,905,937. As compared with the position of 31 December 2014, a total of 20,515,078 new Share Stapled Units were issued during the year as follows:

Date	Particulars	No. of Share Stapled Units
31 December 2014	Total 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 (collectively the "Hotel Manager's Fees") to the Hotel Manager of approximately HK\$38,633,000 for the second half of 2014	10,498,075
21 August 2015	Issue of new Share Stapled Units at the price of HK\$3.20 per Share Stapled Unit as payment of the Hotel Manager's Fees to Hotel Manager of approximately HK\$32,054,000 for the first half of 2015	10,017,003
31 December 2015	Total number of Issued Share Stapled Units	2,042,905,937

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 year ended 31 December 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.

REPORT OF THE DIRECTORS

DIRECTORS

In accordance with clause 29.1(a) of the Trust Deed, the Directors of the Trustee-Manager shall be the same individuals who serve as Directors of the Company. The Directors of the Company Board and the Trustee-Manager Board during the year 2015 and up to the date of this Report are set out as follows:

Non-executive Directors

Dr. LO Ka Shui (*Chairman*)
 Ms. LO Bo Lun, Katherine
 Mr. LO Chun Him, Alexander
 (*appointed on 5 May 2015 as Alternate Director to Ms. LO Bo Lun, Katherine*)

Executive Director

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

Independent Non-executive Directors

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

In accordance with clause 29.2(m) of the Trust Deed and Article 16.21 of the Company's Articles, Dr. Lin Syaru, Shirley and Mr. Wong Kwai Lam shall retire from office at the 2016 AGM and, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors of the Trustee-Manager and the Company, and the Senior Management of the Company are set out on pages 26 to 30 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

Details of emoluments of the Directors of the Company are set out in note 14 to the consolidated financial statements of the Trust Group.

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

PERMITTED INDEMNITY

The Trust Deed, the Company's Articles and the Articles of Association of Trustee-Manager provide that every Director is entitled to be indemnified out of the assets of the Trust or the Company against all losses or liabilities incurred or sustained by him/her as a Director of the Trustee-Manager and the Company.

Pursuant to the Trust Deed, the Trustee-Manager shall, save in the case of fraud, wilful default or negligence, be entitled to have recourse to the Trust Property (as defined in the Trust Deed) and shall incur no personal liability in respect of any losses or liabilities which may arise directly or indirectly from such engaging in any Authorised Business (as defined in the Trust Deed).

During the year ended 31 December 2015, appropriate Directors' and Officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and Officers of the Trustee-Manager and the Company.

REPORT OF THE DIRECTORS

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

As at 31 December 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/Underlying SSUs				Total	Percentage of Issued SSUs ⁽³⁾
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lo Ka Shui	8,073,500	–	1,241,052,437 ⁽¹⁾	40,047,500 ⁽²⁾	1,289,173,437	63.10
Ip Yuk Keung, Albert	1,015,000	–	–	–	1,015,000	0.05

Notes:

- (1) These 1,241,052,437 Share Stapled Units comprise the following:
 - (i) 1,240,052,437 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 1,190,731,937 Share Stapled Units, Great Eagle Nichemusic Limited as to 5,965,000 Share Stapled Units and Fine Noble Limited as to 43,355,500 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 71; and
 - (ii) 1,000,000 Share Stapled Units were held by Katherine B L Limited which is a company wholly-owned by Dr. Lo Ka Shui. 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 2,042,905,937 Share Stapled Units of the Trust and the Company in issue as at 31 December 2015.

REPORT OF THE DIRECTORS

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Great Eagle

As at 31 December 2015, Great Eagle owned 60.70% 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 31 December 2015 are disclosed as follows:

Name of Director	Number of Ordinary Shares/Underlying Shares				Share Options	Total	Percentage of Issued Share Capital ⁽⁴⁾
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Lo Ka Shui	59,387,328 ⁽¹⁾	–	14,562,976 ⁽²⁾	306,154,404 ⁽³⁾	2,543,000	382,647,708	57.56
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) Among these 59,387,328 shares, 2,844,880 shares were derivative interests held by Dr. Lo Ka Shui.
- (2) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.
- (3) 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.
- (4) This percentage has been compiled based on 664,725,017 shares of Great Eagle in issue as at 31 December 2015.

REPORT OF THE DIRECTORS

Champion Real Estate Investment Trust (“Champion REIT”)

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at 31 December 2015, Great Eagle owned 62.72% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the holdings of Directors of the Trustee-Manager and the Company in Champion REIT as at 31 December 2015 are disclosed as follows:

Name of Director	Number of Units/Underlying Units				Total	Percentage of Issued Units ⁽³⁾
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lo Ka Shui	–	–	3,620,961,532 ⁽¹⁾	9,377,000 ⁽²⁾	3,630,338,532	62.90
So Yiu Wah, Eric	400,873	60,000	–	–	460,873	0.01

Notes:

- (1) These 3,620,961,532 units comprise the following:
 - (i) 3,620,132,532 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 71; 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 5,771,681,761 units of Champion REIT in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

- (i) Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, is a substantial shareholder, the Chairman and Managing Director of Great Eagle and a director of various subsidiaries of the Great Eagle Group including LHIL Assets Holdings Limited, a substantial Holder of Share Stapled Units of the Trust and the Company, and the Hotel Manager of the three hotels of the Company.
- (ii) Ms. Lo Bo Lun, Katherine, being a Non-executive Director of the Trustee-Manager and the Company, is a director of certain subsidiaries of Great Eagle Group including LHIL Assets Holdings Limited and Langham Hospitality Group Limited, the parent company of the Hotel Manager.
- (iii) Mr. Lo Chun Him, Alexander, being the Alternate Director to Ms. Lo Bun Katherine, is an Executive Director of Great Eagle and holds directorships in various subsidiaries of Great Eagle Group. He is also the alternate director to Ms. Lo for certain subsidiaries of Great Eagle Group as disclosed above in sub-paragraph (ii).

Great Eagle Group, as an associated corporation of the Trust and the Company and a controlling Holder of Share Stapled Units, develops, invests in and manages high quality offices, retail, residential, furnished apartments, hotel properties and restaurants in Asia, Australia, New Zealand, North America and Europe. The interests of Dr. Lo, Ms. Lo and Mr. Lo held in Great Eagle are disclosed in the section headed "Long Positions in Shares and Underlying Shares of Associated Corporations".

As mentioned in the Corporate Governance Report under the section headed "Business Relationship with Great Eagle", Great Eagle Group and the Trust Group have distinct business focuses of their own and adopt different development strategy. While the existing properties of the Trust Group are situated in Hong Kong where the Great Eagle Group maintains no similar business operations, to further maintain a clear delineation of the geographical location of their hotel properties in and outside Asia, Great Eagle ROFR Deed was entered into between Great Eagle and the Company to ensure the Trust Group would have the first right to participate and to acquire completed stand-alone hotels in Asia (excluding Australia and New Zealand) should Great Eagle Group wish to sell or is given the opportunity to invest in these hotels.

As for daily operation, the sole Executive Director and Chief Executive Officer of the Trustee-Manager and the Company, Mr. Ip Yuk Keung, Albert, is primarily responsible for the overall day-to-day management of the Group and has oversight of the performance of the Master Lessee and the Hotel Manager. The management team and staff of the Group report directly to Mr. Ip and he, having independent role from Great Eagle and being accountable to the Trustee-Manager Board and Company Board, operates and manages the Trust Group with due care at the best interest of the Trust Group and Unitholders.

In addition, the Trust Group has established various corporate governance measures to address any potential conflict of interest of the common Directors of the Trust Group and the Great Eagle Group. For details, please refer to the Corporate Governance Report.

