

LANGHAM

HOSPITALITY INVESTMENTS

Stock code 股份代號 : 1270



bostonian
SEAFOOD & GRILL



INTERIM REPORT 中期報告 2017



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



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CORPORATE INFORMATION

TRUST

Langham Hospitality Investments

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

COMPANY

Langham Hospitality Investments Limited

(incorporated in the Cayman Islands with limited liability)

TRUSTEE-MANAGER

LHIL Manager Limited

(as Trustee-Manager of the Trust)

BOARD OF DIRECTORS

Non-executive Directors

LO Ka Shui *(Chairman)*

LO Chun Him, Alexander

Executive Director

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

Independent Non-executive Directors

LIN Syaru, Shirley

SO Yiu Wah, Eric

WONG Kwai Lam

AUDIT COMMITTEE

WONG Kwai Lam *(Chairman)*

LIN Syaru, Shirley

SO Yiu Wah, Eric

REMUNERATION COMMITTEE

SO Yiu Wah, Eric *(Chairman)*

LO Ka Shui

LIN Syaru, Shirley

WONG Kwai Lam

NOMINATION COMMITTEE

LIN Syaru, Shirley *(Chairman)*

LO Ka Shui

SO Yiu Wah, Eric

WONG Kwai Lam

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

Corporate Information

LEGAL ADVISORS

Conyers Dill & Pearman (Cayman) Limited
Mayer Brown JSM

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Citibank, N.A.
Hang Seng Bank Limited
The Hongkong and Shanghai 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

COMPANY PRINCIPAL SHARE REGISTRAR

Conyers 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

DISTRIBUTION NOTICE AND KEY DATES

INTERIM DISTRIBUTION

The Trustee-Manager Board has declared an interim distribution of HK10.3 cents per Share Stapled Unit (2016: HK11.7 cents) for the six-month period ended 30 June 2017, payable on 29 September 2017 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 14 September 2017, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed.

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

CLOSURE OF REGISTERS

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Monday, 11 September 2017 to Thursday, 14 September 2017, both days inclusive, during which period no transfer of Share Stapled Units will be registered.

In order to qualify for the 2017 interim distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 8 September 2017.

KEY DATES

Events	Dates
2017 Interim Results Announcement	8 August 2017
Ex-distribution Date	7 September 2017
Closure of Registers	11 September 2017 – 14 September 2017 <i>(both days inclusive)</i>
Record Date for 2017 Interim Distribution	14 September 2017
Payment of 2017 Interim Distribution of HK10.3 cents per Share Stapled Unit	29 September 2017

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	1H 2017	1H 2016	Change
RevPAR of the hotel portfolio (in HK\$)	1,402	1,350	3.9%
Revenue of hotel portfolio	744.9	729.1	2.2%
Hotels' gross operating profit before deduction of the global marketing fee	314.8	296.3	6.2%
Total Rental Income for the Trust Group	332.8	322.3	3.3%
Net Property Income for the Trust Group	278.6	270.4	3.0%
Profit attributable to Holders of Share Stapled Units	409.7	263.9	55.2%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	164.6	163.3	0.8%
Distributable Income	209.6	228.1	-8.1%
Distributions per Share Stapled Unit before Distribution Waiver	HK10.1 cents	HK11.1 cents	-9.0%
Distributions per Share Stapled Unit after Distribution Waiver	HK10.3 cents	HK11.7 cents	-12.0%

As at	30 Jun 2017	31 Dec 2016	30 Jun 2016
Gross Value of Hotel Portfolio (in HK\$ million)	18,763	18,432	18,495
Net Asset Value per Share Stapled Unit	HK\$5.70	HK\$5.65	HK\$5.70
Gearing Ratio	35.7%	36.1%	36.1%

CHAIRMAN'S STATEMENT

As overnight visitor arrivals from Mainland China, the largest market for Hong Kong which accounts for almost two-thirds of total overnight arrivals, continued to recover during the first half of 2017, Hong Kong's hotel market witnessed further improvement in RevPAR over the same period. Driven by an improvement in occupancy, RevPAR for Hong Kong's hotels marked a continuous growth momentum from a decline of 6.4% year-on-year in the first half of 2016, and an increase of 0.5% year-on-year in the second half of 2016, to a 1.0% year-on-year growth in the first half of 2017.

The Trust Group's hotel portfolio also benefitted from the aforesaid recovery and had a good start to the year. The Langham, Hong Kong delivered a 2.2% growth in RevPAR, whereas Cordis, Hong Kong had a 6.0% growth in RevPAR, and Eaton, Hong Kong had a 3.0% RevPAR growth in the first half of 2017. The remarkable RevPAR growth staged by the Cordis was in part due to a low base effect, as it suffered from exceptionally low occupancy during the first quarter of 2016, when violent protests broke out within close proximity to the hotel.

A 3.9% increase in RevPAR achieved by our hotel portfolio compares favourably with the High Tariff A hotel market which witnessed a decline of 2.2% in RevPAR, and also with the High Tariff B hotel market which had a lower RevPAR growth of 2.9%. The improvement in RevPAR or room revenue was somewhat offset by slightly softer revenue from the food and beverage (F&B) segment. While there was growth in F&B revenue at The Langham and Cordis, the growth was more than offset by a decline in F&B revenue at the Eaton, because the hotel accepted fewer banqueting reservations in the first half, preparing for renovations originally planned in the first quarter of 2017.

Nonetheless, the growth in higher-margin room business enabled the Trust Group's hotel portfolio to deliver a 6.2% growth in operating profit during the first half period. The increase in gross operating profit of the portfolio led to a corresponding 6.2% increase in variable rental income received by the Trust Group, while total gross rental income, which included fixed rental and retail shop rental, rose by 3.3% to HK\$332.8 million in the first half of 2017. Net property income rose by 3.0% to 278.6 million in the first half of 2017.

For the first six months ended 30 June 2017, profit attributable to the Holders of Share Stapled Units rose 55.2% to HK\$409.7 million which included the booking of HK\$295.8 million in an increase in the fair value of investment properties (hotel portfolio). The Trust Group's first half results also factored in a decrease in the fair value of the interest rate swap contracts held by the Trust Group as at the end of June 2017 amounting to HK\$50.7 million. All these interest rate swaps were contracted to provide the Trust Group with a protection to potential rises in interest rate.

As at 30 June 2017, valuation of the hotel portfolio was HK\$18,763 million as appraised by an independent professional valuer. The Net Asset Value ("NAV") of the Trust Group amounted to HK\$11,851 million or HK\$5.70 per Share Stapled Unit as at the end of June 2017. Based on the Trust Company's closing price of HK\$3.30 per Share Stapled Unit on 30 June 2017, this represented a discount of 42.1% to the Trust Group's NAV. Gearing ratio was 35.7% as at the end of June 2017 as compared with 36.1% as at the end of December 2016.

As we are at a time when central banks around the world could begin to tighten their monetary policies, interest rates in Hong Kong are also expected to rise. Hence, as we seek to reduce the volatility in the Trust Group's future distributable income, we have entered into more interest rate swap contracts with notional amount of HK\$2.5 billion in the first half of 2017, bringing total notional worth of swap contracts to HK\$3.5 billion as at the end of June 2017. As a result, interest rate on 51.5% of our HK\$6.8 billion bank loan was effectively fixed through these contracts as at the end of June 2017.

Chairman's Statement

OUTLOOK

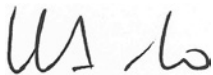
With little sign of a potential slowdown in visitor arrivals from Mainland China, the recovery for Hong Kong hotels' RevPAR is expected to continue, although the pace of RevPAR growth could be slower as occupancies are already at high levels, and travellers are still sensitive to room rates increase. On the other hand, given the substantially elevated global geopolitical risks in recent months, we must stay vigilant and be ready to react with more flexible room rates if there is a pause or even decline in the growth of visitor arrivals.

Despite uncertainty in the business environment, our strategy is the continued delivery of underlying operating profit growth by the hotels. As part of that strategy, we need to successfully differentiate from our competition and carry out asset enhancements, such as the one we have planned for Eaton, Hong Kong.

As traveller's landscape continues to evolve, the innovative reconfiguration and renovation, the first of its kind in Hong Kong we have planned for Eaton, will position the hotel to cater for the rising demand of modern travellers and their strong preference for a more energetic, interactive and experience-based stay. In addition to introducing a more engaging design for Eaton's lobby, ballroom and meeting area, there will also be the inclusion of communal spaces and co-working space to reflect the changing needs of the modern travellers. There will also be soft refurbishment on some of the rooms. We expect these refurbishments will enable Eaton to better capture its targeted travellers and allow the hotel to command better room rates and F&B business.

However, renovations at Eaton, which began in July 2017 and are expected to continue throughout the second half of 2017, will eliminate most of the hotel's F&B revenue and have a negative impact on the hotel's room revenue in the second half of 2017. Although part of the shortfall in revenue at Eaton should be offset by improved revenue of the other two hotels, the renovation at Eaton will still drag revenue of the portfolio as a whole. At the same time, higher interest expense and cash tax payment will result in lower year-on-year distribution of the Trust Group in the second half of 2017.

