



LANGHAM

HOSPITALITY INVESTMENTS

Stock code 股份代號 : 1270

Interim Report 中期報告 2019



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 HK.

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)

COMPANY AND TRUSTEE-MANAGER BOARDS OF DIRECTORS

Non-executive Directors

LO Ka Shui *(Chairman)*
LO Chun Him, Alexander

Executive Director

Brett Stephen BUTCHER *(Chief Executive Officer)*

Independent Non-executive Directors

CHAN Ka Keung, Ceajer
LIN Syaru, Shirley
WONG Kwai Lam

COMPANY AND TRUSTEE-MANAGER AUDIT COMMITTEES

WONG Kwai Lam *(Chairman)*
CHAN Ka Keung, Ceajer
LIN Syaru, Shirley

COMPANY REMUNERATION COMMITTEE

CHAN Ka Keung, Ceajer *(Chairman)*
LO Ka Shui
LIN Syaru, Shirley
WONG Kwai Lam

COMPANY NOMINATION COMMITTEE

LIN Syaru, Shirley *(Chairwoman)*
LO Ka Shui
CHAN Ka Keung, Ceajer
WONG Kwai Lam

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

Corporate Information

LEGAL ADVISORS

Conyers
Mayer Brown

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
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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 HK8.7 cents per Share Stapled Unit (2018: HK9.0 cents) for the six-month period ended 30 June 2019, payable on 27 September 2019 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 12 September 2019.

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, 9 September 2019 to Thursday, 12 September 2019, both days inclusive, during which period no transfer of Share Stapled Units will be registered.

In order to qualify for the 2019 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, 6 September 2019.

KEY DATES

Events	Dates
2019 Interim Results Announcement	7 August 2019
Ex-distribution Date	5 September 2019
Closure of Registers	9 September 2019 – 12 September 2019 <i>(both days inclusive)</i>
Record Date for 2019 Interim Distribution	12 September 2019
Payment of 2019 Interim Distribution of HK8.7 cents per Share Stapled Unit	27 September 2019

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	1H2019	1H2018	Change
Revenue of hotel portfolio	810.2	761.1	6.5%
Total Rental Income for the Trust Group	295.5	284.6	3.8%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	137.3	144.2	-4.8%
Distributable Income	184.6	189.0	-2.3%
Distributions per Share Stapled Unit	HK8.7 cents	HK9.0 cents	-3.3%

As at	30 Jun 2019	31 Dec 2018	30 Jun 2018
Gross Value of Hotel Portfolio (in HK\$ million)	20,180	20,177	20,000
Net Asset Value per Share Stapled Unit	HK\$6.04	HK\$6.14	HK\$6.15
Gearing Ratio	34.4%	34.2%	34.2%

CHAIRMAN'S STATEMENT

On the back of weaker macroeconomic conditions in the first half of 2019, there was a slowdown in demand for Hong Kong's hotel rooms, especially from high-end corporate and leisure travellers. The situation was further exacerbated by large-scale anti-extradition bill protests in June 2019, setting off significant negative effect on the hotel businesses during the month and the months to follow. As a result, Hong Kong's overall market recorded a decline of 1.3% in revenue per available room ("RevPAR") in the first half of 2019, a huge contrast as compared with a 13.0% growth witnessed in the first half of 2018.

The high-end hotels in Hong Kong experienced larger impact from the slowdown, as reflected by a 2.0% year-on-year decline in RevPAR for Hong Kong's High Tariff A hotels in the first half of 2019. Whereas the lower room rate hotels, the High Tariff B hotels, have fared better and RevPAR for the sector was flat in the first half of 2019, as compared with that in the same period of the prior year. As for our Tariff A hotels, the Cordis, Hong Kong had a 1.6% drop in RevPAR during the first half of the year, and The Langham, Hong Kong posted a 5.1% decline in RevPAR. Eaton HK, our Tariff B hotel, showed a RevPAR decline of 0.5% during the period, although the hotel managed to deliver a growth in room revenue in the first half of 2019, as its operations ramped up after the completion of the renovation works at the end of last year.

Based on 1,630 available rooms in the first half of 2019, 90 more rooms as compared with that in the first half of 2018, room revenue of the portfolio rose by 0.5% despite a decline in RevPAR. In addition, there was a significant increase in food and beverage (F&B) revenue from the Eaton HK, which helped lead a 14.7% growth in overall F&B revenue for the portfolio over the period. Therefore, total revenue of the portfolio rose by 6.5% during the period.

While there was expansion of operating margin at Eaton HK in the first half of 2019 as its operations ramped up, the improvement was offset by declines in operating margins at The Langham, Hong Kong and Cordis, Hong Kong as their room rates declined during the period. Hence, overall operating margin fell 0.3 percentage points to 40.1% in the first half of 2019, and operating profit before global marketing fee of the hotel portfolio grew by 5.7% during the period. Given the growth in operating profit of the hotel portfolio, total gross rental income, after accounting for service fees incurred, increased by 3.8% to HK\$295.5 million in the first half of 2019, whereas the Trust Group's net property income rose by 2.3% year-on-year to HK\$277.3 million in the corresponding period.

Despite the increase in operating income and our in-placed proactive hedging policy on interest rates exposure such that interest rate on 57.3% of our outstanding bank loans were effectively fixed as at the beginning of 2019, the Trust Group's interim result was still affected by extreme interest rates volatilities in Hong Kong in the first half of 2019. Average interest rate incurred by the Trust Group rose to 2.7% in the first half of 2019, as compared to 2.0% in the first half of 2018. As a result, the Trust Group's finance cost rose by 16.0% year-on-year to HK\$100.3 million in the first half of 2019. The increase in cash finance cost resulted in a modest decline in the Trust Group's distributable income in the first half of 2019.

Other than higher finance cost, the Trust Group's net profit in the first half of 2019 was substantially reduced by other non-cash items. In the first half of 2019, a decrease of HK\$75.0 million in fair value of investment properties (hotel portfolio) was booked, making a stark contrast to an increase in fair value of HK\$498.8 million booked in the same period of the prior year. During the period, the Trust Group had spent an additional HK\$78.0 million in asset enhancements on the hotels. Since the hotel's appraised value only increased by HK\$3.0 million, a decrease for HK\$75.0 million in the fair value was recorded for the investment properties in the profit and loss account. Although this is a non-cash item and it did not have an impact on the Group's distributable income, it contributed to the significant decline in the Group's net profit during the period.

To a lesser extent, a decline in the fair value of derivative financial instruments (interest rate swap contracts) as at the end of June 2019, amounting to HK\$24.8 million, also contributed to lower the Group's net profit in the first half of 2019. Again, being a non-cash expense item, this decline does not reduce the Group's distributable income.

Chairman's Statement

After accounting for the reduction in fair values of investment properties and derivative financial instruments, the Trust Group's net profit dropped 94.5% to HK\$37.5 million for the first half of 2019. Net profit excluding fair value change of investment properties and derivative financial instruments was HK\$137.3 million, representing a decline of 4.8% as compared with the same period of the prior year. Distributable income came to HK\$184.6 million for the first half of 2019, a drop of 2.3% as compared with the same period of the prior year.