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

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the connected transactions and continuing connected transactions are set out in this report and note 33 to the consolidated financial statements. Save for the above, no contracts of significance to which the Trustee-Manager, the Company or any of its subsidiaries, substantial Unitholders, holding company or fellow subsidiaries was a party and in which a Director of the Trustee-Manager and the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT AND/OR ADMINISTRATION CONTRACT

On 10 May 2013 (date of listing), the Company and Great Eagle entered into an Administrative Support Services Agreement pursuant to which Great Eagle Group provides certain administrative and non-management services to the Trust Group, including but not limited to legal and corporate secretarial support, finance, accounting and taxation support, human resources support, information technology support, internal audit support and general office administrative support on a cost-sharing basis for an initial term of 3 years and shall be automatically renewed for a further term of 3 years each upon expiration of any such term, subject to compliance with the applicable disclosure and reporting requirements under the Listing Rules. The sharing of the above administrative services is an exemption connected transaction under Rule 14A.98 of the Listing Rules.

Great Eagle is a controlling Holder of Share Stapled Units of the Trust and the Company. Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-

Manager and the Company, is a substantial shareholder, the Chairman and Managing Director of Great Eagle. Mr. Lo Chun Him, Alexander, being the Alternate Director to Ms. Lo Bo Lun, Katherine, a Non-executive Director of the Trustee-Manager and the Company, is an Executive Director of Great Eagle. Details of the interests and shareholdings of Dr. Lo and Mr. Lo in Great Eagle are disclosed in the sections headed "Directors' Interest in Competing Businesses" and "Long Positions in Shares and Underlying Shares of Associated Corporations".

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

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

Pre-existing Continuing Connected Transactions subject to Waivers granted by the Stock Exchange

As disclosed in the initial public offering prospectus dated 16 May 2013, continuing connected transactions set out in paragraphs 1 to 6 below were entered prior to the listing of the Trust and the Company and waivers by the Stock Exchange from strict compliance with, inter alia, the announcement and approval of independent Holders of Share Stapled Units requirements of the Listing Rules had been granted. Principal details and conditions of the waivers are disclosed in the latter section headed "Waivers".

REPORT OF THE DIRECTORS

(HK\$'000)	Aggregate Transaction Amount for the year 31 December 2015
1. Master Lease Agreements ^(a)	
– Base Rent	225,000
– Variable Rent ^(b)	451,769
2. Hotel Management Agreements ^{(a)(b)(c)}	
– Base Fee	22,972
– Incentive Fee	29,526
3. Centralized Services and Marketing Agreements ^{(a)(b)}	
– Reimbursement of Cost	10,227
– Global Marketing Fees	16,570
– Reservation Fees	3,225
4. Trademark Licence Agreements ^{(a)(b)(c)}	15,315
5. Deed of Mutual Covenant and Management Agreement ^(a)	2,471
6. Lease Agreement at Langham Place Office Tower ^(a)	5,267

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.

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

Pursuant to the Trademark Licence Agreements, the Licensor has agreed to grant non-exclusive and 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.

REPORT OF THE DIRECTORS

5. **Property Management Services Agreement**

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

Pursuant to the Property Management Services Agreement, GEPM shall provide property management services in respect of common areas and facilities at the lot of land on which Cordis, Hong Kong is situated, the cost of which Cordis Hong Kong Limited is required to contribute in proportion to the number of management shares allocated to it. The appointment of GEPM for the provision of property management services under the Deed of Mutual Covenant and Management Agreement was initially for a term of 2 years and such appointment will continue for an indefinite term until it is terminated pursuant to the terms of the Deed of Mutual Covenant and Management Agreement.

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

Annual cap in respect of the aggregate value of the services to be provided by GEPM for the year ended 31 December 2015 was HK\$3.3 million.

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

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

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

A surrender agreement dated 11 September 2015 was entered into among the parties to terminate the Lease Agreement on 31 December 2015 due to the relocation of the executive office of Cordis, Hong Kong.

REPORT OF THE DIRECTORS

Waivers

Requirements to obtain approval of independent Holders of Share Stapled Units and make announcements

The transactions described in paragraphs 1 to 4 above constitute non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules and normally are required to be announced, reported on, subject to annual review and approved by independent Unitholders. Rule 14A.52 of the Listing Rules also requires that the period for the agreement in respect of non-exempt continuing connected transactions must be fixed and, except in special circumstances, must not exceed 3 years.

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

Requirement to set a monetary cap

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

Compliance with Rule 13.36(1)(a) of the Listing Rules

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

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

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

Other Continuing Connected Transactions Subject to Reporting Requirement

Apart from the above continuing connected transactions entered prior to the listing of the Trust Group, during the year 2015, the Trust Group had entered into the following continuing connected transactions which are subject to annual reporting requirement.

Framework Agreement for Provision of Procurement Services, Project Management Services, and Design and Construction Contracting Services – an agreement dated 11 June 2014 entered into between the Company and Great Eagle, the controlling Holder of Share Stapled Units of the Trust and the Company and thus a connected person of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

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

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

- *Fees for Procurement Services payable to CGS:* at a rate of 5% of (a) the respective budgeted sums of furniture, fixtures and equipment categories for hotel renovation and operating supplies and equipment categories for hotel renovation; and (b) the actual amount of the purchase orders for furniture, fixtures and equipment and operating supplies and equipment categories for hotel maintenance and miscellaneous categories.
- *Fees for Project Management Services payable to GEDPM:* at a rate of 3% of the actual amount of the construction cost for renovation of the Hotels as certified by project quantity surveyor or other consultants.
- *Fees for Design and Construction Contracting Services payable to Keysen and/or its associated companies:* the contract sum for the work of Design and Construction Contracting Services shall be negotiated on an arm's length basis and determined between Keysen and/or its associated companies and the Trust Group subject to tender or price comparison process to be arranged by the Trust Group in accordance with its internal control policy.

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

During the year ended 31 December 2015, the aggregated transaction amounts incurred under the Framework Agreement was HK\$13.94 million.

REVIEW OF CONNECTED TRANSACTIONS

The Internal Audit Department has conducted review on the connected transactions, including continuing connected transactions, of the Trust Group for the year ended 31 December 2015. It has confirmed to the Trustee-Manager Board and the Company Board that adequate and effective policies and procedures on checking, identifying, recording, monitoring and reporting connected transactions are in place and have been properly complied with during the year.

In accordance with Rule 14A.55 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Trustee-Manager and the Company have reviewed the above continuing connected transactions for the period ended 31 December 2015 and confirmed they have been entered into:

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

REPORT OF THE DIRECTORS

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

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

INTERESTS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

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

Name	Number of SSUs Held	Number of Underlying SSUs Held	Total	Percentage of Issued SSUs ⁽⁴⁾
Great Eagle Holdings Limited	1,240,052,437 ⁽¹⁾	–	1,240,052,437 ⁽¹⁾	60.70
LHIL Assets Holdings Limited	1,190,731,937	–	1,190,731,937	58.29
HSBC International Trustee Limited	1,227,001,437 ⁽²⁾	–	1,227,001,437 ⁽²⁾	60.06
China Life Insurance (Group) Company	102,604,500 ⁽³⁾	–	102,604,500 ⁽³⁾	5.02

Notes:

- (1) These 1,240,052,437 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 Nichemus Limited; and
 - (iii) 43,355,500 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 7 December 2015) 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 31 December 2015.