The recovery of Hong Kong's hotel market should support our hotel's underlying performance in the medium term. Furthermore, the recent weakness in the Hong Kong dollar had made Hong Kong relatively more attractive to international travellers, especially Mainland China tourists, which could support near term leisure and corporate travel spending. We are optimistic about the potential of the hotel industry in Hong Kong in the long term, as we believe the completion of the new tourism and infrastructure projects will further enhance visitation to Hong Kong.



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 rental income (pro-rata at HK\$225 million per annum) and a variable rent calculated at 70% of the Hotels' aggregate gross operating profit before deduction of the global marketing fees. In addition to the fixed rental income and variable rental income from the Master Lessee, the Trust Group also receives rental income directly from three retail shops located at Eaton, Hong Kong, which are leased to independent third parties.

Reflecting an improvement in the Hotels' aggregate gross operating profit before deduction of global marketing fee for the six months ended 30 June 2017, variable rental income from the Master Lessee rose by 6.2% year-on-year to HK\$220.3 million. However, there was a slight drop of fixed rental income by 0.3% year-on-year in the first half of 2017 to HK\$111.6 million due to a higher base effect. As 2016 was a leap year, the first half of 2016 included one additional calendar day for the purpose of calculating fixed rental income. There was also a decline in the rental income received directly from the retail shops at Eaton, Hong Kong. Although its contribution to the overall rental income is very minimal, there was still a 70.0% decline in rental income as we have started to repossess the shops in preparation for the renovation which started in July 2017. Total rental income received by the Trust Group was HK\$332.8 million for the reporting period, representing a year-on-year increase of 3.3%.

(in HK\$ million)	1H 2017	1H 2016	Change
Variable rental income	220.3	207.4	6.2%
Fixed rental income	111.6	111.9	-0.3%
Rental income from retail shops	0.9	3.0	-70.0%
Total rental income to the Trust Group	332.8	322.3	3.3%

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

Service fees are comprised of: i) hotel management fees, ii) license fee and iii) global marketing fee paid to the hotel management company. Hotel management fees are comprised of a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee on 5% of adjusted gross operating profit of the Hotels. Licence fee is calculated based on 1% of total revenue of the Hotels, and global marketing fee is calculated at 2% of total room revenue of the Hotels. It should be noted that when calculating distributable income, global marketing fee is paid in cash, while hotel management fees and licence fee are paid in the form of Share Stapled Units until the end of 2017. Thereafter, the Hotel Manager can elect the hotel management and license fees to be paid in the form of Share Stapled Units, cash or a combination of both.

CEO's Review

In the first half of 2017, improvement in performance of the hotel portfolio led to an increase in total service fees payable to the hotel management company, which rose by 4.3% year-on-year to HK\$41.3 million.

(in HK\$ million)	1H 2017	1H 2016	Change
Hotel management fees	25.6	24.4	4.9%
Licence fee	7.4	7.3	1.4%
Global marketing fee	8.3	7.9	5.1%
Total service fees	41.3	39.6	4.3%

Hotel properties' related expenses rose by 4.9% year-on-year to HK\$12.9 million for the first half of 2017, driven mainly by increases in property tax incurred in the first half of 2017. Overall, there was a year-on-year increase of 3.0% in net property income of the Trust Group to HK\$278.6 million in the first half of 2017.

(in HK\$ million)	1H 2017	1H 2016	Change
Total rental income	332.8	322.3	3.3%
Hotel properties' related expenses	(12.9)	(12.3)	4.9%
Service fees (hotel management fees, licence fee and global marketing fee)	(41.3)	(39.6)	4.3%
Net property income	278.6	270.4	3.0%

As we strive to reduce the negative impact from potential hike in interest rate on distributable income, the Trust Group has effectively fixed the interest rate of HK\$3,500 million of our bank loan by entering into interest rate swap contracts since early November 2016 and through early April 2017 at an average swap rate of 1.52%. Therefore, finance cost in the first half of 2017 also factored in the interest expense amounting to HK\$14.3 million paid on the swap contracts. As a result of the additional interest offset by lower amortisation of loan upfront fee, total finance cost rose 14.7% to HK\$73.2 million in the first half of 2017. Nonetheless, the 4-year interest rate swap contracts effectively convert the floating interest rate on HK\$3,500 million of our bank loans into a fixed rate and provide some stability for the Trust Group's distributable income in the coming years even if the hike of interest rate continues.

(in HK\$ million)	1H 2017	1H 2016	Change
Breakdown of Finance cost			
Interest expense on floating HK\$6.8 billion bank loan	(49.9)	(48.2)	3.5%
Amortisation of loan upfront fee	(9.0)	(15.6)	-42.3%
Net interest paid on fixed interest rate swaps	(14.3)	–	n.a.
Total Finance cost	(73.2)	(63.8)	14.7%

CEO's Review

As swap rate was lower as of 30 June 2017, there was a decrease in fair value of derivative financial instruments amounting to HK\$50.7 million in the first half, reflecting a drop in the market value of the contracts. As fair value changes are non-cash items, they do not impact on distributable income.

While higher finance expense and booking of a decrease in fair value of derivative financial instruments contributed to lower net profit, an increase in fair value of investment properties, amounting to HK\$295.8 million in the first half period lifted net profit for the Trust Group. Profit attributable to Holders of Share Stapled Units rose 55.2% to HK\$409.7 million in the first half of 2017. Excluding the impact of the fair value change on investment properties and derivative financial instruments, profit attributable to Holders of Share Stapled Units was HK\$164.6 million for the first half of 2017, representing a small increase of 0.8% year-on-year.

(in HK\$ million)	1H 2017	1H 2016	Change
Net property income	278.6	270.4	3.0%
Interest income	1.5	0.9	66.7%
Other income	0.4	–	n.a.
Increase in fair value of investment properties (Hotel portfolio)	295.8	100.6	194.0%
Fair value change on derivative financial instruments (interest rate swaps)	(50.7)	–	n.a.
Finance cost	(73.2)	(63.8)	14.7%
Trust and other expenses	(5.5)	(7.4)	-25.7%
Profit before tax	446.9	300.7	48.6%
Income tax expense	(37.2)	(36.8)	1.1%
Profit attributable to Holders of Share Stapled Units	409.7	263.9	55.2%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	164.6	163.3	0.8%

To derive the Trust Group's distributable income, net profit was adjusted for non-cash items. Items deducted from net profit were: i) increase in fair value of investment properties, and (ii) cash contribution to the furniture, fixtures and equipment reserve calculated based on 1.5% of total revenue of the Hotels. On the other hand, non-cash items added back to profit included: i) hotel management and licence fees paid in Share Stapled Units, ii) amortisation of upfront loan fee, iii) fair value change on derivative financial instruments and iv) deferred taxation.

CEO's Review

Of the adjustment items, deferred tax added back for distribution dropped by 50.4% to HK\$14.1 million in the first half of 2017, as available tax loss carry forward has been mostly depleted by end of 2016. Furthermore, amortisation of bank loan upfront fee added back for distribution has reduced by 42.3%, as the bank loan was refinanced with lower upfront cost in May 2016. These have reduced distributable income for the first half of 2017. Overall, distributable income of the Trust Group, based on a 100% distribution policy for the first half period, dropped by 8.1% year-on-year to HK\$209.6 million in the first half of 2017.

(in HK\$ million)	1H 2017	1H 2016	Change
Profit attributable to Holders of Share Stapled Units	409.7	263.9	55.2%
Add:			
Hotel management fees and Licence fee paid in Share Stapled Units	33.0	31.7	4.1%
Amortisation of upfront loan fee, a non-cash cost	9.0	15.6	-42.3%
Deferred tax	14.1	28.4	-50.4%
Fair value change on derivative financial instruments	50.7	–	n.a.
Less:			
Furniture, fixtures and equipment reserve	(11.1)	(10.9)	1.8%
Increase in fair value of investment properties	(295.8)	(100.6)	194.0%
Distributable income	209.6	228.1	-8.1%

In calculating distribution per Share Stapled Unit, it should be noted that the holding company of the Trust Group, the Great Eagle Group, has agreed to waive its entitlement to receive distributions payable in respect of its 50 million Share Stapled Units (representing approximately 2.4% of the issued Share Stapled Units of the Trust Group as at 30 June 2017) for the financial year 2017, which was down from 100 million Share Stapled Units in 2016.

Distribution per Share Stapled Unit before the impact of distribution waiver dropped by 9.0% to HK10.1 cents. However, as the number of Share Stapled Units which waiving the entitlement to receive distributions in 2017 dropped by 50%, distribution per Share Stapled Unit after distribution waiver dropped by 12.0% to HK10.3 cents for the first half of 2017. It should be noted that all of the holdings of Share Stapled Units of Great Eagle Group will be entitled to receive distribution payable from 2018 onward.