Independent valuer's expectations of slowing travel demand for Hong Kong in the medium term have weighed on the value of the hotel portfolio. After the deduction in value, valuation of the hotel portfolio was HK\$20,180 million, as compared with HK\$20,177 million as at 31 December 2018. As at 30 June 2019, Net Asset Value ("NAV") of the Trust Group amounted to HK\$12,812.7 million or HK\$6.04 per Share Stapled Unit. Based on the Company's closing price of HK\$3.01 per Share Stapled Unit on 28 June 2019, this represented a discount of 50.2% to the Trust Group's NAV. Gearing ratio was 34.4% as at the end of June 2019, as compared with 34.2% as at the end of December 2018.

OUTLOOK

Going forward, the lag effect of the recent protests will affect our hotel's businesses at least over the second half of 2019. In fact, RevPAR for The Langham, Hong Kong dropped by 7.8% year-on-year in July 2019, while RevPAR declined by 11.1% at Cordis, Hong Kong during the same month. Although Eaton HK also witnessed a 16.0% decline in RevPAR in July 2019, the hotel still managed to deliver a 5.0% growth in room revenue due to an increase in the number of available rooms.

However, as the protests in Hong Kong became significantly more violent since July, several countries have issued travel warnings to their citizens planning to visit Hong Kong, and we expect the pace of hotel room bookings to deteriorate materially in the month of August and also in the months ahead. As of today, room bookings on hand are pointing to at least a 20%-plus decline in room revenue for the month of August. Unless these protests come to a complete halt soon, we will expect to see a much more dramatic slowdown in hotel businesses in the remainder of 2019, which will affect both operating performance and valuation of the Hotels. Faced with potential headwinds, the hotel manager has adopted a more flexible pricing structure as well as a focus on travellers with shorter lead-time to maximise the occupancies of the hotels.

The Trust Group's distribution in the second half of 2019 will also be affected by the level of interest rates, as finance cost is the Trust Group's single largest expense item. If interest rate in Hong Kong stabilizes in the remainder of 2019, this may help mitigate the downward pressure on the Trust Group's distributions in the second half of 2019.

Despite challenging operating conditions in the short term, we are optimistic about the long-term outlook of our impressive portfolio of distinctive and innovative hotels, which are located in attractive locations in Hong Kong. We expect that, after the completion of their targeted guest focused design renovations, they will be well placed to capture the benefits of the upcoming and completed major infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and the extension of Mainland China's high-speed rail network to Hong Kong. This should help to support additional tourist arrivals to Hong Kong over the long term.



Lo Ka Shui
Chairman

CEO'S REVIEW

As the Hotels of the Trust Group are leased to the GE (LHIL) Lessee Limited (the "Master Lessee"), an indirect wholly-owned subsidiary of Great Eagle Holdings Limited, 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 the retail shops located at Eaton HK, which are leased to independent third parties.

Reflecting an increase in the Hotels' aggregate gross operating profit before deduction of global marketing fee for the six months ended 30 June 2019, variable rental income from the Master Lessee rose by 5.7% year-on-year to HK\$227.3 million. In addition to fixed rental income of HK\$111.6 million for the first half of 2019 and rental income from the shops, total rental income received by the Trust Group before service fees was HK\$339.6 million for the reporting period, representing a year-on-year growth of 4.0%. After netting off HK\$44.1 million in service fees incurred for the first half-period, total rental income was HK\$295.5 million, representing a year-on-year growth of 3.8%.

(in HK\$ million)	1H 2019	1H 2018	Change
Variable rental income	227.3	215.0	5.7%
Fixed rental income	111.6	111.6	–
Rental income from retail shops	0.7	–	n.a.
Total Rental income before service fees	339.6	326.6	4.0%
Total service fees	(44.1)	(42.0)	5.0%
Total rental income to the Trust Group	295.5	284.6	3.8%

Whereas total 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 5.0% of adjusted gross operating profit of the Hotels. Licence fee is calculated based on 1.0% of total revenue of the Hotels, and global marketing fee is calculated at 2.0% of total room revenue of the Hotels. It should be noted that when calculating distributable income, global marketing fee is paid in cash. As for hotel management fees and licence fee, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both. For the first six months of 2019, the Hotel Manager has elected to be paid wholly in the form of Share Stapled Unit for the payment of hotel management fees and licence fee.

CEO's Review

In the first half of 2019, global marketing fee was steady at HK\$9.0 million, but there was a 6.6% year-on-year increase in licence fee, this led to an overall higher total service fees incurred. Total service fees payable to the hotel management company rose by 5.0% year-on-year to HK\$44.1 million in the first half of 2019.

(in HK\$ million)	1H 2019	1H 2018	Change
Hotel management fees	27.0	25.4	6.3%
Licence fee	8.1	7.6	6.6%
Global marketing fee	9.0	9.0	–
Total service fees	44.1	42.0	5.0%

Property related expenses rose by 34.8% year-on-year to HK\$18.2 million in the first half of 2019, which was in part due to an increase in government rates. Overall, there was a year-on-year growth of 2.3% in net property income of the Trust Group, which came to HK\$277.3 million in the first half of 2019.

(in HK\$ million)	1H 2019	1H 2018	Change
Total rental income to the Trust Group	295.5	284.6	3.8%
Property related expenses	(18.2)	(13.5)	34.8%
Net property income	277.3	271.1	2.3%

In order to mitigate the impact of potential hike in interest rates on the Trust Group's distributable income, the Trust Group has executed a series of interest rate swap contracts with total notional amount of HK\$4,000 million with weighted average swap rate was 1.65%. These arrangements have effectively hedged 57.3% of the Trust Group's outstanding HK\$6,985 million floating rate bank loans.

As Hong Kong's interest rate rose in the first half of 2019, the Trust Group's net interest settlement on the interest rate swaps was HK\$0.5 million in the first half of 2019, a significant reduction from the HK\$9.8 million incurred in the first half of 2018. While interest expense on the floating rate loan rose by 34.1% to HK\$90.8 million in the first half of 2019. Including amortisation of loan upfront fee of HK\$9.0 million, total finance costs came to HK\$100.3 million, representing a year-on-year increase of 16.0%.

(in HK\$ million)	1H 2019	1H 2018	Change
Breakdown of Finance costs			
Interest expense	(90.8)	(67.7)	34.1%
Amortisation of loan upfront fee	(9.0)	(9.0)	–
Interest paid on fixed interest rate swaps	(0.5)	(9.8)	-94.9%
Total Finance costs	(100.3)	(86.5)	16.0%

CEO's Review

As of 30 June 2019, there was a decrease in the fair value of derivative financial instruments amounting to HK\$24.8 million in the first half of 2019, reflecting a decrease in the market value of the contracts. As fair value changes are non-cash items, they do not impact distributable income.

In addition, a decrease in fair value of investment properties amounting to HK\$75.0 million in the first half period also contributed to the significant reduction in net profit for the Trust Group. Profit attributable to Holders of Share Stapled Units dropped by 94.5% to HK\$37.5 million. Excluding the impact of fair value change on investment properties and financial derivative instruments, profit attributable to Holders of Share Stapled Units was HK\$137.3 million for the first half of 2019, representing a drop of 4.8% year-on-year.