REPORT OF THE DIRECTORS

Notes (continued):

- (3) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 22 December 2015) submitted by China Life Insurance (Group) Company ("China Life"). These 102,604,500 interests were indirectly held by China Life through its wholly-owned subsidiary, China Life Insurance (Overseas) Co. Ltd.
- (4) This percentage has been compiled based on 2,042,905,937 Share Stapled Units of the Trust and the Company in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 70) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part X of the SFO, or which were recorded in the register required under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Suppliers	Nature of Services	Relevant Cost %
1. Pretterior Works & Consultants Co. Ltd.	Hotel Renovation Expense	18.6%
2. Langham Hotels International Limited	Hotel Management Fees and Licence Fees	16.1%
3. PacificPlan Interiors Limited	Hotel Renovation Expense	10.6%
4. ISG Asia (Hong Kong) Limited	Hotel Renovation Expense	8.1%
5. Langham Hotels Services Limited	Global Marketing Fees	3.9%
Total:		57.3%

Revenue of approximately HK\$682,194,000 was derived from the lease of three retail outlets at Eaton, Hong Kong and the lease of the Hotels to Master Lessee, GE (LHIL) Lessee Limited. Breakdown of the revenue is set out in note 6 to the consolidated financial statements of the Trust Group contained in this Annual Report.

REPORT OF THE DIRECTORS

Among the above suppliers and customers, being Langham Hotels International Limited, Langham Hotels Services Limited and GE (LHIL) Lessee Limited are indirect subsidiaries of Great Eagle, a substantial Unitholders which indirectly owned 60.70% interests in the Trust and the Company as at 31 December 2015. Dr. Lo Ka Shui, the Chairman and Non-executive Director of the Trustee-Manager and the Company, holds directorships in the aforesaid companies and is a substantial shareholder, the Chairman and Managing Director of Great Eagle. Mr. Lo Chun Him, Alexander, being the Alternate Director to Ms. Lo Bo Lun, Katherine, a Non-executive Director of the Trustee-Manager and the Company, holds directorships in the Langham Hotels International Limited and Langham Hotels Services Limited, and is an Executive Director of Great Eagle.

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

DONATIONS

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

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Trustee-Manager and the Company will be proposed at the forthcoming AGM to be held on 22 April 2016.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Trust, the Trustee-Manager and the Company embraced the importance of maintaining and developing a high standard of corporate governance practices to sustain and protect the interests of Holders of Share Stapled Units. Throughout the year ended 31 December 2015, the Trustee-Manager and the Company have complied with all the applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code.

Details on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 40 to 65 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility has been integral to the Trust Group's business. Our commitment to Corporate Social Responsibility stems from a core belief that our business will prosper as the community and environment around us flourish. A report on Corporate Social Responsibility covering the environmental policies and performance of and relationships with the key stakeholders of our Group is set out on pages 31 to 39 of this Annual Report.

On behalf of the Boards of
LHIL Manager Limited
(as Trustee-Manager of the Trust) and
Langham Hospitality Investments Limited



LO Ka Shui
Chairman

Hong Kong, 18 February 2016

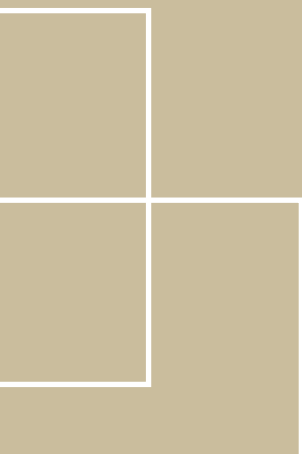
FINANCIAL INFORMATION

LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED

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LHIL MANAGER LIMITED

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



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

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

We have audited the consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 136 (hereinafter collectively referred to as "the Trust and the Company's consolidated financial statements"). As explained in note 2 to the Trust and the Company's consolidated financial statements, the consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together. The Trust and the Company's consolidated financial statements together comprise the consolidated statement of financial position of the Trust Group and of the Group as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Trust Group and of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the Trust and the Company's consolidated financial statements give a true and fair view of financial position of the Trust Group and the Group as at 31 December 2015, and of the Trust Group and the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 February 2016

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

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	6	682,194	751,738
Property related expenses		(34,438)	(32,975)
Service fees		(84,383)	(94,679)
Net property income		563,373	624,084
Other income	8	9,323	19,585
Increase in fair value of investment properties	18	1,099,032	155,558
Trust and other expenses		(21,105)	(24,317)
Finance costs	9	(131,783)	(130,822)
Profit before tax		1,518,840	644,088
Income tax expense	10	(76,649)	(87,025)
Profit and total comprehensive income for the year attributable to holders of Share Stapled Units	13	1,442,191	557,063
Basic and diluted earnings per Share Stapled Unit	16	HK\$0.7077	HK\$0.2762

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

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	17	19	25
Investment properties	18	18,381,000	17,000,000
		18,381,019	17,000,025
Current assets			
Debtors, deposits and prepayments	19	116,153	55,024
Tax recoverable		1,666	283
Restricted cash	20	60,064	60,000
Bank balances	20	244,133	589,248
		422,016	704,555
Current liabilities			
Creditors, deposits and accruals	21	86,355	84,448
Secured bank loans due within one year	22	6,786,016	–
Tax payable		91	61
		6,872,462	84,509
Net current (liabilities) assets		(6,450,446)	620,046
Total assets less current liabilities		11,930,573	17,620,071
Non-current liabilities			
Secured bank loans due after one year	22	–	6,752,016
Deferred tax liabilities	23	248,576	185,549
		248,576	6,937,565
NET ASSETS		11,681,997	10,682,506
Capital and reserves			
Issued capital	24	2,043	2,022
Reserves		11,679,954	10,680,484
TOTAL EQUITY		11,681,997	10,682,506

The consolidated financial statements on pages 87 to 136 and the statement of financial position of the Company on page 121 were approved and authorised for issue by the Board of Directors on 18 February 2016 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

IP Yuk Keung, Albert
DIRECTOR

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

For the year ended 31 December 2015

	Share capital HK\$'000	Share premium HK\$'000 (note a)	Other reserve HK\$'000 (note b)	Share-based payment reserve HK\$'000	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 and total comprehensive income for the year	–	–	–	–	–	557,063	557,063
Distribution paid (note 12(e))	–	(623,495)	–	–	–	–	(623,495)
Issue of Share Stapled Units (see notes 24 and 29)	21	78,671	–	–	–	–	78,692
At 31 December 2014	2,022	9,334,289	(11,562,543)	–	12,598,157	310,581	10,682,506
Profit and total comprehensive income for the year	–	–	–	–	–	1,442,191	1,442,191
Distribution paid (note 12(e))	–	(513,519)	–	–	–	–	(513,519)
Recognition of equity-settled share based payments	–	–	–	131	–	–	131
Issue of Share Stapled Units (see notes 24 and 29)	21	70,667	–	–	–	–	70,688
At 31 December 2015	2,043	8,891,437	(11,562,543)	131	12,598,157	1,752,772	11,681,997

Notes:

- (a) Under the Cayman Islands Companies Law, the share premium of the Company is available for distribution.
- (b) Pursuant to a group reorganisation in May 2013, 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.

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

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Operating activities		
Profit before tax	1,518,840	644,088
Adjustments for:		
Hotel management fees and licence fee payable in form of Share Stapled Units	67,813	75,697
Increase in fair value of investment properties	(1,099,032)	(155,558)
Interest expense	97,493	96,532
Interest income	(9,194)	(19,313)
Depreciation on property, plant and equipment	6	4
Amortisation on loan front-end fee	34,000	34,000
Net exchange loss	8,647	12,137
Recognition of share-based payments	131	–
Operating cash flows before movements in working capital	618,704	687,587
(Increase) decrease in debtors, deposits and prepayments	(61,452)	78,141
(Decrease) increase in creditors, deposits and accruals	(5,496)	2,019
Cash generated from operations	551,756	767,747
Interest paid	(97,496)	(96,528)
Hong Kong Profits Tax paid	(14,975)	(24,518)
Net cash from operating activities	439,285	646,701

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

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Investing activities		
Additions of investment properties	(271,687)	(128,724)
Placement of restricted cash	(64)	(60,000)
Interest received	9,517	18,739
Additions of property, plant and equipment	–	(20)
Net cash used in investing activities	(262,234)	(170,005)
Financing activities		
Distribution paid	(513,519)	(623,495)
Expenses on issue of Share Stapled Units	–	(3,748)
Cash used in financing activities	(513,519)	(627,243)
Net decrease in cash and cash equivalents	(336,468)	(150,547)
Cash and cash equivalents at the beginning of the year	589,248	751,932
Effect of foreign exchange rate changes	(8,647)	(12,137)
Cash and cash equivalents at the end of the year, represented by bank balances	244,133	589,248

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

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

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

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

2 BASIS OF PRESENTATION AND PREPARATION

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's consolidated financial statements for the year ended 31 December 2015 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's consolidated financial statements for the year ended 31 December 2015 comprise the 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 year ended 31 December 2015 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the consolidated financial statements of the Trust and the Company together. The consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's consolidated financial statements".