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016
The Langham, Hong Kong <i>year-on-year growth</i>	498	498	85.6% <i>+1.4ppt</i>	84.2%	2,086 <i>+0.4%</i>	2,078	1,787 <i>+2.2%</i>	1,749
Cordis, Hong Kong <i>year-on-year growth</i>	661	650	91.6% <i>+6.2ppt</i>	85.4%	1,590 <i>-1.2%</i>	1,610	1,456 <i>+6.0%</i>	1,374
Eaton, Hong Kong <i>year-on-year growth</i>	465	465	96.9% <i>+4.7ppt</i>	92.2%	945 <i>-1.9%</i>	963	915 <i>+3.0%</i>	888
Hotels Portfolio <i>year-on-year growth</i>	1,624	1,613	91.3% <i>+4.3ppt</i>	87.0%	1,537 <i>-1.0%</i>	1,552	1,402 <i>+3.9%</i>	1,350

CEO's Review

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2017	1H 2016	1H 2017	1H 2016	1H 2017	1H 2016
High Tariff A	84.0%	81.0%	2,026	2,149	1,702	1,741
<i>year-on-year growth</i>	+3.0ppt		-5.7%		-2.2%	
High Tariff B	89.0%	87.0%	1,004	999	894	869
<i>year-on-year growth</i>	+2.0ppt		+0.5%		+2.9%	
All Hotels	87.0%	84.0%	1,228	1,258	1,068	1,057
<i>year-on-year growth</i>	+3.0ppt		-2.4%		+1.0%	

For the portfolio as a whole, RevPAR amounted to HK\$1,402 for the first half of 2017, representing a year-on-year growth of 3.9%. The growth in RevPAR was supported by an occupancy increase of 4.3 percentage points to 91.3%, offset by a 1.0% decline in average daily rates to HK\$1,537. Room revenue accounted for 55.3% of total revenue of the three hotels for the first six months of 2017.

While F&B at The Langham, Hong Kong and Cordis, Hong Kong grew, it was fully offset by reduced F&B business at Eaton, Hong Kong, which accepted fewer banqueting reservations in the first half of 2017, as it was preparing for renovations originally planned in the first quarter of 2017. Hence, total F&B revenue for the portfolio as a whole dropped slightly by 0.5% year-on-year, which accounted for 42.2% of total revenue of the hotel portfolio.

RevPAR growth of the two High Tariff A hotels, The Langham, Hong Kong and Cordis, Hong Kong were at 2.2% and 6.0% respectively for the first half of 2017. Both are better than the corresponding High Tariff A hotel market, which recorded a decline of 2.2% in RevPAR during the first half of 2017. In addition, these two hotels have maintained higher occupancy rates of 85.6% and 91.6% respectively, as compared with 84% of the corresponding High Tariff A market. Eaton, Hong Kong also outperformed the corresponding High Tariff B hotel market with a 3.0% RevPAR growth during the first half of 2017, in which the High Tariff B hotel market saw a 2.9% growth in RevPAR.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton, Hong Kong	Total
Rooms	161.0	174.1	77.1	412.2
Food & Beverages	110.5	141.3	62.8	314.6
Others	8.9	7.8	1.4	18.1
Total revenue	280.4	323.2	141.3	744.9

Hotel portfolio's performance (in HK\$ million, unless otherwise specified)	1H 2017	1H 2016	Change
RevPAR of the hotel portfolio (in HK\$)	1,402	1,350	3.9%
Revenue of hotel portfolio	744.9	729.1	2.2%
Hotels' gross operating profit before deduction of the global marketing fee	314.8	296.3	6.2%

CEO's Review

For the hotel portfolio as a whole, the number of guests from Mainland China rose by 18.0% year-on-year in the first half of 2017, which more than compensated for the decline of 1.8% year-on-year in the number of guests from other Asian countries. Steady arrivals were witnessed from the U.S. and Europe, but there was a 9.2% decline in arrivals from Australia in the first half of 2017. With the growth of visitors from Mainland China, this market accounted for 33.8% of total arrivals by geographical breakdown.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	+18.0%	+5.4%
% of overnight guests from Mainland China to total arrivals	33.8%	64.7%

Performance of the individual hotels

For **The Langham, Hong Kong**, even though the Hotel witnessed a growth of 18.7% in arrivals from Mainland China in the first half of 2017, the increase was offset by declines in arrivals from other key markets such as other Asia countries, U.S., and Europe. F&B revenue for the Hotel rose by 2.0% year-on-year in the first six months of 2017. The increase was driven by growth in business from T'ang Court, which has received the prestigious Michelin three-star rating for the second consecutive year, as well as improved business at Bostonian. However, banqueting business remained soft in the first half of 2017.

At **Cordis, Hong Kong**, other than growth in arrivals from China, the Hotel also witnessed growth from arrivals across most of other key markets including Europe and U.S.. The all around growth in arrivals was in part due to a low base effect last year, when occupancy was negatively impacted by nearby protests during the Chinese New Year. Revenue from F&B also witnessed a growth of 4.2% year-on-year for the first six months of 2017. The increase was due to improved banqueting business, as well as improved business at the all day dining restaurant The Place after its renovation last year.

Eaton, Hong Kong also witnessed more arrivals from Mainland China, which increased by 17.3% year-on-year in the first six months of 2017. There was also growth in arrivals from a majority of other key markets such as Europe, the U.S. and other Asia countries. Revenue from F&B dropped by 13.0% year-on-year in the first six months of 2017, despite improved business in the Chinese restaurant which received a Michelin one-star rating. This was a consequence of the Hotel's strategy to accept fewer banqueting reservations for the first half of 2017, as the Hotel is in preparation for major renovation in the banqueting space originally planned to commence in the first quarter of 2017.

FINANCIAL REVIEW

Distributions

Distributable income of the Trust Group for 2017 interim period was HK\$209,576,000, which represents 100% of total distributable income for current period (2016 interim period: HK\$228,054,000 which represents 100% of total distributable income). It is the present policy of the Trust Group to distribute between 90% to 100% of total distributable income to its Share Stapled Unitholders.

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

Distribution per Share Stapled Unit for current period was HK10.3 cents (six months ended 30 June 2016: HK11.7 cents) (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 50,000,000 Share Stapled Units for current period (six months ended 30 June 2016: 100,000,000 Share Stapled Units)). Based on the closing Share Stapled Unit price of HK\$3.30 as at 30 June 2017, the Distribution per Share Stapled Unit represents an annualised distribution yield of 6.2%.

CEO's Review

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$11,851.4 million or HK\$5.70 per Share Stapled Unit as at 30 June 2017 (31 December 2016: HK\$11,676.5 million or HK\$5.65 per Share Stapled Unit) which represents a 72.7% premium to the closing Share Stapled Unit price of HK\$3.30 as at 30 June 2017.

Debt Profile

Total outstanding borrowings of the Trust Group as at 30 June 2017 and 31 December 2016 were HK\$6,800 million. The secured term loan is on a floating-rate interest basis and repayable in full in May 2020.

In order to mitigate the interest rate exposure, the Trust Group entered into interest rate swap transactions of HK\$2,500 million in aggregate during the period. In addition to the HK\$1,000 million interest rate swap transaction entered in November 2016, total HK\$3,500 million or 51.5% of the outstanding term loan was fixed at a weighted average swap rate of 1.52% p.a.

The Trust Group will continue to monitor interest rate movements and may, depending on market conditions, consider to further mitigate its interest rate exposure on part of the remaining bank debt.

As at 30 June 2017, total gross assets of the Trust Group were HK\$19,069.1 million (31 December 2016: HK\$18,823.5 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of total gross assets, was 35.7% (31 December 2016: 36.1%).

Cash Position

As at 30 June 2017, the Trust Group had a cash balance of HK\$225.3 million (31 December 2016: HK\$238.5 million) to satisfy a portion of asset enhancement of Eaton, Hong Kong, as well as its working capital and operating requirements. In addition, the Trust Group had unused revolving loan amounting to HK\$400 million as of 30 June 2017.

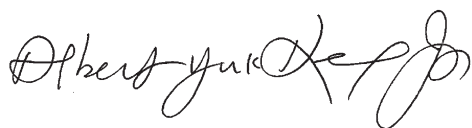
Pledge of Assets

As at 30 June 2017, investment properties of the Trust Group with a fair value of HK\$18,763 million (31 December 2016: HK\$18,432 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\$7,200 million term and revolving loan facilities granted to the Trust Group.

Commitments

At 30 June 2017, the Trust Group had authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$219,588,000 (31 December 2016: HK\$167,526,000), of which HK\$156,361,000 (31 December 2016: HK\$29,755,000) were contracted for.

Other than 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

In accordance with Rule 13.51B(1) of the Listing Rules, information of Directors of the Trustee-Manager and the Company are updated as follow:

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 70, 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. During the past two years, he was an Independent Non-executive Director of China Mobile Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and City e-Solutions Limited. 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 Mr. Lo Chun Him, Alexander, being a Non-executive Director of the Trustee-Manager and the Company.

Mr. LO Chun Him, Alexander

Non-executive Director

Mr. LO Chun Him, Alexander, aged 32, was appointed as a Non-executive Director of the Trustee-Manager and the Company on 14 February 2017. He is also a Director of the subsidiaries of the Company. Mr. Lo was an Alternate Director of the Trustee-Manager and the Company from May 2015 to February 2017. 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 Management Committee of The Federation of Hong Kong Hotel Owners Limited and a member of the Executive Committee of The Real Estate Developers Association of Hong Kong. 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.