(in HK\$ million)	1H 2019	1H 2018	Change
Net property income	277.3	271.1	2.3%
Interest and other income	0.2	0.1	100.0%
(Decrease)/Increase in fair value of investment properties (Hotel portfolio)	(75.0)	498.8	-115.0%
(Decrease)/Increase in fair value of derivative financial instruments	(24.8)	36.5	-167.9%
Finance costs	(100.3)	(86.5)	16.0%
Trust and other expenses	(5.6)	(6.0)	-6.7%
Profit before tax	71.8	714.0	-89.9%
Income tax expense	(34.3)	(34.5)	-0.6%
Profit attributable to Holders of Share Stapled Units	37.5	679.5	-94.5%
Profit attributable to Holders of Share Stapled Units excluding Fair Value changes on Investment Properties and Derivative Financial Instruments	137.3	144.2	-4.8%

To derive the Trust Group's distributable income, net profit was adjusted for non-cash items. Item deducted from net profit was cash contribution to the furniture, fixtures and equipment reserve, which was calculated based on 1.5% of total revenue of the Hotels. On the other hand, non-cash items added back to profit included: i) decrease in fair value of investment properties, ii) decrease in fair value on derivative financial instruments, iii) hotel management and licence fees paid in Share Stapled Units, iv) amortisation of upfront loan fee, and (v) deferred taxation. Distributable income of the Trust Group, based on a 100% distribution policy for the first half period, dropped by 2.3% year-on-year to HK\$184.6 million.

CEO's Review

(in HK\$ million)	1H 2019	1H 2018	Change
Profit attributable to Holders of Share Stapled Units	37.5	679.5	-94.5%
Add:			
Hotel management fees and Licence fee paid in Share Stapled Units	35.1	33.0	6.4%
Amortization of upfront loan fee, a non-cash cost	9.0	9.0	–
Deferred tax	15.4	14.2	8.5%
Decrease in fair value of investment properties	75.0	–	n.a.
Decrease in fair value of derivative financial instruments	24.8	–	n.a.
Less:			
Furniture, fixtures and equipment reserve	(12.2)	(11.4)	7.0%
Increase in fair value of investment properties	–	(498.8)	n.a.
Increase in fair value on derivative financial instruments	–	(36.5)	n.a.
Distributable income	184.6	189.0	-2.3%

In the first half of 2019, distribution per Share Stapled Unit was HK8.7 cents, representing a year-on-year decline of 3.3% when compared with a distribution per Share Stapled Unit of HK9.0 cents achieved for the first half of 2018.

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018
The Langham, Hong Kong	498	498	90.0%	90.6%	2,169	2,270	1,952	2,057
<i>year-on-year growth</i>			-0.6ppt		-4.4%		-5.1%	
Cordis, Hong Kong	667	666	94.4%	95.2%	1,737	1,749	1,640	1,666
<i>year-on-year growth</i>			-0.8ppt		-0.7%		-1.6%	
Eaton HK	465	376	86.6%	90.3%	1,063	1,025	920	925
<i>year-on-year growth</i>			-3.7ppt		+3.7%		-0.5%	
Hotel Portfolio	1,630	1,540	90.8%	92.5%	1,684	1,742	1,530	1,611
<i>year-on-year growth</i>			-1.7ppt		-3.3%		-5.0%	

CEO's Review

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2019	1H 2018	1H 2019	1H 2018	1H 2019	1H 2018
High Tariff A	87.0%	88.0%	2,094	2,112	1,822	1,859
<i>year-on-year growth</i>	<i>-1.0ppt</i>		<i>-0.9%</i>		<i>-2.0%</i>	
High Tariff B	90.0%	91.0%	1,142	1,126	1,028	1,025
<i>year-on-year growth</i>	<i>-1.0ppt</i>		<i>+1.4%</i>		<i>+0.3%</i>	
All Hotels	90.0%	91.0%	1,329	1,332	1,196	1,212
<i>year-on-year growth</i>	<i>-1.0ppt</i>		<i>-0.2%</i>		<i>-1.3%</i>	

For the portfolio as a whole, RevPAR amounted to HK\$1,530 for the first half of 2019, representing a year-on-year decline of 5.0%. The decline in RevPAR was primarily driven by 3.3% decrease in average daily rates to HK\$1,684, whereas occupancy dropped by 1.7 percentage points to 90.8% during the period. However, as there was a 5.8% increase in the number of available rooms amid completion of the renovation at the Eaton HK, total room revenue of the portfolio rose by 0.5% year-on-year to HK\$451.3 million for the first six months of 2019 and accounted for 55.7% of total revenue of the portfolio.

There were growth in F&B revenue across the three hotels of the portfolio, while the growths at Eaton HK was exceptionally strong amid reopening of all the F&B facilities, there were also growth at The Langham, Hong Kong and Cordis, Hong Kong, which both received more business from banqueting. As a result, total F&B revenue for the portfolio as a whole rose by 14.7% year-on-year to HK\$337.2 million, which accounted for 41.6% of total revenue.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	175.9	197.9	77.5	451.3
Food & Beverages	116.6	157.0	63.6	337.2
Others	5.8	9.1	6.8	21.7
Total revenue	298.3	364.0	147.9	810.2

For the first six months of 2019, driven by an increase of arrivals from Mainland China at Eaton HK, which had a low base for comparison, as the hotel underwent renovation in the prior year, there was a 12.4% year-on-year growth in the number of guests from Mainland China for the hotel portfolio as a whole. After the increase, arrivals from the Mainland accounted for 39.3% 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	+12.4%	+11.0%
% of overnight guests from Mainland China to total arrivals	39.3%	68.6%

CEO's Review

Performance of the individual hotels

For **The Langham, Hong Kong**, as there were signs of weakening demand for rooms from the high yielding long haul and corporate segments during the first half of 2019, the Hotel Manager upheld its conscious decision to increase the share of high yielding leisure travellers from Mainland China and other Asian markets during the period. Hence, the Hotel witnessed a growth of 5.4% and 2.9% in arrivals from Mainland China and other Asian countries respectively in the first half of 2019, but arrivals from all other geographic regions declined. F&B revenue for the Hotel rose by 1.8% year-on-year in the first half of 2019.

At **Cordis, Hong Kong**, the hotel also targeted arrivals from Mainland China in the first half of 2019, as the market was still showing growth during the period. Therefore, the hotel witnessed a 5.6% growth in arrivals from Mainland China in the first half of 2019. Except for arrivals from U.S., which grew by 2.6% in the first half of 2019, arrivals for all other geographic regions declined in the first half of 2019. Revenue from F&B also witnessed growth of 4.7% year-on-year in the first half of 2019. The increase was due to improved banqueting business during the period and majority of restaurants showed better pickup.

Eaton HK's performance was supported by the completion of large-scale renovation at the end of 2018. As compared with The Langham, Hong Kong and Cordis, Hong Kong, Eaton HK witnessed the highest increase in arrivals from the Mainland China market, which grew 39.1% year-on-year in the first half of 2019. In addition to an increase in the number of renovated rooms, the pricing and positioning of the hotel towards independent travellers, also helped brought in more arrivals from other geographic regions including the U.S., Europe and other Asian countries. Revenue from F&B at the Eaton HK, rose by 115.5% year-on-year in first half of 2019, which was attributable to reopening of the majority of its F&B outlets after the renovation.