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statements of cash flows, significant accounting policies and the related explanatory information are identical to the Trust and the Company.

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

For the year ended 31 December 2015

2. BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

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

The Trust and the Company's 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 an underwritten mandate letter has been signed to secure the refinancing of the bank loan (see note 34).

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

The Groups have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after a date to be determined.

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

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

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Trust and the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

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

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

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

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

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Merger accounting for business combination involving entities under common control

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

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

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

Revenue recognition

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

The Groups' accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

Property, plant and equipment

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

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

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

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

Investment properties

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

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

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

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

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Groups as lessor

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

The Groups as lessee

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

Foreign currencies

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

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

Borrowing costs

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

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

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Groups' estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, for share options with non-market performance vesting conditions, the Groups revise its estimates of the number of options that are expected to vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

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

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions (continued)

When the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after vesting period or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

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

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Groups' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

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

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

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

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

Impairment losses on tangible assets

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

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

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

For the year ended 31 December 2015

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Investment properties

Investment properties are stated at fair value of HK\$18,381,000,000 (2014: HK\$17,000,000,000) based on the valuations performed by independent professional valuers.

In determining the fair value of investment properties situated in Hong Kong, the valuer has used income approach which discounted cash flow analyses for the hotel properties are established based on analysis of historical data and on assumptions about future market conditions affecting supply, demand, income, expenses and the potential for risk. Comparison method was also considered whereby comparisons on a per unit room basis on actual sales transactions and offering of comparable properties have been made.

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

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

For the year ended 31 December 2015

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

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

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

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

The Groups use valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 18 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

6. REVENUE

	2015 HK\$'000	2014 HK\$'000
Rental income from GE (LHIL) Lessee Limited ("Master Lessee") (see note 33(a))		
Base rent	225,000	225,000
Variable rent	451,769	521,534
	676,769	746,534
Rental income from retail shops in Eaton, Hong Kong	5,425	5,204
Total rental income	682,194	751,738

7. SEGMENT INFORMATION

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

The Groups' results are derived from property investment operation, which relates to the operating results from leasing of the three Hotels and represents three operating segments under HKFRS 8 "Operating Segments".

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

For the year ended 31 December 2015

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

2015

	The Langham, Hong Kong HK\$'000	Cordis, Hong Kong** HK\$'000	Eaton, Hong Kong HK\$'000	Consolidated HK\$'000
Segment revenue	244,183	292,712	145,299	682,194
Segment results*	203,852	236,657	122,864	563,373
Other income				9,323
Increase in fair value of investment properties				1,099,032
Trust and other expenses				(21,105)
Finance costs				(131,783)
Profit before tax				1,518,840
Income tax expense				(76,649)
Profit for the year attributable to holders of Share Stapled Units				1,442,191

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

For the year ended 31 December 2015

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

2014

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

* 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.

** Cordis, Hong Kong was formerly known as Langham Place Hotel, Hong Kong.

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, Cordis, Hong Kong and Eaton, Hong Kong were HK\$6,845,000,000, HK\$7,770,000,000 and HK\$3,766,000,000 (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.

Geographical information

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

Information about major customers

Revenue from the Master Lessee is HK\$676,769,000 (2014: HK\$746,534,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2015.

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

For the year ended 31 December 2015

8. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Interest on bank deposits	9,194	19,313
Sundry income	129	272
	9,323	19,585

9. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on bank borrowings	97,493	96,532
Loan front-end fee amortisation	34,000	34,000
Other borrowing costs	290	290
	131,783	130,822

10. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	13,676	26,521
Overprovision in prior years	(54)	(43)
	13,622	26,478
Deferred tax (note 23):		
Current year	63,027	60,606
Overprovision in prior years	–	(59)
	63,027	60,547
	76,649	87,025

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

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

For the year ended 31 December 2015

10. INCOME TAX EXPENSE (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Profit before tax	1,518,840	644,088
Tax at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	250,609	106,275
Tax effect of expenses not deductible for tax purposes	9,505	18,527
Tax effect of income not taxable for tax purposes	(183,412)	(37,672)
Overprovision in prior years	(54)	(102)
Others	1	(3)
Tax charge for the year	76,649	87,025

11. TOTAL DISTRIBUTABLE INCOME

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

	2015 HK\$'000	2014 HK\$'000
Profit for the year attributable to holders of Share Stapled Units	1,442,191	557,063
Adjustments:		
Add:		
Depreciation	6	4
Deferred tax	63,027	60,547
Non-cash finance costs	34,000	34,000
Hotel management fees and licence fee payable in form of Share Stapled Units (see notes 29 and 33(b))	67,813	75,697
Non-cash exchange difference	–	11,952
Less:		
Increase in fair value of investment properties	(1,099,032)	(155,558)
Non-cash exchange difference	(7,499)	–
Reserve for furniture, fixtures and equipment	(22,972)	(24,880)
Total distributable income	477,534	558,825

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

For the year ended 31 December 2015

12. DISTRIBUTION STATEMENT

	Note	2015 HK\$'000	2014 HK\$'000
Interim distribution period (note a)			
Total distributable income in respect of the six months ended 30 June 2015 (2014: in respect of the six months ended 30 June 2014)		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
Final distribution period (note a)			
Total distributable income in respect of the financial year ended 31 December 2015 (2014: in respect of the financial year ended 31 December 2014)	11	477,534	558,825
Less: distributable income paid for interim distribution period (note e)		(227,320)	(273,369)
Distributable income available for final distribution period		250,214	285,456
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for final distribution period		250,214	285,456
Final distribution (note c)		250,214	285,456
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.111	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 to be paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.122	HK\$0.141
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.129	HK\$0.152

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

For the year ended 31 December 2015

12. DISTRIBUTION STATEMENT (CONTINUED)

Notes:

- (a) The final distribution in 2015 is based on total distributable income for the year ended 31 December 2015.
- The interim distribution in 2015 was based on total distributable income for the six months ended 30 June 2015.
- The final distribution in 2014 was based on total distributable income for the year ended 31 December 2014.
- (b) The Trust Deed and the articles of association of the Company state that it is the intention of the Directors to declare and distribute (i) 100% of the total distributable income in respect of the financial year ended 31 December 2014 and financial year ended 31 December 2015, and (ii) not less than 90% of the total distributable income in respect of each financial year thereafter.
- (c) The final distribution after 31 December 2015 has not been recognised as a liability as at 31 December 2015.
- 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.
- (d) The final distribution per Share Stapled Unit of HK\$0.122 (2014: HK\$0.141) for the final distribution period in 2015 is calculated based on the final distribution to be paid of HK\$250,214,000 (2014: HK\$285,456,000) for the period and 2,042,905,937 (2014: 2,022,390,859) Share Stapled Units as at 31 December 2015.
- The interim distribution per Share Stapled Unit of HK\$0.111 (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 (2014: HK\$272,603,000) for the period and 2,032,888,934 (2014: 2,012,373,688) Share Stapled Units as at 30 June 2015.
- (e) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, immediate holding company of the Company after the Listing, has waived 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 ended 31 December 2015	100,000
Year ending 31 December 2016	100,000
Year ending 31 December 2017	50,000

The final distribution per Share Stapled Unit of HK\$0.129 (2014: HK\$0.152) for the final distribution period in 2015 is calculated based on 1,942,905,937 (2014: 1,872,390,859) Share Stapled Units after taking into account of the 100,000,000 (2014: 150,000,000) units waived by LHIL Assets Holdings Limited. The final distribution for the final distribution period in 2015 will be paid to holders of Share Stapled Units on or before 16 May 2016.