Biographical Details of Directors

Mr. IP Yuk Keung, Albert

Chief Executive Officer and Executive Director

Mr. IP Yuk Keung, Albert, aged 65, 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 Hopewell Highway Infrastructure Limited, Hopewell Holdings Limited, Lifestyle International Holdings Limited, Power Assets Holdings Limited and TOM Group Limited, all of which are listed on the Main Board of the Stock Exchange. During the past two years, Mr. Ip was an Independent Non-executive Director of AEON Credit Service (Asia) Company Limited and New World China Land Limited.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of City University of Hong Kong, Hang Seng Management College, The Hong Kong Polytechnic University and University of Macau. He is an Honorary Professor of Lingnan University and a Council Member of The Hong Kong University of Science and Technology. He is also a Member of the International Advisory Committee at University of Macau, an Executive Fellow in Asia and the Chairman of Hong Kong International Regional Cabinet of Washington University in St. Louis. Mr. Ip holds a Bachelor of Science degree at Washington University in St. Louis (summa cum laude), and Master of Science degrees at Cornell University and Carnegie-Mellon University. He was an MBA lecturer at University of Pittsburgh, USA. Mr. Ip is an Honorary Fellow of Vocational Training Council and Vice Chairman of World Green Organisation Limited.

Dr. LIN Syaru, Shirley

Independent Non-executive Director

Dr. LIN Syaru, Shirley, aged 49, 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. Previously, she was as a Partner of Goldman Sachs, where she led the firm's efforts in private equity and venture capital in Asia. In addition, Dr. Lin was involved in the privatisation of state-owned enterprises in China, Singapore and Taiwan. She has 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 is also a member of the Hong Kong Committee for Pacific Economic Cooperation for the Hong Kong Government.

Dr. Lin is a member of the founding faculty of the master's program in global political economy at the Chinese University of Hong Kong and teaches political economy at the University of Virginia. Her book on the impact of the evolution of Taiwanese identity on cross-Strait economic policy was published by Stanford University Press in 2016. She is currently working on the challenges facing the advanced economies in East Asia that have entered the high income trap. Her commentary frequently appears in English and Chinese media. 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.

Biographical Details of Directors

Mr. SO Yiu Wah, Eric

Independent Non-executive Director

Mr. SO Yiu Wah, Eric, aged 73, 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 three decades 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.

Mr. WONG Kwai Lam

Independent Non-executive Director

Mr. WONG Kwai Lam, aged 68, 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 Audit 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 member of the Advisory Board of Continuing and Professional Studies, The Chinese University of Hong Kong ("CUHK"), a member of the Investment Sub-committee, CUHK and a Vice Chairman of the Board of Trustees and a Member of the Investment Sub-committee of the Board of Trustees of New Asia College, CUHK. 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 30 years of experience in the commercial and investment banking industry. He worked with Merrill Lynch (Asia Pacific) Ltd. from May 1993 to August 2009 where he served as a Managing Director in the Asia Investment Banking Division since January 1995. He was appointed as a Senior Client Advisor to Merrill Lynch (Asia Pacific) Ltd. in September 2009 and served in that position for one year. Prior to that, Mr. Wong had been a Director in the Investment Banking Division of CS First Boston (Hong Kong) Ltd. and a Director and the Head of Primary Market in Standard Chartered Asia Limited.

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

GOVERNANCE AND COMPLIANCE

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.

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

STRUCTURE OF THE TRUST GROUP

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

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

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

Capital Structure of the Trust and the Company

Share Stapled Units are jointly issued by the Trust and the Company and each Share Stapled Unit is comprised of the following three components which, subject to the provisions in the Trust Deed, can only be dealt with together and cannot be traded individually:

- (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.

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.

Governance and Compliance

Business Relationship with Great Eagle

Apart from the parent-subsiidiary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two groups. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules. Details of the transactions which are subject to disclosure and reporting requirements in interim report are summarized under the sub-section headed "Connected Transactions and/or Continuing Connected Transactions Subject to Disclosure Requirements" on pages 23 to 25 of this Interim Report.

These business relationships and the fact that some of the Directors and senior management members also hold directorships and/or roles in the Great Eagle Group might give rise to potential conflicts of interests between the Group and the Great Eagle Group. The Trustee-Manager Board and the Company Board believe 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 latter section headed "Corporate Governance Measures to address Potential Conflicts of Interest".

GOVERNANCE COMPLIANCE & PRACTICE

Compliance with Corporate Governance Code

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

During the six-month period ended 30 June 2017, 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.

Governance and Compliance

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

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

The Trustee-Manager with the Company (on the one hand) and Great Eagle (on the other hand) have boards of directors that function independently of each other. Notwithstanding that Dr. Lo Ka Shui and 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 and Mr. Lo are required to abstain from voting on matters relating to the Great Eagle Group.

Governance and Compliance

BOARD AND BOARD COMMITTEES

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

The Trustee-Manager Board and Company Board currently comprise two Non-executive Directors, being Dr. Lo Ka Shui (Chairman) and Mr. Lo Chun Him, Alexander; 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.

Biographies of the Directors of the Trustee-Manager and the Company are set out in this Interim Report on pages 15 to 17.

To provide effective oversight, Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee have been established. Terms of reference of the Board Committees have been approved by the Board. Decisions and recommendations of the Board Committees are required to be reported to the Board.

Audit Committees

The Audit Committees of the Trustee-Manager and the Company shall, amongst other things, review the reports and proposals from management and make recommendations to the respective Boards in respect of the financial reporting and other statutory obligations, risk management and internal control systems, and audit process with a view to assisting the respective Boards to fulfill their duties in relation to risk management, internal control and financial management. Pursuant to the Trust Deed, the membership of the Audit Committee of the Trustee-Manager must be the same as that of the Audit Committee of the Company. Both Audit Committees comprise three Independent Non-executive Directors, namely, Mr. Wong Kwai Lam (Committee Chairman), Dr. Lin Syaru, Shirley and Mr. So Yiu Wah, Eric.

Remuneration Committee

The Remuneration Committee of the Company sets up formal and transparent procedures for setting policy on Executive Director's remuneration and for fixing the remuneration packages of 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. The Remuneration Committee currently has four members (three of whom are Independent Non-executive Directors), namely, Mr. So Yiu Wah, Eric (Committee Chairman), Dr. Lo Ka Shui, Dr. Lin Syaru, Shirley and Mr. Wong Kwai Lam.

Governance and Compliance

Nomination Committee

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Trustee-Manager Board and the Company Board have developed the risk management and internal control systems 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 risk mitigating 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.

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 Head of Internal Audit Department reports directly to the Audit Committees and the Chairman of the Trustee-Manager and the Company periodically. 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.

Governance and Compliance

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

As disclosed in the listing prospectus dated 16 May 2013, continuing connected transactions set out below are subject to disclosure requirements in the interim reports and are granted with waivers by the Stock Exchange from strict compliance with, inter alia, the announcement and approval of independent Holders of Share Stapled Units. Further details and conditions of the waivers were disclosed in the said prospectus.

	Aggregate Transaction Amount for the six-month period ended 30 June 2017 (HK\$'000)
(1) Master Lease Agreements ^(a)	
– Base Rent	111,575
– Variable Rent ^(b)	220,368
(2) Hotel Management Agreements ^{(a)(b)(c)}	
– Base Fee	11,174
– Incentive Fee	14,397
(3) Centralized Services and Marketing Agreements ^{(a)(b)}	
– Reimbursement of Costs	1,865
– Global Marketing Fees	8,243
– Reservation Fees	1,625
(4) Trademark Licence Agreements ^{(a)(b)(c)}	7,449

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.

Governance and Compliance

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

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

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

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

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

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

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

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

Governance and Compliance

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

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

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

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

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

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

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

Governance and Compliance

ISSUED SHARE STAPLED UNITS

As at 30 June 2017, the total number of issued Share Stapled Units of the Trust and the Company was 2,078,796,339. As compared with the position of 31 December 2016, 11,569,883 new Share Stapled Units were issued during the reporting period as follows:

Date	Particulars	No. of Share Stapled Units
31 December 2016	Number of issued Share Stapled Units	2,067,226,456
1 March 2017	Issue of new Share Stapled Units at the price of HK\$3.309 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees to the Hotel Manager of approximately HK\$38,285,000 for the second half of 2016	11,569,883
30 June 2017	Number of issued Share Stapled Units	2,078,796,339

COMPLIANCE WITH MODEL CODE

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

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2017.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Trust Group and unaudited condensed financial statements of the Trustee-Manager for the six months ended 30 June 2017 were prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and have also been reviewed by the Audit Committees of the Trustee-Manager and the Company. Such financial information has been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Trustee-Manager and the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

SUFFICIENCY OF PUBLIC FLOAT

Based on information which is publicly available and within the knowledge of the Directors of the Trustee-Manager and the Company, the Trust and the Company maintain a sufficient public float with more than 25% of the issued Share Stapled Units being held by the public as at 30 June 2017.

Governance and Compliance

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

Pursuant to the Trust Deed, the Trustee-Manager shall not buy-back or redeem any Share Stapled Units on behalf of the Trust unless and until expressly permitted to do so by relevant codes and guidelines issued by the Securities and Futures Commission from time to time. Accordingly, the Trust and the Company are not allowed to buy-back or redeem their own Share Stapled Units.

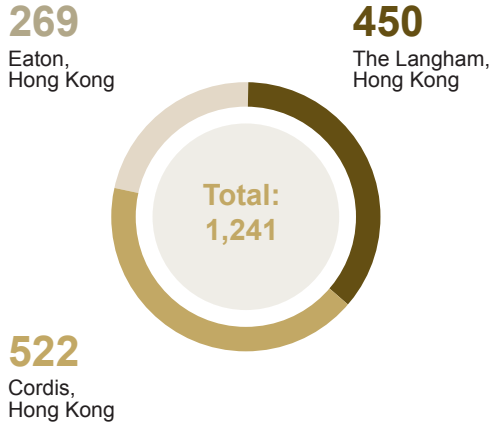
During the six-month period ended 30 June 2017, none of the Trust, the Trustee-Manager, the Company nor the Company's subsidiaries had bought back, sold or redeemed any Share Stapled Units.