FINANCIAL REVIEW

Distributions

Distributable income of the Trust Group for 2019 interim period was HK\$184,569,000, which represents 100% of total distributable income for current period (2018 interim period: HK\$188,985,000 which represents 100% of total distributable income). It is the present policy of the Trust Group to distribute not less than 90% of total distributable income to its Holders of Share Stapled Units.

Distribution per Share Stapled Unit for current period was HK8.7 cents (six months ended 30 June 2018: HK9.0 cents). Based on the closing Share Stapled Unit price of HK\$3.01 as at 28 June 2019, Distribution per Share Stapled Unit represents an annualised distribution yield of 5.8%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units were HK\$12,812.7 million or HK\$6.04 per Share Stapled Unit as at 30 June 2019 (31 December 2018: HK\$12,958.6 million or HK\$6.14 per Share Stapled Unit) which represents a 100.7% premium to the closing Share Stapled Unit price of HK\$3.01 as at 28 June 2019.

Debt Profile

Total outstanding borrowings of the Trust Group as at 30 June 2019 were HK\$6,985 million (31 December 2018: HK\$6,965 million). The secured term loan of HK\$6,800 million (31 December 2018: HK\$6,800 million) is on a floating-rate interest basis and repayable in full in May 2020. The revolving loans of HK\$185 million (31 December 2018: HK\$165 million) drawn were matured in July 2019 (31 December 2018: in January 2019), which may be redrawn in the revolver until maturity of the term loan.

In order to mitigate the interest rate exposure, the Trust Group entered into several four-year interest rate swap transactions during 2016 to 2018. Total HK\$4,000 million or 57.3% (31 December 2018: 57.4%) of the outstanding borrowings was fixed at a weighted average swap rate of 1.65% p.a.

CEO's Review

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 2019, total gross assets of the Trust Group were HK\$20,332.5 million (31 December 2018: HK\$20,366.2 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of total gross assets, was 34.4% (31 December 2018: 34.2%).

Cash Position

As at 30 June 2019, the Trust Group had a cash balance of HK\$66.4 million (31 December 2018: HK\$86.9 million) to satisfy a portion of asset enhancement of the Hotels, as well as its working capital and operating requirements. In addition, the Trust Group had unused revolving loan amounting to HK\$215 million as of 30 June 2019.

Pledge of Assets

As at 30 June 2019, investment properties with a fair value of HK\$20,180 million (31 December 2018: HK\$20,177 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

As at 30 June 2019, the Trust Group had authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$13,680,000 (31 December 2018: HK\$49,293,000), of which HK\$4,952,000 (31 December 2018: HK\$42,195,000) were contracted for.

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



Brett Stephen Butcher

Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the Trustee-Manager and the Company subsequent to the publication of the 2018 Annual Report of the Trust and the Company and up to 30 August 2019, being the bulk print date of this Interim Report, are updated as follow:

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 72, has been the Chairman and Non-executive Director of the Trustee-Manager and the Company since 2013. He is a Member of the Remuneration Committee and of the Nomination Committee of the Company, and is also a Director of the subsidiaries of the Company. He is the Chairman and Managing Director of Great Eagle Holdings Limited, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Champion Real Estate Investment Trust. He is also a Vice President of the Real Estate Developers Association of Hong Kong and a member of the Board of Trustees of The Hong Kong Centre for Economic Research. Dr. Lo 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. Dr. Lo 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 34, has been a Non-executive Director of the Trustee-Manager and the Company since February 2017. He is also a Director of the subsidiaries of the Company. Mr. Lo is 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. 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.

Mr. Brett Stephen BUTCHER

Chief Executive Officer and Executive Director

Mr. Brett Stephen BUTCHER, aged 59, has been the Chief Executive Officer and Executive Director of the Trustee-Manager and the Company since April 2019. He is also a Director of the subsidiaries of the Company. Mr. Butcher has over 39 years' extensive hotel business experience in both hotel operations and sales and marketing in Asia, the Pacific and North America. He is the chief executive officer of the hotel asset management arm of Great Eagle Holdings Limited ("Great Eagle", being the substantial Holder of Share Stapled Units of the Trust Group) principally overseeing the management of all hotel assets of Great Eagle worldwide. Mr. Butcher holds a Bachelor's Degree in Business (Hospitality Management) from University of Queensland Lawes Campus.

Biographical Details of Directors

Professor CHAN Ka Keung, Ceajer

Independent Non-executive Director

Professor CHAN Ka Keung, Ceajer, aged 62, has been an Independent Non-executive Director of the Trustee-Manager and the Company since August 2018. 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. Professor Chan is an Adjunct Professor and a Senior Advisor to the Dean at HKUST Business School. He was appointed as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in the Hong Kong University of Science and Technology (HKUST). Before joining the HKUST Business School in 1993, Professor Chan had spent nine years teaching at Ohio State University in the United States. Professor Chan is currently a Non-executive Director of Hong Kong Mortgage Corporation Limited and a member of Competition Commission of Hong Kong. He serves as an Independent Non-executive Director on the Board of Guotai Junan International Holdings Limited, a company listed on the Main Board of Hong Kong Stock Exchange and is also a Senior Advisor to Welab Holdings Limited. Professor Chan was a Non-executive Director of MTR Corporation Limited.

Professor Chan received his bachelor's degree in economics from Wesleyan University and both of his M.B.A. and Ph.D. in finance from The University of Chicago. He specialised in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

Professor LIN Syaru, Shirley

Independent Non-executive Director

Professor LIN Syaru, Shirley, aged 51, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. She is the Chair 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 at Goldman Sachs, where she led the firm's efforts in private equity and venture capital in Asia. In addition, Professor 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, a restricted licence bank in Hong Kong, and Mercuries Life Insurance Co., Ltd. which is publicly listed on the Taiwan Stock Exchange. She was appointed by the Hong Kong government to the Hong Kong Committee for Pacific Economic Cooperation and serves on the board of the Focused Ultrasound Foundation.

Professor Lin is a faculty member at both the Chinese University of Hong Kong and the University of Virginia, where she teaches courses on international political economy. 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. WONG Kwai Lam

Independent Non-executive Director

Mr. WONG Kwai Lam, aged 70, 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 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. During the past three years, Mr. Wong was an Independent Non-executive Director and the Chairman of the Remuneration and Appraisal Committee and a Member of the Audit Committee of China Merchants Bank Co., Ltd.. Mr. Wong is currently the Chairman of IncitAdv Consultants Ltd., a member of the Advisory Board of Continuing and Professional Studies, The Chinese University of Hong Kong ("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. Mr. Wong has been appointed as Chairman of The Chamber of Hong Kong Listed Companies. 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 in the Trust; and
- (c) a specifically identified Preference Share in the Company which is "stapled" to the unit in the Trust.

As the components of the Share Stapled Units, all of the units in the Trust, the Ordinary Shares and the Preference Shares of the Company 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-subsiary 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 24 to 26 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 applicable Listing Rules and other relevant rules and regulations.