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.

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

For the year ended 31 December 2015

12. DISTRIBUTION STATEMENT (CONTINUED)

Notes: (continued)

(e) (continued)

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.

The interim distribution per Share Stapled Unit of HK\$0.117 (2014: HK\$0.146) for the interim distribution period in 2015 is calculated based on 1,932,888,934 (2014: 1,862,373,688) Share Stapled Units after taking into account of the 100,000,000 (2014: 150,000,000) units waived by LHIL Assets Holdings Limited.

After the issue of 10,017,003 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 30 June 2015 on 21 August 2015, the number of Share Stapled units entitled for the interim distribution in 2015 should be 1,942,905,937. The interim distribution of HK\$227,320,000 was paid to holders of Share Stapled Units on 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.

13. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO HOLDERS OF SHARE STAPLED UNITS

	2015 HK\$'000	2014 HK\$'000
Profit and total comprehensive income for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	5,011	6,093
Share-based payment expenses (including directors' emoluments) (note a)	131	–
Depreciation	5,142	6,093
Auditor's remuneration	6	4
Operation lease payments on rented premises	1,180	1,180
Net exchange loss (included in trust and other expenses)	6,403	6,363
	8,647	12,137

Note:

(a) The Groups recognised the total expenses of HK\$131,000 for the year ended 31 December 2015 in relation to share options granted by the ultimate holding company under their share option scheme.

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

For the year ended 31 December 2015

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2014: seven) Directors and the chief executive were as follows:

	2015						2014 Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses (note a) HK\$'000	Share-based payment expenses HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000	
Dr. LO Ka Shui	295	-	-	-	-	295	295
Ms. LO Bo Lun, Katherine	170	-	-	-	-	170	170
Mr. IP Yuk Keung, Albert (note b)	50	1,589	296	12	18	1,965	1,131
Ms. Katherine Margaret BENSON (note c)	-	-	-	-	-	-	1,451
Dr. LIN Syaru, Shirley	305	-	-	-	-	305	305
Mr. SO Yiu Wah, Eric	320	-	-	-	-	320	320
Mr. WONG Kwai Lam	345	-	-	-	-	345	345
	1,485	1,589	296	12	18	3,400	4,017

Notes:

- Discretionary bonuses are determined by the remuneration committee of the Company from time to time by reference to the prevailing market conditions, the performance of the Company as well as the individual performance.
- Appointed as an executive director and the chief executive officer of the Trustee-Manager and the Company with effect from 9 June 2014.
- Resigned as an executive director and the chief executive officer of the Trustee-Manager and the Company with effect from 9 June 2014.

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

For the year ended 31 December 2015

15. EMPLOYEES' EMOLUMENTS

Of the four (2014: five) individuals with the highest emoluments in the Groups, one (2014: two) was Director and the chief executive of the Trustee-Manager and the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,269	1,208
Discretionary bonuses	296	315
Share-based payment expenses	119	–
Retirement benefits scheme contributions	58	55
	1,742	1,578

	2015 Number of employees	2014 Number of employees
Bands: Nil – HK\$1,000,000	3	3

16. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT

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

	2015 HK\$'000	2014 HK\$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	1,442,191	557,063

	2015 '000	2014 '000
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	2,037,959	2,016,999

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

For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$'000
COST	
At 1 January 2014	10
Additions	20
At 31 December 2014 and 31 December 2015	30
DEPRECIATION	
At 1 January 2014	1
Depreciation	4
At 31 December 2014	5
Depreciation	6
At 31 December 2015	11
CARRYING VALUES	
At 31 December 2015	19
At 31 December 2014	25

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

Furniture and fixtures	
Hotel renovation	10% per annum
Other furniture and fixtures	10% – 20% per annum

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

For the year ended 31 December 2015

18. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
FAIR VALUE		
At the beginning of the year	17,000,000	16,696,000
Additions	281,968	148,442
Increase in fair value recognised in profit or loss	1,099,032	155,558
At the end of the year	18,381,000	17,000,000

The fair values of the Groups' investment properties of HK\$18,381,000,000 as at 31 December 2015 (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 independent property valuer adopted income approach by using discounted cash flow analysis and market approach by using comparison method of valuation to arrive the valuation of investment properties as at 31 December 2015. The discounted cash flow analysis for the hotel properties are established based on analysis of historical data and on assumptions about future market conditions affecting supply, demand, income, expenses and the potential for risk. These assumptions determine the earning capability of the hotel properties upon which the pattern of income and expenditures are projected to establish a fair maintainable profit on a yearly basis by a reasonably efficient operator over a 10-year investment horizon; and the anticipated net operating income stream receivable thereafter is capitalised at appropriate terminal capitalisation rates and adjusted to present value to reflect the capital values beyond the years. The comparison method of valuation whereby comparisons on a per unit room basis on actual sales transactions and offering of comparable properties during the year ended 31 December 2015 have been made.

During the year ended 31 December 2014, 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.

The change in valuing techniques is due to more relevant information of market transactions are available in the current year.

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

The key inputs used in valuing the investment properties by the independent property valuer under the aforesaid income approach were the discount rates used at 8% (2014: 8.25%) and average daily rates, which ranged from HK\$1,137 to HK\$2,203 (2014: HK\$1,310 to HK\$2,290) per room per night. A slight increase in the discount rate used would result in a significant decrease in fair value measurement of the investment properties, and vice versa. There is no indication that a slight increase in the average daily rate used would result in a significant increase in fair value measurement of the investment properties, and vice versa. The following table details the Groups' sensitivity to a 50 basis points (2014: 50 basis points) increase/decrease in discount rate holding all other variables constant.

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For the year ended 31 December 2015

18. INVESTMENT PROPERTIES (CONTINUED)

	2015		2014	
	50 basis points increase HK\$'000	50 basis points decrease HK\$'000	50 basis points increase HK\$'000	50 basis points decrease HK\$'000
The Langham, Hong Kong	(270,000)	290,000	(420,000)	470,000
Cordis, Hong Kong	(300,000)	320,000	(480,000)	540,000
Eaton, Hong Kong	(140,000)	140,000	(260,000)	280,000
	(710,000)	750,000	(1,160,000)	1,290,000

Details of the Groups' investment properties and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2015 HK\$'000
The Langham, Hong Kong	–	–	6,845,000	6,845,000
Cordis, Hong Kong	–	–	7,770,000	7,770,000
Eaton, Hong Kong	–	–	3,766,000	3,766,000
	–	–	18,381,000	18,381,000

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

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

The carrying amounts of investment properties comprise properties situated in Hong Kong.

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19. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Trade debtors	109,332	43,035
Interest receivable	702	1,025
Deposits and prepayments	6,119	10,964
	116,153	55,024

Rentals receivable from Master Lessee and other tenants 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:

	2015 HK\$'000	2014 HK\$'000
0 – 3 months	109,332	43,035

No trade debtor is past due as at 31 December 2014 and 2015.

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\$109,136,000 (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 (2014: HK\$1,351,000) which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

20. RESTRICTED CASH, BANK BALANCES

Restricted cash

At the end of the reporting period, amount of HK\$60,064,000 (2014: HK\$60,000,000) was placed in designated bank account pursuant to applicable loan facilities requirements.