HOTEL MANAGER AND EMPLOYEES

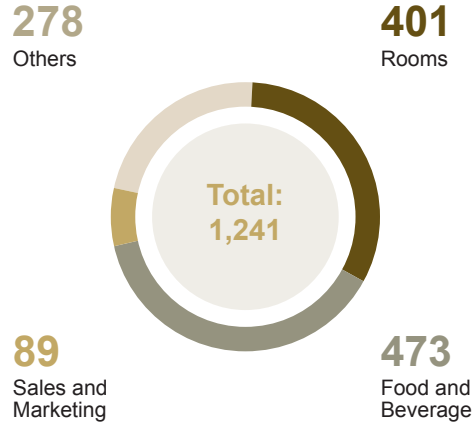
The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated in providing services to the Hotels. 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 2016, there is a decrease of 58 headcount.

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 30 June 2017:

By Hotel



By Function



Governance and Compliance

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

CORPORATE SOCIAL RESPONSIBILITY

The Hotel Manager has in place the corporate social responsibility programme CONNECT in the Hotels of the Trust Group with the four key sustainability values – Governance, Environment, Community and Colleagues. CONNECT forms the framework to address the most relevant corporate responsibility issues to the hotel business.

The commitment to protecting the environment is integrated into the operations of the Hotels. All three Hotels, The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong are certified to EarthCheck Gold level. Cordis, Hong Kong is accredited with an ISO 14001 certification. In 2017, Eaton, Hong Kong received the Certificate of Merit at the 2016 Hong Kong Awards for Environmental Excellence - Hotels & Recreational Clubs Sectoral. The award was organised by the Environmental Campaign Committee and Environmental Protection Department of the HKSAR Government.

Moreover, each of the Hotels has been recognized as a Caring Company for over ten years and has been working with local community partners through various employee community services, donations, visits, free or in-kind sponsorships, and ongoing partnership programmes. For the first six months in 2017, the Hotels' colleagues served a total of approximately 616 hours of community services and volunteering efforts.

Colleagues are the most important assets for a successful organization. The Hotel Manager and the Hotels are mindful of the health and safety obligations to colleagues, and various occupational health and safety trainings are delivered regularly to the colleagues. It is the Hotels' commitment to provide suitable career and training opportunities for their colleagues, and the average number of training hours per colleague in the Hotels was approximately 12.7 hours for the first half of 2017.

DISCLOSURE OF INTERESTS

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

As at 30 June 2017, 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	Total Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs ⁽³⁾
Lo Ka Shui	1,345,417,339 ⁽¹⁾	64.72
Ip Yuk Keung, Albert	2,015,000 ⁽²⁾	0.10

Notes:

- (1) These 1,345,417,339 Share Stapled Units comprise the following:
 - (i) 8,073,500 Share Stapled Units (0.39%) were held by Dr. Lo Ka Shui personally;
 - (ii) 1,291,183,839 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 1,226,622,339 Share Stapled Units (59.01%), Fine Noble Limited as to 58,596,500 Share Stapled Units (2.82%) and Great Eagle Nichemusic Limited as to 5,965,000 Share Stapled Units (0.29%), 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 30;
 - (iii) 2,060,000 Share Stapled Units (0.1%) were held by two companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
 - (iv) 44,100,000 Share Stapled Units (2.12%) were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) These 2,015,000 Share Staple Units were jointly held by Mr. Ip Yuk Keung, Albert with his spouse.
- (3) This percentage has been compiled based on 2,078,796,339 Share Stapled Units of the Trust and the Company in issue as at 30 June 2017.

Disclosure of Interests

Long Positions in Shares and Underlying Shares of Associated Corporations

Great Eagle

As at 30 June 2017, Great Eagle owned 62.11% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The interests of Directors of the Trustee-Manager and the Company in Great Eagle as at 30 June 2017 are disclosed as follows:

Name of Director	Total Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital ⁽⁵⁾
Lo Ka Shui	416,068,254 ⁽¹⁾	60.49
Lo Chun Him, Alexander	375,000 ⁽²⁾	0.05
Ip Yuk Keung, Albert	60,000 ⁽³⁾	0.01
So Yiu Wah, Eric	446 ⁽⁴⁾	0.00

Notes:

- (1) These interests comprise the following:
 - (i) 49,167,440 shares (7.15%) and 1,325,000 share options (0.19%) were held by Dr. Lo Ka Shui personally;
 - (ii) 75,721,545 shares (11.01%) were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies;
 - (iii) 229,844,851 shares (33.42%) were held by a discretionary trust of which Dr. Lo Ka Shui is one of the discretionary beneficiaries; and
 - (iv) 60,009,418 shares (8.73%) were held by a discretionary trust of which Dr. Lo Ka Shui is the founder.
- (2) These interests comprise 375,000 share options held by Mr. Lo Chun Him, Alexander personally.
- (3) These interests comprise 10,000 shares and 50,000 share options held by Mr. Ip Yuk Keung, Albert personally.
- (4) These 446 shares were held by Mr. So Yiu Wah, Eric personally.
- (5) This percentage has been compiled based on 687,774,038 shares of Great Eagle in issue as at 30 June 2017.

Disclosure of Interests

Champion Real Estate Investment Trust ("Champion REIT")

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at 30 June 2017, Great Eagle owned 65.62% interests in Champion REIT. While the definition of "associated corporation" under the SFO caters only to corporations, for the purpose of enhancing the transparency, the holdings of Directors of the Trustee-Manager and the Company in Champion REIT as at 30 June 2017 are disclosed as follows:

Name of Director	Total Number of Units/ Underlying Units Held	Percentage of Issued Units⁽³⁾
Lo Ka Shui	3,835,679,291 ⁽¹⁾	66.00
So Yiu Wah, Eric	460,873 ⁽²⁾	0.01

Notes:

- (1) These 3,835,679,291 units comprise the following:
- (i) 3,813,985,291 units (65.62%) 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 30;
 - (ii) 2,579,000 units (0.04%) were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
 - (iii) 19,115,000 units (0.33%) were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) These 460,873 units were respectively held by Mr. So Yiu Wah, Eric as to 400,873 units and his spouse as to 60,000 units.
- (3) This percentage has been compiled based on 5,811,998,520 units of Champion REIT in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, none of the Directors of the Trustee-Manager and the Company were taken to be interested or deemed to have any other interests or short positions in Share Stapled Units, underlying Share Stapled Units or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code, or which were recorded in the register required under Section 352 of the SFO.

Disclosure of Interests

INTERESTS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at 30 June 2017, 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	Total Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs ⁽³⁾
Great Eagle Holdings Limited	1,291,183,839 ⁽¹⁾	62.11
LHIL Assets Holdings Limited	1,226,622,339	59.01
HSBC International Trustee Limited	1,292,030,339 ⁽²⁾	62.15

Notes:

- (1) These 1,291,183,839 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) 58,596,500 Share Stapled Units held by Fine Noble Limited; and
 - (iii) 5,965,000 Share Stapled Units held by Great Eagle Nichemusic Limited.
- (2) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 1 March 2017) received from HSBC International Trustee Limited ("HITL"). HITL in its capacity as a trustee of a discretionary trust held 33.42% interests in Great Eagle as at 30 June 2017.
- (3) This percentage has been compiled based on 2,078,796,339 Share Stapled Units of the Trust and the Company in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 29) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of the SFO.

FINANCIAL INFORMATION

LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED

- 34** Report On Review of the Trust and the Company's Condensed Consolidated Financial Statements
- 35** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 36** Condensed Consolidated Statement of Financial Position
- 37** Condensed Consolidated Statement of Changes in Equity
- 38** Condensed Consolidated Statement of Cash Flows
- 39** Notes to the Condensed Consolidated Financial Statements

LHIL MANAGER LIMITED

- 62** Report on Review of Condensed Financial Statements
- 63** Condensed Statement of Profit or Loss and Other Comprehensive Income
- 64** Condensed Statement of Financial Position
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REPORT ON REVIEW OF THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

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

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 61 (hereinafter collectively referred to as "the Trust and the Company's condensed consolidated financial statements"). As explained in note 1 to the Trust and the Company's condensed consolidated financial statements, the condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together. The Trust and the Company's condensed consolidated financial statements together comprise the condensed consolidated statement of financial position of the Trust Group and of the Group as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Trust Group and of the Group for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Trustee-Manager of the Trust and directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

8 August 2017

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

For the six months ended 30 June 2017

	<i>Notes</i>	Six Months Ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	332,814	322,329
Property related expenses		(12,955)	(12,285)
Service fees		(41,263)	(39,661)
Net property income		278,596	270,383
Other income		1,888	928
Increase in fair value of investment properties	13	295,813	100,569
Fair value change on derivative financial instruments	14	(50,723)	–
Trust and other expenses		(5,423)	(7,405)
Finance costs	6	(73,218)	(63,770)
Profit before tax		446,933	300,705
Income tax expense	7	(37,237)	(36,789)
Profit and total comprehensive income for the period attributable to holders of Share Stapled Units	10	409,696	263,916
Basic and diluted earnings per Share Stapled Unit	11	HK\$0.1970	HK\$0.1282