During the six-month period ended 30 June 2019, 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 or 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, 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.

Changes in Board Composition

As announced by the Trust Group on 14 February 2019, Mr. Brett Stephen Butcher was appointed as the Executive Director and Chief Executive Officer of both the Trustee-Manager and the Company in place of Mr. Ip Yuk Keung, Albert with effect from 1 April 2019.

Mr. Butcher has over 39 years' extensive hotel business experience in both hotel operations and sales and marketing in Asia, the Pacific and North America. He is the chief executive officer of hotel assets management arm of Great Eagle. This role does not contradict the role of CEO of the Trust Group. Furthermore, the Trust Group has established various policies and procedures to address conflict of interest issues with Great Eagle. Taking into account his personal profile, background, academic achievement and extensive hotel business experience in both hotel operations and sales and marketing, the Nomination Committee is satisfied that Mr. Butcher was qualified for the position of Executive Director and Chief Executive Officer of the Company.

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. Brett Stephen Butcher (Chief Executive Officer); and three Independent Non-executive Directors, namely Professor Chan Ka Keung, Ceajer, Professor Lin Syaru, Shirley 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), Professor Chan Ka Keung, Ceajer and Professor Lin Syaru, Shirley.

Governance and Compliance

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, Professor Chan Ka Keung, Ceajer (Committee Chairman), Dr. Lo Ka Shui, Professor Lin Syaru, Shirley and Mr. Wong Kwai Lam.

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, Professor Lin Syaru, Shirley (Committee Chairwoman), Dr. Lo Ka Shui, Professor Chan Ka Keung, Ceajer and Mr. Wong Kwai Lam.

According to the Listing Rules Amendments effective on 1 January 2019, the Nomination Committee should have a policy concerning diversity of board members. In this connection, the Nomination Committee of the Company had adopted a Board Diversity Policy setting out the approach to achieve diversity on the Board of Directors of the Company and a number of factors when deciding on appointment to the Board and the continuation of those appointments including legal requirements, best practices, and skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. The Nomination Committee would not set any restrictions like gender, age, cultural or educational background when short-listing candidates.

During the period ended 30 June 2019, the Nomination Committee has reviewed the existing nomination procedures and adopted a Nomination Policy in writing. This policy set out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company. The Company would consider any candidates recommended as nominees for Directors to the Committee by any Directors or shareholders of the Company; provided that in the case of shareholder recommendations, such recommendations shall comply with the requirements as set out in the amended and restated articles of association of the Company to be properly brought before an annual general meeting. The Committee might also consider, in its sole discretion, any candidates recommended as nominees for Directors to the Committee by any source.

Governance and Compliance

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 2019 (HK\$'000)
(1) Master Lease Agreements ^(a)	
– Base Rent	111,575
– Variable Rent ^(b)	227,293
(2) Hotel Management Agreements ^{(a)(b)(c)}	
– Base Fee	12,153
– Incentive Fee	14,771
(3) Centralized Services and Marketing Agreements ^{(a)(b)}	
– Reimbursement of Costs ^(d)	2,012
– Global Marketing Fee	9,027
– Reservation Fees ^(d)	1,626
(4) Trademark Licence Agreements ^{(a)(b)(c)}	8,102

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 approval from independent Holders of Share Stapled Units to settle the fees payable for the three financial years ending 31 December 2020 in the form of Share Stapled Units subject to the election of the Hotel Manager.
- (d) Reimbursement of Costs and Reservation fees are operating expenses of the Hotels to be paid by the Master Lessee.

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 HK) 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 Fee, the Global Marketing Fee, 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 Fee payable by each of the Hotel Companies.

The current basis for calculating the amount of Variable Rent payable only applies until 31 December 2019 and thereafter the Variable Rent will be calculated on a basis to be determined by an independent property valuer for the period from 1 January 2020 to 31 December 2023, and from 1 January 2024 for the remaining term of the Master Lease Agreements.

Pursuant to the Master Lease Agreements, Vigers Appraisal and Consulting Limited was appointed as independent professional property valuer to conduct rental review for the Hotels.

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 Fee 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 Stapled Units of the Trust and the Company, they are connected persons of the Company under the Listing Rules.

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

- *Reimbursement of Costs*: at cost to be paid by the Master Lessee as an operating expense of the Hotels.
- *Global Marketing Fee*: 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 Fee payable under the Centralized Services and Marketing Agreements are determined by reference to the formula for determining the Global Marketing Fee 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 Fee 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 Fee payable under the Trademark Licence Agreements is determined by reference to the formula for determining the Licence Fee payable pursuant to the Trademark Licence Agreements as described above.

Governance and Compliance

ISSUED SHARE STAPLED UNITS

As at 30 June 2019, the total number of issued Share Stapled Units of the Trust and the Company was 2,121,762,141. As compared with the position of 31 December 2018, 12,046,202 new Share Stapled Units were issued during the reporting period as follows:

Date	Particulars	No. of Share Stapled Units
31 December 2018	Number of issued Share Stapled Units	2,109,715,939
1 March 2019	Issue of new Share Stapled Units at the price of HK\$3.250 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fee to the Hotel Manager of approximately HK\$39,150,000 for the second half of 2018	12,046,202
30 June 2019	Number of issued Share Stapled Units	2,121,762,141

COMPLIANCE WITH THE 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 2019.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Trust Group and unaudited condensed financial statements of the Trustee-Manager for the six-month period ended 30 June 2019 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 maintained a sufficient public float with more than 25% of the issued Share Stapled Units being held by the public as at 30 June 2019.

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 2019, none of the Trust, the Trustee-Manager, the Company nor the Company's subsidiaries had bought back, sold or redeemed any Share Stapled Units.

Governance and Compliance

HOTEL MANAGER AND EMPLOYEES

The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated in providing services to the Hotels. 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 2018, there is no material change in headcount.

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

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

CORPORATE SOCIAL RESPONSIBILITY

The Hotel Manager has in place the corporate social responsibility programme CONNECT in the Hotels 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 HK are certified to EarthCheck Gold level. Cordis, Hong Kong is accredited with an ISO 14001 certification. In 2019, Cordis, Hong Kong received the Hong Kong Award for Environmental Excellence Silver Award. The Award was led by the Environmental Campaign Committee (ECC) alongside the Environmental Protection Department and in conjunction with nine organization in Hong Kong.

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 2019, the Hotels' colleagues served a total of approximately 835 hours of community services and volunteering efforts.

Colleagues are the most important assets for a successful organization. The Hotel Manager and the Hotels are mindful of the health and safety obligations to colleagues, and various occupational health and safety trainings are delivered regularly to the colleagues. It is the Hotels' commitment to provide suitable career and training opportunities for their colleagues, and the average number of training hours per colleague in the Hotels was approximately 14.1 hours for the first half of 2019.