Bank balances

Bank balances comprised short-term bank deposits carrying interest at prevailing annual deposit rates which range from 0.001% to 4.55% (2014: 0.001% to 3.9%) per annum.

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

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21. CREDITORS, DEPOSITS AND ACCRUALS

	2015 HK\$'000	2014 HK\$'000
Trade creditors	37,432	40,355
Deposits received	1,394	1,394
Other creditors	13,755	5,889
Accruals and other payables	33,774	36,810
	86,355	84,448

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

	2015 HK\$'000	2014 HK\$'000
0 – 3 months	23,607	23,527
3 – 6 months	13,825	16,828
	37,432	40,355

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

Included in trade creditors are amounts due to fellow subsidiaries of HK\$37,432,000 (2014: HK\$40,355,000) which are unsecured, interest-free and payable on presentation of invoices. Included in other creditors are amounts due to fellow subsidiaries of HK\$188,000 (2014: HK\$66,000) which are unsecured, interest-free and payable on presentation of invoices. At 31 December 2015, included in accruals and other payables is an amount due to a fellow subsidiary of HK\$1,759,000 (2014: HK\$Nil) which is unsecured, interest-free and payable on presentation of invoices.

22. SECURED BANK LOANS

	2015 HK\$'000	2014 HK\$'000
Secured term loans	6,800,000	6,800,000
Loan front-end fee	(13,984)	(47,984)
	6,786,016	6,752,016
Less: Amount due within one year shown under current liabilities	(6,786,016)	–
Amount due after one year	–	6,752,016

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For the year ended 31 December 2015

22. SECURED BANK LOANS (CONTINUED)

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

	2015 HK\$'000	2014 HK\$'000
Within one year	6,800,000	–
More than one year but not exceeding two years	–	6,800,000
	6,800,000	6,800,000

The secured bank loans of HK\$6,800,000,000 (2014: HK\$6,800,000,000) are variable-rate borrowings, bearing interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of 1.2% (2014: 1.2%) per annum and are repayable on 29 May 2016 (2014: 29 May 2016). Bank loans are secured by the Groups' investment properties and certificate of deposit.

23. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2014	203,975	(78,973)	125,002
Charge to profit or loss	26,365	34,241	60,606
Overprovision in prior years	–	(59)	(59)
At 31 December 2014	230,340	(44,791)	185,549
Charge to profit or loss	36,428	26,599	63,027
At 31 December 2015	266,768	(18,192)	248,576

At the end of the reporting period, the Groups have unutilised tax losses of HK\$110,265,000 (2014: HK\$271,474,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$110,265,000 (2014: HK\$271,474,000) of such losses.

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

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24. ISSUED CAPITAL

	Number of shares	Nominal value HK\$
Authorised:		
Ordinary shares of HK\$0.0005 each		
At 1 January 2014, 31 December 2014 and 2015	5,000,000,000	2,500,000
Preference shares of HK\$0.0005 each		
At 1 January 2014, 31 December 2014 and 2015	5,000,000,000	2,500,000
	Number of shares	Nominal value HK\$
Issued and fully paid:		
Ordinary shares of HK\$0.0005 each (note a)		
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)	10,498,075	5,249
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	10,017,003	5,009
At 31 December 2015	2,042,905,937	1,021,454
Preference shares of HK\$0.0005 each		
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)	10,498,075	5,249
Issue of preference shares as payment of hotel management fees and licence fee (note b)	10,017,003	5,009
At 31 December 2015	2,042,905,937	1,021,454

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

For the year ended 31 December 2015

24. ISSUED CAPITAL (CONTINUED)

	2015 HK\$'000	2014 HK\$'000
Issued capital as shown in the consolidated financial statements	2,043	2,022

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 for both years as payment of hotel management fees and licence fee are as follows (see notes 29 and 33(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
21 August 2015	1 January 2015 to 30 June 2015	3.20	32,055	10,017,003

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

For the year ended 31 December 2015

25. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Investments in subsidiaries	469,048	344,318
Amounts due from subsidiaries	8,722,370	9,165,998
	9,191,418	9,510,316
Current assets		
Prepayments	71	75
Bank balances	3,500	784
	3,571	859
Current liability		
Accruals	1,047	1,135
Net current assets (liability)	2,524	(276)
Non-current liability		
Amount due to a subsidiary	358	38
NET ASSETS	9,193,584	9,510,002
Capital and reserves		
Issued capital	2,043	2,022
Reserves	9,191,541	9,507,980
TOTAL EQUITY	9,193,584	9,510,002

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

For the year ended 31 December 2015

25. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	9,879,113	45,612	9,924,725
Distribution paid	(623,495)	–	(623,495)
Issue of Share Stapled Units (see notes 24 and 29)	78,671	–	78,671
Profit and total comprehensive income for the year	–	128,079	128,079
At 31 December 2014	9,334,289	173,691	9,507,980
Distribution paid	(513,519)	–	(513,519)
Issue of Share Stapled Units (see notes 24 and 29)	70,667	–	70,667
Profit and total comprehensive income for the year	–	126,413	126,413
At 31 December 2015	8,891,437	300,104	9,191,541

26. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

The capital structure of the Groups consists of debt, which includes bank borrowings disclosed in note 22, net of cash and cash equivalents and equity attributable to holders of Share Stapled Units, comprising issued share capital, reserves and retained profits. The capital structure of the Company consists of equity attributable to holders of Share Stapled Units, comprising issued share capital, reserve and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Groups will balance its overall capital structure through new share issues.

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

For the year ended 31 December 2015

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
Trade debtors	109,332	43,035
Interest receivable	702	1,025
Restricted cash	60,064	60,000
Bank balances	244,133	589,248
	414,231	693,308
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade creditors	37,432	40,355
Other creditors	13,755	5,889
Secured bank loans	6,786,016	6,752,016
	6,837,203	6,798,260

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

	2015 HK\$'000	2014 HK\$'000
Renminbi ("RMB")	2	498,136
United States dollars ("US\$")	16	16

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

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

For the year ended 31 December 2015

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Groups are mainly exposed to RMB. As Hong Kong dollars are pegged to US\$, no material currency risk exposure is expected on US\$ denominated monetary assets. Therefore they are excluded from the sensitivity analysis below. The following table details the Groups' sensitivity to a 5% (2014: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currency. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rate. A positive number below indicates an increase in profit for the year where Hong Kong dollars weaken 5% (2014: 5%) against the relevant currency. For a 5% (2014: 5%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

	2015 HK\$'000	2014 HK\$'000
Renminbi	–	24,907

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

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

For the year ended 31 December 2015

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (continued)

(ii) Interest rate risk

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

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for secured bank loans at the end of the reporting period. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

If the interest rates had been 50 basis points (2014: 50 basis points) higher or lower and all other variables were held constant, the Groups' profit for the year would decrease/increase by HK\$28,390,000 (2014: HK\$28,390,000). This is mainly attributable to the Groups' exposure to interest rates on its floating rate secured bank loans.

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

For the year ended 31 December 2015

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk

At 31 December 2015, the Groups' maximum exposure to credit risk which will cause a financial loss to the Groups due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

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

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

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

For the year ended 31 December 2015

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk

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

Liquidity risk analysis

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

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

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2015 HK\$'000
Non-derivative financial liabilities							
Trade creditors	N/A	37,432	–	–	–	37,432	37,432
Other creditors	N/A	13,755	–	–	–	13,755	13,755
Secured bank loans – variable rate	1.43%	24,310	6,815,675	–	–	6,839,985	6,786,016
		75,497	6,815,675	–	–	6,891,172	6,837,203

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

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

For the year ended 31 December 2015

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

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

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

28. PLEDGE OF ASSETS

At 31 December 2015 and 2014, all of the Groups' investment properties have been pledged to secure banking facilities granted to the Groups.