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

At 30 June 2017

	<i>Notes</i>	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	28	21
Investment properties	13	18,763,000	18,432,000
Derivative financial instrument	14	10,474	31,795
		18,773,502	18,463,816
Current assets			
Debtors, deposits and prepayments	15	70,194	121,195
Tax recoverable		7	61
Bank balances		225,347	238,473
		295,548	359,729
Current liabilities			
Creditors, deposits and accruals	16	73,371	78,358
Tax payable		55,882	32,818
		129,253	111,176
Net current assets		166,295	248,553
Total assets less current liabilities		18,939,797	18,712,369
Non-current liabilities			
Secured bank loans due after one year	17	6,747,597	6,738,597
Deferred tax liabilities		311,348	297,229
Derivative financial instruments	14	29,402	–
		7,088,347	7,035,826
NET ASSETS		11,851,450	11,676,543
Capital and reserves			
Issued capital	18	2,079	2,067
Reserves		11,849,371	11,674,476
TOTAL EQUITY		11,851,450	11,676,543

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

For the six months ended 30 June 2017

	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	Retained profits HK\$'000	Total HK\$'000
At 1 January 2016	2,043	8,891,437	(11,562,543)	131	12,598,157	1,752,772	11,681,997
Profit for the period	-	-	-	-	-	263,916	263,916
Distribution paid	-	(252,473)	-	-	-	-	(252,473)
Issue of Share Stapled Units (see note 18)	14	35,744	-	-	-	-	35,758
At 30 June 2016 (unaudited)	2,057	8,674,708	(11,562,543)	131	12,598,157	2,016,688	11,729,198
At 1 January 2017	2,067	8,476,267	(11,562,543)	214	12,598,157	2,162,381	11,676,543
Profit for the period	-	-	-	-	-	409,696	409,696
Distribution paid	-	(273,074)	-	-	-	-	(273,074)
Issue of Share Stapled Units (see note 18)	12	38,273	-	-	-	-	38,285
At 30 June 2017 (unaudited)	2,079	8,241,466	(11,562,543)	214	12,598,157	2,572,077	11,851,450

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). Other reserve represents the difference between the considerations of the transfers and the share capital of the businesses as of the date of the transfer.

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

For the six months ended 30 June 2017

	Six Months Ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cash generated from operations	356,850	345,303
Interest paid	(60,498)	(48,136)
Net cash from operating activities	296,352	297,167
Investing activities		
Withdrawal of restricted cash	–	60,064
Interest received	1,460	1,545
Additions of investment properties	(37,852)	(27,997)
Additions of property, plant and equipment	(12)	–
Net cash (used in) from investing activities	(36,404)	33,612
Financing activities		
Distribution paid	(273,074)	(252,473)
Payment of loan front-end fee	–	(72,000)
Cash used in financing activities	(273,074)	(324,473)
Net (decrease) increase in cash and cash equivalents	(13,126)	6,306
Cash and cash equivalents at the beginning of the period	238,473	244,133
Cash and cash equivalents at the end of the period, represented by bank balances	225,347	250,439

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

For the six months ended 30 June 2017

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 the 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 which is linked to the unit and held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust; and (c) a specifically identified preference share in the Company which is "stapled" to the unit. The Share Stapled Units are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 May 2013 (the "Listing Date") (the "Listing").

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

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

2. BASIS OF PRESENTATION AND PREPARATION

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2017 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2017 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The Trust controls the Company and the sole activity of the Trust during the six months ended 30 June 2017 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust Group are identical to the condensed consolidated financial statements of the Group with the only differences being disclosures of capital. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust Group and the Group together. The condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Condensed Consolidated Financial Statements".

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

The Trust and the Company's Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Trust and the Company's annual financial statements for the year ended 31 December 2016.

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

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

4. REVENUE

	Six Months Ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Rental income from GE (LHIL) Lessee Limited ("Master Lessee") (see note 22(a))		
Base rent	111,575	111,885
Variable rent	220,368	207,383
	331,943	319,268
Rental income from retail shops in Eaton, Hong Kong	871	3,061
	332,814	322,329

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5. SEGMENT INFORMATION

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

Segment revenue and results

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

Six months ended 30 June 2017

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton, Hong Kong HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	124,405	144,742	63,667	332,814
Segment results*	103,946	120,542	54,108	278,596
Other income				1,888
Increase in fair value of investment properties				295,813
Fair value change on derivative financial instruments				(50,723)
Trust and other expenses				(5,423)
Finance costs				(73,218)
Profit before tax				446,933
Income tax expense				(37,237)
Profit for the period attributable to holders of Share Stapled Units				409,696

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5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Six months ended 30 June 2016

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton, Hong Kong HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	120,216	136,173	65,940	322,329
Segment results*	100,649	113,711	56,023	270,383
Other income				928
Increase in fair value of investment properties				100,569
Trust and other expenses				(7,405)
Finance costs				(63,770)
Profit before tax				300,705
Income tax expense				(36,789)
Profit for the period attributable to holders of Share Stapled Units				263,916

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

Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong were HK\$7,155,000,000, HK\$7,945,000,000 and HK\$3,663,000,000 (31 December 2016: HK\$7,000,000,000, HK\$7,775,000,000 and HK\$3,657,000,000), respectively.

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

6. FINANCE COSTS

	Six Months Ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest on bank borrowings	49,365	48,101
Net interest on interest rate swaps	14,270	–
Loan front-end fee amortisation	9,000	15,581
Other borrowing costs	583	88
	73,218	63,770

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7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current period	23,118	8,462
Deferred tax		
– Current period	14,119	28,327
	37,237	36,789

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

8. TOTAL DISTRIBUTABLE INCOME

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

	Six Months Ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to holders of Share Stapled Units	409,696	263,916
Adjustments:		
Add:		
Depreciation	5	3
Deferred tax	14,119	28,327
Non-cash finance costs	9,000	15,581
Hotel management fees and licence fee payable in form of Share Stapled Units (see notes 19 and 22(b))	33,020	31,733
Fair value change on derivative financial instruments	50,723	–
Less:		
Increase in fair value of investment properties	(295,813)	(100,569)
Reserve for furniture, fixtures and equipment	(11,174)	(10,937)
Total distributable income	209,576	228,054

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9. DISTRIBUTION STATEMENT

	Note	Six Months Ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interim distribution period (note a)			
Total distributable income in respect of the six months ended 30 June 2017 (Six months ended 30 June 2016: in respect of the six months ended 30 June 2016)	8	209,576	228,054
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for interim distribution period		209,576	228,054
Interim distribution (note c)		209,576	228,054
Final distribution period (note a)			
Total distributable income in respect of the financial year ended 31 December 2016 (Six months ended 30 June 2016: in respect of the financial year ended 31 December 2015)		501,387	477,534
Less: distributable income paid for interim distribution period (note e)		(230,165)	(227,320)
Distributable income available for final distribution period		271,222	250,214
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for final distribution period		271,222	250,214
Final distribution (note c)		271,222	250,214
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit to be paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.101	HK\$0.111
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.103	HK\$0.117
Final distribution per Share Stapled Unit paid			
– Before taking into account the effect of the Distribution Waiver (note d)		HK\$0.131	HK\$0.122
– After taking into account the effect of the Distribution Waiver (note e)		HK\$0.138	HK\$0.129

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9. DISTRIBUTION STATEMENT (CONTINUED)

Notes:

- (a) The interim distribution in 2017 was based on total distributable income for the six months ended 30 June 2017.

The final distribution in 2016 is based on total distributable income for the year ended 31 December 2016.

The interim distribution in 2016 was based on total distributable income for the six months ended 30 June 2016.

- (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 2015, and (ii) not less than 90% of the total distributable income in respect of each financial year thereafter.

- (c) The interim distribution after 30 June 2017 has not been recognised as a liability as at 30 June 2017.

The final distribution after 31 December 2016 has not been recognised as a liability as at 31 December 2016.

The interim distribution after 30 June 2016 has not been recognised as a liability as at 30 June 2016.

- (d) The interim distribution per Share Stapled Unit of HK\$0.101 for the interim distribution period in 2017 is calculated based on the interim distribution of HK\$209,576,000 for the period and 2,078,796,339 Share Stapled Units as at 30 June 2017.

The interim distribution per Share Stapled Unit of HK\$0.111 for the interim distribution period in 2016 is calculated based on the interim distribution of HK\$228,054,000 for the period and 2,057,152,289 Share Stapled Units as at 30 June 2016.

The final distribution per Share Stapled Unit of HK\$0.131 in 2016 is calculated based on the final distribution of HK\$271,222,000 for the period and 2,067,226,456 Share Stapled Units as at 31 December 2016.

The final distribution per Share Stapled Unit of HK\$0.122 in 2015 is calculated based on the final distribution of HK\$250,214,000 for the period and 2,042,905,937 Share Stapled Units as at 31 December 2015.