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, 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	1,393,984,141 ⁽¹⁾	65.70
Brett Stephen Butcher	475,000 ⁽²⁾	0.02

Notes:

- (1) These 1,393,984,141 Share Stapled Units comprise the following:
- (i) 8,073,500 Share Stapled Units (0.38%) were held by Dr. Lo Ka Shui personally;
 - (ii) 1,339,750,641 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 1,269,588,141 Share Stapled Units (59.84%), Fine Noble Limited as to 58,596,500 Share Stapled Units (2.76%), Great Eagle Nichemusic Limited as to 5,965,000 Share Stapled Units (0.28%) and The Great Eagle Company, Limited as to 5,601,000 Share Stapled Units (0.26%), 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 (0.10%) 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 (2.08%) 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 475,000 Share Stapled Units were jointly held by Mr. Brett Stephen Butcher with his spouse.
- (3) This percentage has been compiled based on 2,121,762,141 Share Stapled Units of the Trust and the Company in issue as at 30 June 2019.

Disclosure of Interests

Long Positions in Shares and Underlying Shares of Associated Corporations

Great Eagle

As at 30 June 2019, Great Eagle owned 63.14% 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 2019 are disclosed as follows:

Name of Director	Total Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital ⁽⁴⁾
Lo Ka Shui	424,976,205 ⁽¹⁾	60.66
Lo Chun Him, Alexander	833,000 ⁽²⁾	0.12
Brett Stephen Butcher	333,433 ⁽³⁾	0.05

Notes:

- (1) These interests comprise the following:
 - (i) 51,173,303 shares (7.30%) and 1,386,000 shares options (0.20%) were held by Dr. Lo Ka Shui personally;
 - (ii) 78,798,292 shares (11.25%) were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies;
 - (iii) 232,829,848 shares (33.23%) were held by a discretionary trust of which Dr. Lo Ka Shui is one of the discretionary beneficiaries; and
 - (iv) 60,788,762 shares (8.68%) were held by a discretionary trust of which Dr. Lo Ka Shui is the founder.
- (2) These interests comprise 25,000 shares and 808,000 share options held by Mr. Lo Chun Him, Alexander personally.
- (3) These interests comprise 52,000 shares and 250,000 share options held by Mr. Brett Stephen Butcher personally and 31,433 shares jointly held by Mr. Brett Stephen Butcher with his spouse.
- (4) This percentage has been compiled based on 700,598,038 shares of Great Eagle in issue as at 30 June 2019.

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 2019, Great Eagle owned 66.10% 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 2019 are disclosed as follows:

Name of Director	Total Number of Units/ Underlying Units Held	Percentage of Issued Units ⁽²⁾
Lo Ka Shui	3,893,921,643 ⁽¹⁾	66.47

Notes:

- (1) These 3,893,921,643 units comprise the following:
- (i) 3,872,227,643 units (66.10%) were 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) This percentage has been compiled based on 5,858,503,599 units of Champion REIT in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, 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	1,339,750,641 ⁽¹⁾	63.14
LHIL Assets Holdings Limited	1,269,588,141	59.84
HSBC International Trustee Limited	1,329,235,439 ⁽²⁾	62.65

Notes:

- (1) These 1,339,750,641 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;
 - (iii) 5,965,000 Share Stapled Units held by Great Eagle Nichemusic Limited; and
 - (iv) 5,601,000 Share Stapled Units held by The Great Eagle Company, Limited.
- (2) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 19 October 2018) received from HSBC International Trustee Limited ("HITL"). HITL in its capacity as a trustee of a discretionary trust held 33.23% interests in Great Eagle as at 30 June 2019.
- (3) This percentage has been compiled based on 2,121,762,141 Share Stapled Units of the Trust and the Company in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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

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

Deloitte.

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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 64 (hereinafter collectively referred to as "the Trust and the Company's condensed consolidated financial statements"). As explained in note 1 to the Trust and the Company's condensed consolidated financial statements, the condensed consolidated financial statements of the Trust 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 2019 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

7 August 2019

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 2019

	<i>Notes</i>	Six Months Ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	295,523	284,637
Property related expenses		(18,268)	(13,574)
Net property income		277,255	271,063
Other income		207	147
(Decrease) increase in fair value of investment properties	13	(74,951)	498,759
Fair value change on derivative financial instruments	14	(24,795)	36,530
Trust and other expenses		(5,618)	(6,031)
Finance costs	6	(100,278)	(86,461)
Profit before tax		71,820	714,007
Income tax expense	7	(34,278)	(34,529)
Profit and total comprehensive income for the period attributable to holders of Share Stapled Units	10	37,542	679,478
Earnings per Share Stapled Unit			
Basic and diluted	11	HK2 cents	HK32 cents

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

At 30 June 2019

		At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	9	18
Investment properties	13	20,180,000	20,177,000
Derivative financial instruments	14	10,340	26,923
		20,190,349	20,203,941
Current assets			
Debtors, deposits and prepayments	15	71,861	75,351
Tax recoverable		3,896	32
Bank balances		66,441	86,881
		142,198	162,264
Current liabilities			
Creditors, deposits and accruals	16	103,536	60,642
Secured bank loans due within one year	17	6,968,597	165,000
Tax payable		52,865	36,086
		7,124,998	261,728
Net current liabilities		(6,982,800)	(99,464)
Total assets less current liabilities		13,207,549	20,104,477
Non-current liabilities			
Secured bank loans due after one year	17	–	6,774,597
Deferred tax liabilities		377,779	362,375
Derivative financial instruments	14	17,101	8,889
		394,880	7,145,861
NET ASSETS		12,812,669	12,958,616
Capital and reserves			
Issued capital/units	18	2,122	2,110
Reserves		12,810,547	12,956,506
TOTAL EQUITY		12,812,669	12,958,616

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

For the six months ended 30 June 2019

	Share capital/ units 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 2018	2,089	8,064,518	(11,562,543)	407	12,598,157	3,308,440	12,411,068
Profit for the period	-	-	-	-	-	679,478	679,478
Distribution paid	-	(227,448)	-	-	-	-	(227,448)
Recognition of equity-settled share based payments	-	-	-	140	-	-	140
Issue of Share Stapled Units (note 18)	10	35,947	-	-	-	-	35,957
At 30 June 2018 (unaudited)	2,099	7,873,017	(11,562,543)	547	12,598,157	3,987,918	12,899,195
At 1 January 2019	2,110	7,716,113	(11,562,543)	699	12,598,157	4,204,080	12,958,616
Profit for the period	-	-	-	-	-	37,542	37,542
Distribution paid	-	(222,785)	-	-	-	-	(222,785)
Recognition of equity-settled share based payments	-	-	-	146	-	-	146
Issue of Share Stapled Units (note 18)	12	39,138	-	-	-	-	39,150
At 30 June 2019 (unaudited)	2,122	7,532,466	(11,562,543)	845	12,598,157	4,241,622	12,812,669

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 2019

	Six Months Ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Cash generated from operations	311,904	337,462
Interest paid	(90,526)	(77,161)
Hong Kong Profits Tax paid	(5,959)	–
Net cash from operating activities	215,419	260,301
Investing activities		
Interest received	57	123
Additions of investment properties	(33,136)	(144,624)
Proceeds on disposal of property, plant and equipment	5	–
Net cash used in investing activities	(33,074)	(144,501)
Financing activities		
Distribution paid	(222,785)	(227,448)
Additions of revolving loans	20,000	110,000
Net cash used in financing activities	(202,785)	(117,448)
Net decrease in cash and cash equivalents	(20,440)	(1,648)
Cash and cash equivalents at the beginning of the period	86,881	101,076
Cash and cash equivalents at the end of the period, represented by bank balances	66,441	99,428

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

For the six months ended 30 June 2019

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 2019 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 2019 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the period ended 30 June 2019 was an investment in the Company. Therefore, the condensed 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 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").