29. MAJOR NON-CASH TRANSACTION

The Groups incurred hotel management fees and licence fee payable to Langham Hotels International Limited for the year ended 31 December 2015 of HK\$67,813,000 (2014: HK\$75,697,000) (see note 33(b)), of which HK\$32,055,000 (2014: HK\$37,064,000) was settled by Share Stapled Units. The remaining balance of HK\$35,758,000 (2014: HK\$38,633,000) will also be settled by Share Stapled Units subsequent to the end of the reporting period.

30. COMMITMENTS

At 31 December 2015, the Groups had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$126,407,000 (2014: HK\$209,157,000) of which HK\$16,182,000 (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.

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

For the year ended 31 December 2015

31. OPERATING LEASE COMMITMENTS

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:

	2015 HK\$'000	2014 HK\$'000
With Master Lessee		
Within one year	225,000	225,000
In the second to fifth year	675,000	900,000
	900,000	1,125,000
With other tenants		
Within one year	4,780	3,266
In the second to fifth year	797	2,548
	5,577	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 33(a)). The above future minimum lease payments only include base rent as the variable rent cannot be determined as of the date of approval of the consolidated financial statements.

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

For the year ended 31 December 2015

31. OPERATING LEASE COMMITMENTS (CONTINUED)

As lessee

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

	2015 HK\$'000	2014 HK\$'000
With Renaissance City Development Company, Limited		
Within one year	–	4,566
In the second to fifth year	–	1,903
	–	6,469
With Moon Yik Company, Limited		
Within one year	682	682
In the second to fifth year	20	702
	702	1,384
With other landlords		
Within one year	230	459
In the second to fifth year	–	230
	230	689

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

32. RETIREMENT BENEFITS SCHEME

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

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

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

For the year ended 31 December 2015

32. RETIREMENT BENEFITS SCHEME (CONTINUED)

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

Total contributions to retirement fund schemes for the year ended 31 December 2015 charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK\$76,000 (2014: HK\$169,000).

33. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed in notes 12, 19, 21 and 31, the Groups had the following significant transactions with related parties during the year. All of the following related parties are subsidiaries of Great Eagle Holdings Limited and Dr. Lo Ka Shui, Director of the Company, is a substantial shareholder, the chairman and managing director of Great Eagle Holdings Limited. The transactions were carried out in the normal course of the Groups' business on terms mutually agreed between the parties. The following significant transactions are also connected transactions as defined in the chapter 14A of the Listing Rules upon the Listing. Details of the connected transactions have been disclosed in the prospectus for the global offering of Share Stapled Units dated 16 May 2013.

	Notes	2015 HK\$'000	2014 HK\$'000
Rental income			
Master Lessee	(a)	676,769	746,534
Hotel management fees and licence fee			
Langham Hotels International Limited	(b)	67,813	75,697
Global marketing fees			
Langham Hotels Services Limited	(c)	16,570	18,982
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d)	2,471	2,192
Rental and building management fee expenses			
Renaissance City Development Company, Limited	(e)	5,267	5,230
The Great Eagle Company, Limited	(f)	–	12
Moon Yik Company, Limited	(g)	682	662

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

For the year ended 31 December 2015

33. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Notes	2015 HK\$'000	2014 HK\$'000
Lease agency fee			
The Great Eagle Estate Agents Limited	(h)	299	276
Administrative support service fee			
The Great Eagle Company, Limited	(i)	960	960
Procurement services fee			
Champion Global Services Limited	(j)	3,058	1,733
Project management services fee			
The Great Eagle Development and Project Management Limited	(k)	7,963	3,403
Design and construction contracting services fee			
Keysen Engineering Company, Limited	(l)	1,838	2,610
Toptech Company Limited		1,084	–

Notes:

- (a) Rental income is charged to Master Lessee in accordance with the master lease agreement. Annual base rent of HK\$225,000,000 was proportionately charged over the period for the year ended 31 December 2015. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees of HK\$645,384,000 (2014: HK\$745,048,000) 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:

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

For the year ended 31 December 2015

33. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (continued)

(a) (continued)

	2015 HK\$'000	2014 HK\$'000
Hotels' aggregate gross operating profit before deduction of global marketing fees	645,384	745,048
70% thereon, variable rent	451,769	521,534
Base rent	225,000	225,000
Add:		
Rental income from retail shops in Eaton, Hong Kong	5,425	5,204
Groups' segment revenue	682,194	751,738
Less:		
Hotel management fees (i.e. base fee and incentive fee)	(52,498)	(59,110)
Licence fee	(15,315)	(16,587)
Global marketing fees	(16,570)	(18,982)
Property taxes, rates and insurance	(32,723)	(31,710)
Other deductions	(1,715)	(1,265)
Groups' segment profit	563,373	624,084

- (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 24 and 29).

	2015 HK\$'000	2014 HK\$'000
(A) Total revenue of relevant hotel	1,531,454	1,658,658
(B) Adjusted Hotel's aggregate gross operating profit	590,528	684,600
(i) Base fee (A x 1.5%)	22,972	24,880
(ii) Licence fee (A x 1%)	15,315	16,587
(iii) Incentive fee (B x 5%)	29,526	34,230
Total fees	67,813	75,697

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

For the year ended 31 December 2015

33. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (continued)

- (c) Global marketing fees were payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$828,518,000 (2014: HK\$949,108,000)) 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 Cordis, 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.
- (k) Project management services fee at a rate of 3% of the actual amount of the construction cost for renovation of the Hotels as certified by project quantity surveyor or other consultants.
- (l) The contract sum for the work of design and construction contracting services shall be negotiated on an arm's length basis and determined between Keyesen Engineering Company, Limited and/or its associated companies and the Groups subject to tender or price comparison process to be arranged by the Groups in accordance with its internal control policy.
- (m) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited has agreed to waive its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out in note 12. During the year, net amount of HK\$14,069,000 (2014: HK\$21,008,000) was waived by LHIL Assets Holdings Limited and its fellow subsidiaries.

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

	2015 HK\$'000	2014 HK\$'000
Short-term benefits	3,382	3,908
Post-employment benefits	18	130
	3,400	4,038

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

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

For the year ended 31 December 2015

34. EVENT AFTER THE END OF THE REPORTING PERIOD

The Groups entered an underwritten mandate letter in relation to a credit facility, comprising of HK\$7,200,000,000 secured term loan and revolving loan (the "Facility"), with two banks who would act as mandated lead arrangers and bookrunners of the Facility and underwrite the Facility up to a maximum aggregate amount of HK\$7,200,000,000.

35. PARTICULARS OF THE SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2015 and 2014 are set out below:

Direct subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2015	2014
– incorporated in the British Virgin Islands:				
LHIL Properties Limited	1 share of US\$1	Investment holding	100%	100%
LHIL Treasury Holdings Limited*	1 share of US\$1	Investment holding	100%	100%

Direct subsidiary	Number of shares	Share capital issued Issued and paid up share capital HK\$	Principal activities	Percentage of issued equity share capital held by the Company	
				2015	2014
– incorporated and operating in Hong Kong:					
LHIL Company Limited	1	1	Provision for administrative services	100%	100%

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

For the year ended 31 December 2015

35. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2015	2014
– incorporated in the British Virgin Islands:				
Braveforce Investments Limited	1 share of US\$1	Investment holding	100%	100%
LHIL Finance Holdings Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (EHK) Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (LHK) Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (Cordis) Limited (formerly known as LHIL (LPHK) Limited)	1 share of US\$1	Investment holding	100%	100%
Rowan Enterprises Limited	1 share of US\$1	Investment holding	100%	100%
– incorporated in Liberia:				
Baxter Investment Limited	500 shares of US\$1 each	Investment holding	100%	100%
Glendive Investment Limited	500 shares of US\$1 each	Investment holding	100%	100%

Indirect subsidiaries	Number of shares	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
		Issued and paid up share capital HK\$			2015	2014
– incorporated and operating in Hong Kong:						
Grow On Development Limited	5,000	5,000		Property investment	100%	100%
Harvest Star International Limited	2	2		Property investment	100%	100%
Cordis Hong Kong Limited (formerly known as Langham Place Hotel (HK) Limited)	2	2		Property investment	100%	100%
LHIL Finance Limited	1	1		Financing	100%	100%
LHIL Treasury (HK) Limited*	1	1		Financing	100%	100%
LHIL Treasury Company Limited*	1	1		Treasury management	100%	100%

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

None of the subsidiaries had any debt securities subsisting at 31 December 2015 and 2014 or at any time during the year.