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9. DISTRIBUTION STATEMENT (CONTINUED)

Notes: (continued)

- (e) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, immediate holding company of the Company, 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 ended 31 December 2016	100,000
Year ending 31 December 2017	50,000

The interim distribution

The interim distribution per Share Stapled Unit of HK\$0.103 in 2017 is calculated based on the interim distribution of HK\$209,576,000 for the period and 2,028,796,339 Share Stapled Units after taking into account of the 50,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 30 June 2017. The interim distribution will be paid to holders of Share Stapled Units on or before 29 September 2017.

The interim distribution per Share Stapled Unit of HK\$0.117 in 2016 is calculated based on the interim distribution of HK\$228,054,000 for the period and 1,957,152,289 Share Stapled Units after taking into account of the 100,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 30 June 2016. In consideration of 10,074,167 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 30 June 2016 on 30 August 2016, the number of Share Stapled Units entitled for the interim distribution in 2016 had been adjusted to be 1,967,226,456. Total distribution of HK\$230,165,000 in respect of 2016 interim distribution period was paid to holders of Share Stapled Units on 5 October 2016.

The final distribution

The final distribution per Share Stapled Unit of HK\$0.138 in 2016 is calculated based on the distributable income available for final distribution period of HK\$271,222,000 and 1,967,226,456 Share Stapled Units after taking into account of the 100,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 31 December 2016. In consideration of the issue of 11,569,883 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2016 on 1 March 2017, the number of Share Stapled Units entitled for the final distribution in 2016 had been adjusted to be 1,978,796,339. Total distribution of HK\$273,074,000 in respect of 2016 final distribution period was paid to holders of Share Stapled Units on 19 May 2017.

The final distribution per Share Stapled Unit of HK\$0.129 in 2015 is calculated based on the distributable income available for final distribution period of HK\$250,214,000 and 1,942,905,937 Share Stapled Units after taking into account of the 100,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 31 December 2015. In consideration of 14,246,352 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2015 on 4 March 2016, the number of Share Stapled Units entitled for the final distribution in 2015 had been adjusted to 1,957,152,289. Total distribution of HK\$252,473,000 in respect of 2015 final distribution period was paid to holders of Share Stapled Units on 16 May 2016.

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

	Six Months Ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)	2,415	2,224
Depreciation	5	3
Interest income	(1,489)	(917)

11. 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:

	Six Months Ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period for the purposes of basic and diluted earnings per Share Stapled Unit	409,696	263,916

	Six Months Ended 30 June	
	2017	2016
	'000	'000
	(unaudited)	(unaudited)
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	2,080,028	2,058,033

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12. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2017, the additions of property, plant equipment were HK\$12,000 (for the six months ended 30 June 2016: nil).

13. INVESTMENT PROPERTIES

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	18,432,000	18,381,000
Additions	35,187	54,613
Increase (decrease) in fair value recognised in profit or loss	295,813	(3,613)
At the end of the period/year	18,763,000	18,432,000

The fair values of the Groups' investment properties of HK\$18,763,000,000 as at 30 June 2017 (31 December 2016: HK\$18,432,000,000) 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. For income approach, 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 operating profits on a pre-tax 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 by appropriate discount rate to reflect the capital values beyond the years. For market approach, the comparison method of valuation whereby comparisons on a per unit room basis on actual sales transactions and offering of comparable properties during the period/year have been made. There has been no change to the valuation technique during the period/year.

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

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14. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current asset Interest rate swap	10,474	31,795
Non-current liabilities Interest rate swaps	29,402	–

The Groups entered interest rate swap contracts with The Hongkong and Shanghai Banking Corporation Limited to manage the exposure to the interest rate risk on the Groups' floating-rate borrowings by swapping a proportion of those borrowings from floating rate to fixed rate. No hedge accounting is adopted and there is no offsetting during the period/year.

Major terms of the interest rate swaps are as follows:

Total notional amount	Maturity	Floating interest rate	Fixed interest rate	Interest period
HK\$3,500,000,000	November 2020 – April 2021	Hong Kong Interbank Offered Rate ("HIBOR")	1.035% – 1.80%	Monthly

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15. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Trade debtors	62,594	116,365
Interest receivable	165	136
Deposits and prepayments	7,435	4,694
	70,194	121,195

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

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

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 3 months	62,594	116,365

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

Included in trade debtors is an amount due from a fellow subsidiary of HK\$62,551,000 (31 December 2016: HK\$116,365,000) which is unsecured, interest-free and payable on presentation of invoices.

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16. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Trade creditors	35,564	40,073
Deposits received	343	1,394
Other creditors	6,811	7,002
Construction fee payable	22,750	25,706
Accruals and other payables	7,903	4,183
	73,371	78,358

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

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 3 months	18,093	24,673
3 – 6 months	17,471	15,400
	35,564	40,073

Other creditors, accruals and other payables mainly consist of retention money payable and interest payable.

Trade creditors are amounts due to fellow subsidiaries of HK\$35,564,000 (31 December 2016: HK\$40,073,000) which are unsecured, interest-free and payable on presentation of invoices. Included in other creditors are amounts due to fellow subsidiaries of HK\$521,000 (31 December 2016: HK\$501,000) which are unsecured, interest-free and payable on presentation of invoices.

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17. SECURED BANK LOANS

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Secured term loans	6,800,000	6,800,000
Loan front-end fee	(52,403)	(61,403)
	6,747,597	6,738,597

The maturity of the above loans based on scheduled repayment terms is as follows:

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
More than two years but not exceeding three years	6,747,597	–
More than three years but not exceeding four years	–	6,738,597
	6,747,597	6,738,597

The secured bank loans of HK\$6,800,000,000 are variable-rate borrowings, bearing interests at HIBOR plus 0.98% per annum and are repayable in one lump sum on maturity date which will be fall due in 2020. Bank loans are secured by the Groups' investment properties.

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18. ISSUED CAPITAL

	Number of shares (unaudited)	Nominal value HK\$ (unaudited)
Authorised:		
Ordinary shares of HK\$0.0005 each At 1 January 2016, 31 December 2016 and 30 June 2017	5,000,000,000	2,500,000
Preference shares of HK\$0.0005 each At 1 January 2016, 31 December 2016 and 30 June 2017	5,000,000,000	2,500,000
Issued and fully paid:		
Ordinary shares of HK\$0.0005 each (note a)		
At 1 January 2016	2,042,905,937	1,021,454
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	14,246,352	7,123
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	10,074,167	5,037
At 31 December 2016	2,067,226,456	1,033,614
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	11,569,883	5,785
At 30 June 2017	2,078,796,339	1,039,399
Preference shares of HK\$0.0005 each		
At 1 January 2016	2,042,905,937	1,021,454
Issue of preference shares as payment of hotel management fees and licence fee (note b)	14,246,352	7,123
Issue of preference shares as payment of hotel management fees and licence fee (note b)	10,074,167	5,037
At 31 December 2016	2,067,226,456	1,033,614
Issue of preference shares as payment of hotel management fees and licence fee (note b)	11,569,883	5,785
At 30 June 2017	2,078,796,339	1,039,399

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18. ISSUED CAPITAL (CONTINUED)

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Issued capital shown in condensed consolidated financial statements	2,079	2,067

Notes:

- (a) All of the issued ordinary shares of the Company would be held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust.
- (b) Details of Share Stapled Units issued during the period/year as payment of hotel management fees and licence fee are as follows (see notes 19 and 22(b)):

Issue date	Relevant period	Issue price	Aggregate issue price	Number of units
		HK\$	HK\$'000	
21 August 2015	1 January 2015 to 30 June 2015	3.20	32,055	10,017,003
4 March 2016	1 July 2015 to 31 December 2015	2.51	35,758	14,246,352
30 August 2016	1 January 2016 to 30 June 2016	3.15	31,733	10,074,167
1 March 2017	1 July 2016 to 31 December 2016	3.309	38,285	11,569,883

19. MAJOR NON-CASH TRANSACTION

The Groups incurred hotel management fees and licence fee payable to Langham Hotels International Limited for the six months ended 30 June 2017 of HK\$33,020,000 (Six months ended 30 June 2016: HK\$31,733,000) (see note 22(b)), which will be settled by Share Stapled Units subsequent to the end of the reporting period.

On 30 May 2016, the Group had refinanced in full of secured bank loans of HK\$6,800,000,000.

20. COMMITMENTS

At 30 June 2017, the Groups had authorised capital expenditures for investment properties which were not provided for in these condensed consolidated financial statements amounting to HK\$219,588,000 (31 December 2016: HK\$167,526,000) of which HK\$156,361,000 (31 December 2016: HK\$29,755,000) were contracted for.

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

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21. OPERATING LEASE COMMITMENTS

The Groups as lessor

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

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
With Master Lessee		
Within one year	225,000	225,000
In the second to fifth year	337,500	450,000
	562,500	675,000
With other tenants		
Within one year	–	703
	–	703

Leases in respect of the retail shops in Eaton, Hong Kong are negotiated for a term of less than one year to three years at fixed monthly rentals. For the master lease agreements (see note 22(a)), the leases are negotiated for a term of 14 years from the Listing Date. From commencement date to 31 December 2019 (the "First Period"), leases in respect of the Hotels are negotiated at fixed annual base rent and variable rent based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees. From 1 January 2020 to 31 December 2023 (the "Second Period") and 1 January 2024 to expiry date of lease term (the "Third Period"), the leases are negotiated at the market rental package for the Hotels to be determined. The above future minimum lease payments only include base rent of the First Period as the variable rent of the First Period and rental of the Second and Third Period cannot be determined as of the date of approval of the condensed consolidated financial statements.