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

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

For the six months ended 30 June 2019

3. PRINCIPAL 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Groups' annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Groups have applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Groups' condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Groups' financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies on application of HKFRS 16 "Leases"

The Groups have applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

The Groups applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Groups assess whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Groups allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Groups reasonably expect that the effects on the condensed consolidated financial statements would not differ materially from individual leases within the portfolio.

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

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

Short-term leases and leases of low-value assets

The Groups apply the short-term lease recognition exemption to leases of office premises and carparks that have a remaining lease term of 12 months or less from the date of initial application and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

At the end of the reporting period, the Groups had outstanding commitments under non-cancellable operating lease with Moon Yik Company, Limited, a fellow subsidiary, in respect of rented premises which fall due within one year amounted to HK\$361,000.

Lease modifications

The Groups account for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Groups remeasure the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

There is no lease modification noted for the six month ended 30 June 2019.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Groups apply HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Groups account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Groups have elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Groups have not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Groups apply the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Groups have applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Groups applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (a) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;
- (b) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (d) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- (e) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Groups' leases with extension and termination options.

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3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Groups are not required to make any adjustment on transition for leases in which the Groups are a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Groups' condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Effective on 1 January 2019, the Groups have applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Groups for the current period.

The application of HKFRS 16 has had no material impact on the Groups' financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

	Six Months Ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Rental income from GE (LHIL) Lessee Limited ("Master Lessee")		
Base rent	111,575	111,575
Variable rent	183,240	173,020
	294,815	284,595
Rental income from retail shops in Eaton HK	708	42
	295,523	284,637

Service fees income of HK\$44,053,000 (six months ended 30 June 2018: HK\$41,965,000) has been netted with the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee) and has not been recognised as revenue.

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

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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 HK (the "Hotels").

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

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 2019

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton HK HK\$'000 (unaudited)	Segment Total HK\$'000 (unaudited)	Reconciliation HK'000 (unaudited) <i>(note)</i>	Consolidated HK'000 (unaudited)
Segment revenue	124,748	158,695	56,133	339,576	(44,053)	295,523
Segment results	102,347	130,449	44,459	277,255	-	277,255
Other income						207
Decrease in fair value of investment properties						(74,951)
Fair value change on derivative financial instruments						(24,795)
Trust and other expenses						(5,618)
Finance costs						(100,278)
Profit before tax						71,820
Income tax expense						(34,278)
Profit for the period attributable to holders of Share Stapled Units						37,542

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

For the six months ended 30 June 2019

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Six months ended 30 June 2018

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton HK HK\$'000 (unaudited)	Segment Total HK\$'000 (unaudited)	<i>Reconciliation</i> <i>HK'000</i> <i>(unaudited)</i> <i>(note)</i>	Consolidated HK'000 (unaudited)
Segment revenue	133,201	161,059	32,342	326,602	(41,965)	284,637
Segment results	110,678	133,973	26,412	271,063	–	271,063
Other income						147
Increase in fair value of investment properties						498,759
Fair value change on derivative financial instruments						36,530
Trust and other expenses						(6,031)
Finance costs						(86,461)
Profit before tax						714,007
Income tax expense						(34,529)
Profit for the period attributable to holders of Share Stapled Units						679,478

Note: Reconciliation represents netting of service fees income of HK\$44,053,000 (six months ended 30 June 2018: HK\$41,965,000) with the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee) that has been adjusted from revenue.

Segment assets and liabilities

For the purpose of performance assessment, other than the fair values of investment properties, no other segment assets 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 HK were HK\$7,525,000,000, HK\$8,500,000,000 and HK\$4,155,000,000 respectively (31 December 2018: HK\$7,550,000,000, HK\$8,515,000,000 and HK\$4,112,000,000 respectively).

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

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6. FINANCE COSTS

	Six Months Ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest on bank borrowings	90,362	67,089
Net interest on interest rate swaps	474	9,831
Loan front-end fee amortisation	9,000	9,000
Other borrowing costs	442	541
	100,278	86,461

7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current period	18,874	20,304
Deferred tax		
– Current period	15,404	14,225
	34,278	34,529

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

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

For the six months ended 30 June 2019

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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period attributable to holders of Share Stapled Units	37,542	679,478
Adjustments:		
Add:		
Depreciation	4	5
Deferred tax	15,404	14,225
Non-cash finance costs	9,000	9,000
Hotel management fees and licence fee payable in form of Share Stapled Units (notes 19 and 22(b))	35,026	32,982
Decrease in fair value of derivative financial instruments	24,795	–
Decrease in fair value of investment properties	74,951	–
Less:		
Increase in fair value of derivative financial instruments	–	(36,530)
Increase in fair value of investment properties	–	(498,759)
Reserve for furniture, fixtures and equipment	(12,153)	(11,416)
Total distributable income	184,569	188,985

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For the six months ended 30 June 2019

9. DISTRIBUTION STATEMENT

	Note	Six Months Ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interim distribution period (note a)			
Total distributable income in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: in respect of the six months ended 30 June 2018)	8	184,569	188,985
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for interim distribution period		184,569	188,985
Interim distribution (note c)		184,569	188,985
Final distribution period (note a)			
Total distributable income in respect of the financial year ended 31 December 2018 (six months ended 30 June 2018: in respect of the financial year ended 31 December 2017)		410,491	437,200
Less: distributable income paid for interim distribution period (note d)		(189,875)	(209,958)
Distributable income available for final distribution period		220,616	227,242
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for final distribution period		220,616	227,242
Final distribution (note c)		220,616	227,242
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: in respect of the six months ended 30 June 2018) (note d)		HK8.7 cents	HK9.0 cents
Final distribution per Share Stapled Unit in respect of the financial year ended 31 December 2018 (six months ended 30 June 2018: in respect of the financial year ended 31 December 2017) (note e)		HK10.5 cents	HK11.1 cents

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

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9. DISTRIBUTION STATEMENT (CONTINUED)

Notes:

- (a) The interim distribution in 2019 is based on total distributable income for the six months ended 30 June 2019.

The final distribution in 2018 is based on total distributable income for the year ended 31 December 2018.

The interim distribution in 2018 is based on total distributable income for the six months ended 30 June 2018.

- (b) The Trust Deed and the articles of association of the Company state that it is the intention of the Trustee-Manager and the Directors to declare and distribute not less than 90% of the total distributable income in respect of each financial year after the financial year ended 31 December 2015. It has been decided to distribute 100% of the total distributable income for the relevant interim period.

- (c) The interim distribution after 30 June 2019 has not been recognised as a liability as at 30 June 2019.

The final distribution after 31 December 2018 has not been recognised as a liability as at 31 December 2018.