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED



TO THE MEMBER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of LHIL Manager Limited (the "Company") set out on pages 139 to 144, which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 February 2016

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

For the year ended 31 December 2015

	Notes	2015 HK\$	2014 HK\$
Revenue		–	–
Administrative expenses		(23,955)	(22,355)
Less: Amount borne by a fellow subsidiary		23,955	22,355
Profit or loss before tax	4	–	–
Income tax	5	–	–
Profit or loss and total comprehensive income/expense for the year		–	–

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 31 December 2015

	Note	2015 HK\$	2014 HK\$
Current asset			
Cash on hand		1	1
NET ASSET		1	1
Capital			
Share capital	6	1	1
TOTAL EQUITY		1	1

The financial statements on pages 139 to 144 were approved and authorised for issue by the Board of Directors on 18 February 2016 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

IP Yuk Keung, Albert
DIRECTOR

STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the year ended 31 December 2015

	Share capital HK\$
At 1 January 2014, 31 December 2014 and 31 December 2015	1

STATEMENT OF CASH FLOWS OF LHIL MANAGER LIMITED

For the year ended 31 December 2015

	2015 HK\$	2014 HK\$
Net cash from operating activity	–	–
Cash and cash equivalent of the beginning of the year	1	1
Cash and cash equivalent at the end of the year, represented by cash on hand	1	1

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 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 for both years, thus the distribution statement is not presented.

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

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

The Company has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2015

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after a date to be determined.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Accordingly, the presentation and disclosure of information in the financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance but not under the new Hong Kong Companies Ordinance are not disclosed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The significant accounting policies are set out below.

Financial instruments

Financial asset

Financial asset represents cash on hand.

Equity instrument

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

4. PROFIT OR LOSS BEFORE TAX

	2015 HK\$	2014 HK\$
Profit or loss before tax has been arrived at after charging:		
Auditor's remuneration	20,000	20,000

5. INCOME TAX

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

6. SHARE CAPITAL

	Number of ordinary share	Nominal value HK\$
Issued and fully paid:		
Ordinary share with no par value At 31 December 2014 and 2015 (note)	1	1

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

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2015

7. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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

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

8. FINANCIAL INSTRUMENT

(a) Category of financial instrument

	2015 HK\$	2014 HK\$
Financial asset		
<i>Loan and receivable</i>		
Cash on hand	1	1
	1	1

(b) Financial risk management objective and policy

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

9. RELATED PARTY DISCLOSURES

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

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

SCHEDULE OF INVESTMENT PROPERTIES

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

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

FINANCIAL SUMMARY

	For the year ended 31 December					2015 Continuing operation HK\$'000
	2011	2012	2013	2014		
	Discontinued operation HK\$'000	Discontinued operation HK\$'000	Discontinued operation HK\$'000	Continuing operation HK\$'000	Continuing operation HK\$'000	
RESULTS						
Revenue	1,490,539	1,623,459	657,356	471,764	751,738	682,194
Profit before tax	388,656	448,932	206,317	309,958	644,088	1,518,840
Income taxes	(34,410)	(51,441)	(33,429)	(37,571)	(87,025)	(76,649)
Profit for the year attributable to Holders of shares of the Company/Share Stapled Units	354,246	397,491	172,888	272,387	557,063	1,442,191
	2011	2012	2013	2014	2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
ASSETS AND LIABILITIES						
Total Assets	5,312,971	5,305,842	17,582,749	17,704,580	18,803,035	
Total liabilities	(6,240,491)	(5,974,036)	(6,912,503)	(7,022,074)	(7,121,038)	
Net (liabilities)/assets	(927,520)	(668,194)	10,670,246	10,682,506	11,681,997	

Note:

After the execution of the master lease agreements, the Groups' business changed from hotel operations to property investment. Therefore, hotel operations were discontinued on the Listing Date. As such, the Groups' 2015, 2014 and 2013 consolidated results were not directly comparable to the results for the year ended 31 December 2011, and 2012.

GLOSSARY OF TERMS

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

Terms	Definition
"AGM"	The annual general meeting of the Trust and the Company to be held on a combined basis as a meeting
"Corporate Governance Code"	Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules
"Code of Conduct for Securities Transactions"	Code of Conduct regarding Securities Transactions by Directors and Relevant Employees adopted by the Trustee-Manager and the Company
"Company"	Langham Hospitality Investments Limited (朗廷酒店投資有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2013
"Company's Articles"	The amended and restated articles of association of the Company adopted on 19 April 2013 with effect from 8 May 2013 as amended, supplemented, substituted or otherwise modified for the time being in force
"Company Board"	The board of directors of the Company
"Distribution Entitlement Waiver Deed"	The deed dated 10 May 2013 entered into among LHIL Assets Holdings Limited, Great Eagle and the Trustee-Manager in relation to the waiver by LHIL Assets Holdings Limited of its entitlement to receive distributions payable by the Trustee-Manager
"Distribution Waiver Units"	Share Stapled Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed
"Great Eagle"	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust Group holding 60.70% issued Share Stapled Units as at 31 December 2015
"Great Eagle Group"	Great Eagle and its subsidiaries
"Great Eagle ROFR Deed"	The Deed of Right of First Refusal dated 10 May 2013 entered into between Great Eagle and the Company
"Group"	The Company and its subsidiaries
"HKAS"	Hong Kong Accounting Standard
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKTB"	Hong Kong Tourism Board
"Holder(s) of Share Stapled Units" or "Unitholder(s)"	Holder(s) of Share Stapled Units of the Trust and the Company
"Hotel Companies"	The companies which own the Hotels, being Harvest Star International Limited, Cordis Hong Kong Limited and Grow On Development Limited; and "Hotel Company" shall mean any of them

GLOSSARY OF TERMS

Terms	Definition
"Hotel Manager"	Langham Hotels International Limited (朗廷酒店國際有限公司), a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
"Hotel(s)"	The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong
"Listing Date"	30 May 2013, being the date of listing of the Share Stapled Units on the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Master Lessee"	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle
"Model Code"	Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules
"Registers"	The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed
"RevPAR"	Revenue per available room
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Stapled Unit(s)" or "SSU(s)"	<p>Share stapled unit(s) jointly issued by the Trust and the Company. A share stapled unit is the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager; and (c) a specifically identified preference share of the Company stapled to the unit
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust"	Langham Hospitality Investments (朗廷酒店投資), as constituted pursuant to the Trust Deed
"Trust Deed"	The trust deed dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company
"Trust Group"	The Trust and the Group
"Trustee-Manager"	LHIL Manager Limited (朗廷酒店管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly-owned subsidiary of Great Eagle, in its capacity as trustee-manager of the Trust
"Trustee-Manager Board"	The board of directors of the Trustee-Manager

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

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

LANGHAM HOSPITALITY INVESTMENTS

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

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LANGHAM HOSPITALITY INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)



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