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21. OPERATING LEASE COMMITMENTS (CONTINUED)

The Groups as lessee

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

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
With Moon Yik Company, Limited		
Within one year	682	20
In the second to fifth year	1,043	–
	1,725	20
With other landlords		
Within one year	1,114	516
In the second to fifth year	516	774
	1,630	1,290

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

22. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed in notes 9, 15, 16, 19 and 21, the Groups had the following significant connected and related party transactions during the period. All of the following related parties are subsidiaries of Great Eagle Holdings Limited, the ultimate holding company, 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.

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22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	<i>Notes</i>	Six Months Ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Rental income			
Master Lessee	(a)	331,943	319,268
Hotel management fees and licence fee			
Langham Hotels International Limited	(b)	33,020	31,733
Global marketing fees			
Langham Hotels Services Limited	(c)	8,243	7,928
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d)	1,168	1,350
Rental and building management fee expenses			
Clever Gain Investment Limited	(e)	15	15
Master Lessee	(f)	–	26
Moon Yik Company, Limited	(g)	341	341
Lease agency fee			
The Great Eagle Estate Agents Limited	(h)	31	109
Administrative support service fee			
The Great Eagle Company, Limited	(i)	480	480
Procurement services fee			
Champion Global Services Limited	(j)	146	415
Project management services fee			
The Great Eagle Development and Project Management Limited	(k)	140	–
Design and construction contracting services fee			
Keysen Engineering Company, Limited	(l)	–	325
Staff laundry services fee			
Master Lessee	(m)	1	1
Hotel accommodation expenses			
Master Lessee	(n)	24	–

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22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes:

- (a) Rental income is charged to Master Lessee in accordance with the master lease agreement. Annual base rent of HK\$225 million was proportionately charged over the period for the six months ended 30 June 2017. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fees of HK\$314,811,000 (Six months ended 30 June 2016: HK\$296,261,000) earned by Master Lessee.

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

	Six Months Ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Hotels' aggregate gross operating profit before deduction of global marketing fees	314,811	296,261
70% thereon, variable rent	220,368	207,383
Base rent	111,575	111,885
Add:		
Rental income from retail shops in Eaton, Hong Kong	871	3,061
Groups' segment revenue	332,814	322,329
Less:		
Hotel management fees (i.e. base fee and incentive fee)	(25,571)	(24,442)
Licence fee	(7,449)	(7,291)
Global marketing fees	(8,243)	(7,928)
Property taxes, rates and insurance	(12,668)	(11,775)
Other deductions	(287)	(510)
Groups' segment profit	278,596	270,383

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

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22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (continued)

(b) (continued)

	Six Months Ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(A) Total revenue of relevant hotel	744,899	729,134
(B) Adjusted Hotel's aggregate gross operating profit	287,945	270,105
(i) Base fee (A x 1.5%)	11,174	10,937
(ii) Licence fee (A x 1%)	7,449	7,291
(iii) Incentive fee (B x 5%)	14,397	13,505
Total fees	33,020	31,733

- (c) Global marketing fees were payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$412,156,000 (Six months ended 30 June 2016: HK\$396,401,000)) 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) The rental was charged by Clever Gain Investment Limited for venue of annual general meeting at Yat Tung Heen.
- (f) The rental was charged by Master Lessee for venue of loan signing ceremony at The Langham, Hong Kong.
- (g) Rental expenses were payable to Moon Yik Company, Limited for leasing an office premise 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 Keysen Engineering Company, Limited and/or its associated companies and the Groups subject to tender or price comparison process to be arranged by the Groups in accordance with its internal control policy.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (continued)

- (m) Staff laundry services fee was payable to Master Lessee for staff laundry services.
- (n) The hotel accommodation expenses were paid to Master Lessee for the hotel accommodation of the designers of Eaton, Hong Kong renovation.
- (o) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited has agreed to waive its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out in note 9. During the period, net amount of HK\$4,762,000 (Six months ended 30 June 2016: HK\$4,120,000) was waived by LHIL Assets Holdings Limited and its fellow subsidiaries.

The remuneration of Directors and other members of key management during both periods are as follows:

	Six Months Ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	1,570	1,543
Post-employment benefits	4	9
	1,574	1,552

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

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair values of the Groups' financial assets and financial liabilities that are measured at fair values on a recurring basis

Some of the Groups' financial asset and financial liabilities are measured at fair values at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical asset or liabilities;
- Level 2 fair value measurements are those derived from inputs other than those quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of the Groups' financial assets and financial liabilities that are measured at fair values on a recurring basis (continued)

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)		
Financial asset (liabilities)				
Interest rate swap	10,474	31,795	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.
Interest rate swaps	(29,402)	–	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.

There were no transfers between Levels 1 and 2 during the current period/prior year.

The Trustee-Manager and the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values, determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED



TO THE MEMBER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed financial statements of LHIL Manager Limited (the "Company") set out on pages 63 to 67, which comprise the condensed statement of financial position as of 30 June 2017 and the related condensed statement of profit or loss and other comprehensive income and condensed statement of changes in equity for the six months ended 30 June 2017, and certain explanatory notes. Pursuant to the deed of trust dated 8 May 2013 constituting Langham Hospitality Investments entered into between the Company and Langham Hospitality Investments Limited (the "Trust Deed"), the Company is required to prepare its interim financial information in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

8 August 2017

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

For the six months ended 30 June 2017

	<i>Note</i>	Six Months Ended 30 June	
		2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Revenue		–	–
Administrative expenses		(10,357)	(11,957)
Less: Amount borne by a fellow subsidiary		10,357	11,957
Profit or loss before tax		–	–
Income tax	4	–	–
Profit or loss and other comprehensive income/expense for the period		–	–

CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 30 June 2017

	<i>Note</i>	At 30 June 2017 HK\$ (unaudited)	At 31 December 2016 HK\$ (audited)
Current asset			
Cash on hand		1	1
NET ASSET		1	1
Capital			
Share capital	5	1	1
TOTAL EQUITY		1	1

CONDENSED STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the six months ended 30 June 2017

	Share capital HK\$ (unaudited)
At 1 January 2016, 30 June 2016, 1 January 2017, and 30 June 2017	1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2017

1. GENERAL

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

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

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

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

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

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

2. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2016 that is included in these condensed financial statements as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Notes to the Condensed Financial Statements of LHIL Manager Limited

For the six months ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016.

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

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

4. INCOME TAX

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

5. SHARE CAPITAL

	30 June 2017 (unaudited)		31 December 2016 (audited)	
	Number of ordinary share	Nominal value HK\$	Number of ordinary share	Nominal value HK\$
Ordinary share with no par value				
Issued and fully paid:				
Balance brought forward and carried forward	1	1	1	1

6. RELATED PARTY DISCLOSURES

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

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

GLOSSARY OF TERMS

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

Terms	Definition												
“Board” or “Board of Directors”	Board of directors of the Trustee-Manager and/or Board of directors of the Company												
“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 Board”	The Board 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”	Pursuant to the Distribution Entitlement Waiver Deed, number of Share Stapled Units waived by LHIL Assets Holdings Limited for the financial period/year as set out below: <table border="1" data-bbox="715 1300 1396 1495"> <thead> <tr> <th><u>Financial Period/Year</u></th> <th><u>Number of SSUs waived</u></th> </tr> </thead> <tbody> <tr> <td>Listing Date to 31 December 2013</td> <td>150,000,000</td> </tr> <tr> <td>Year ended 31 December 2014</td> <td>150,000,000</td> </tr> <tr> <td>Year ended 31 December 2015</td> <td>100,000,000</td> </tr> <tr> <td>Year ended 31 December 2016</td> <td>100,000,000</td> </tr> <tr> <td>Year ending 31 December 2017</td> <td>50,000,000</td> </tr> </tbody> </table>	<u>Financial Period/Year</u>	<u>Number of SSUs waived</u>	Listing Date to 31 December 2013	150,000,000	Year ended 31 December 2014	150,000,000	Year ended 31 December 2015	100,000,000	Year ended 31 December 2016	100,000,000	Year ending 31 December 2017	50,000,000
<u>Financial Period/Year</u>	<u>Number of SSUs waived</u>												
Listing Date to 31 December 2013	150,000,000												
Year ended 31 December 2014	150,000,000												
Year ended 31 December 2015	100,000,000												
Year ended 31 December 2016	100,000,000												
Year ending 31 December 2017	50,000,000												
“Great Eagle”	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust Group holding 62.11% issued Share Stapled Units as at 30 June 2017												

Glossary of Terms

Terms	Definition
"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
"Holder(s) of Share Stapled Units" or "Unitholder(s)"	Holder(s) of Share Stapled Units of the Trust and the Company
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"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
"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
"Hotels"	The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong; and "Hotel" shall mean any of them
"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

Glossary of Terms

Terms	Definition
“Model Code”	Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” of the Listing Rules
“Registers”	The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed
“RevPAR”	Revenue per available room
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Stapled Unit(s)” or “SSU(s)”	Share stapled unit(s) jointly issued by the Trust and the Company. A share stapled unit is the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: <ul style="list-style-type: none"> (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 and as amended by the first supplemental deed dated 22 April 2016
“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 the Trustee-Manager



Langham Hospitality Investments 朗廷酒店投資

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

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

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

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