The interim distribution after 30 June 2018 has not been recognised as a liability as at 30 June 2018.

- (d) **Interim distribution**

Interim distribution per Share Stapled Unit of HK8.7 cents in 2019 is calculated based on interim distribution of HK\$184,569,000 for the period and 2,121,762,141 Share Stapled Units as at 30 June 2019. Interim distribution will be paid to holders of Share Stapled Units on or before 27 September 2019.

Interim distribution per Share Stapled Unit of HK9.0 cents in 2018 is calculated based on interim distribution of HK\$188,985,000 for the period and 2,099,083,438 Share Stapled Units as at 30 June 2018. In consideration of 10,632,501 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 30 June 2018 on 23 August 2018, the number of Share Stapled Units entitled for the interim distribution in 2018 has been adjusted to be 2,109,715,939. Total distribution of HK\$189,875,000 in respect of 2018 interim distribution period was paid on 28 September 2018.

- (e) **Final distribution**

Final distribution per Share Stapled Unit of HK10.5 cents in 2018 is calculated based on distributable income available for final distribution period of HK\$220,616,000 and 2,109,715,939 Share Stapled Units as at 31 December 2018. In consideration of 12,046,202 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2018 on 1 March 2019, the number of Share Stapled Units entitled for final distribution in 2018 had been adjusted to be 2,121,762,141. Total distribution of HK\$222,785,000 in respect of 2018 final distribution period was paid on 5 June 2019.

Final distribution per Share Stapled Unit of HK11.1 cents in 2017 is calculated based on distributable income available for final distribution period of HK\$227,242,000 and 2,038,423,083 Share Stapled Units after taking into account of 50,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 31 December 2017, pursuant to the distribution entitlement waiver deed. In addition, in consideration of the issue of 10,660,355 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2017 on 21 February 2018, the number of Share Stapled Units entitled for final distribution in 2017 had been adjusted to be 2,049,083,438. Total distribution of HK\$227,448,000 in respect of 2017 final distribution period was paid on 16 May 2018. Without such waiver, final distribution per Share Stapled Unit would be HK10.9 cents in 2017.

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

For the six months ended 30 June 2019

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

	Six Months Ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	2,407	2,493
Share-based payment expenses (Note a)	146	140
Depreciation	4	5
Interest income	(57)	(136)

Note:

- (a) The Groups recognised total expenses of HK\$146,000 for six month ended 30 June 2019 (six month ended 30 June 2018: HK\$140,000) in relation to share options granted by the ultimate holding company under its share option scheme.

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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Earnings		
Profit for the period for the purposes of basic and diluted earnings per Share Stapled Unit	37,542	679,478

	Six Months Ended 30 June	
	2019 '000 (unaudited)	2018 '000 (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	2,123,653	2,101,200

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

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12. PROPERTY, PLANT AND EQUIPMENT

There is no additions of property, plant and equipment for the six months ended 30 June 2019 and 2018.

13. INVESTMENT PROPERTIES

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	20,177,000	19,373,000
Additions	77,951	209,783
(Decrease) increase in fair value recognised in profit or loss	(74,951)	594,217
At the end of the period/year	20,180,000	20,177,000

The fair value of the Groups' investment properties of HK\$20,180,000,000 as at 30 June 2019 (31 December 2018: HK\$20,177,000,000) has 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 comparison method to arrive at 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 assumptions about future market conditions affecting supply, demand, income, expenses and the potential of 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 profit 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 is based on a per room basis on actual sales transactions and offering of comparable properties during the period/year that have been made, subject to appropriate adjustments made for variable factors, including location and grading. There has been no change to the valuation techniques 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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For the six months ended 30 June 2019

14. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Non-current asset Interest rate swaps	10,340	26,923
Non-current liability Interest rate swaps	17,101	8,889

The Groups entered into 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
At 30 June 2019 HK\$4,000,000,000	November 2020 – June 2022	Hong Kong Interbank Offered Rate ("HIBOR")	1.035% – 2.545%	Monthly
At 31 December 2018 HK\$4,000,000,000	November 2020 – June 2022	HIBOR	1.035% – 2.545%	Monthly

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15. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Receivable from Master Lessee	64,480	63,797
Lease receivable	21	–
Deferred rent receivable	267	122
Other debtor	–	117
Deposits and prepayments	7,093	11,315
	71,861	75,351

Receivable from Master Lessee and lease receivable are payable on presentation of invoices.

Aging analysis of receivable from Master Lessee and lease receivable based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
0 – 3 months	64,501	63,797

Receivable from Master Lessee is an amount due from a fellow subsidiary of HK\$64,480,000 (31 December 2018: HK\$63,797,000) which is unsecured, interest-free and payable on presentation of invoices.

Deposits and prepayments mainly consist of deposits paid to contractors for hotels renovation. At 31 December 2018, other debtor represents amount due from a fellow subsidiary of HK\$117,000 which is unsecured, interest-free and payable on presentation of invoices.

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16. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Trade creditors	38,152	41,109
Deposits received	684	654
Construction fee payable	53,778	9,004
Accruals and other payables	10,922	9,875
	103,536	60,642

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

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
0 – 3 months	18,566	25,536
3 – 6 months	19,586	15,573
	38,152	41,109

Trade creditors are amounts due to fellow subsidiaries of HK\$38,152,000 (31 December 2018: HK\$41,109,000) which are unsecured, interest-free and payable on presentation of invoices. At 31 December 2018, included in construction fee payable are amounts due to fellow subsidiaries of HK\$245,000 which are unsecured, interest-free and payable on presentation of invoices.

Included in accruals and other payables were amounts due to fellow subsidiaries of HK\$63,000 (31 December 2018: nil) which were unsecured, interest-free and payable on presentation of invoices.

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17. SECURED BANK LOANS

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Secured term loans	6,800,000	6,800,000
Secured revolving loans	185,000	165,000
Loan front-end fee	(16,403)	(25,403)
	6,968,597	6,939,597
Less: Amount due within one year shown under current liabilities	(6,968,597)	(165,000)
Amount due after one year	–	6,774,597

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

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Within one year	6,968,597	165,000
More than one year but not exceeding two years	–	6,774,597
	6,968,597	6,939,597

The secured term loans of HK\$6,800,000,000 (31 December 2018: HK\$6,800,000,000) are variable-rate borrowings, bearing interests at HIBOR plus 0.98% (31 December 2018: HIBOR plus 0.98%) per annum and are repayable in one lump sum on maturity date which will fall due in 2020. Secured revolving loans of HK\$185,000,000 (31 December 2018: HK\$165,000,000) are variable-rate borrowings, bearing interest at HIBOR plus 0.98% (31 December 2018: HIBOR plus 0.98%) per annum and are repayable in July 2019 (31 December 2018: January 2019). All bank loans are secured by the Groups' investment properties.

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18. ISSUED CAPITAL/UNITS

	Number of shares/units (unaudited)	Nominal value HK\$ (unaudited)
Authorised:		
Ordinary shares of the Company of HK\$0.0005 each At 1 January 2018, 31 December 2018 and 30 June 2019	5,000,000,000	2,500,000
Preference shares of the Company of HK\$0.0005 each At 1 January 2018, 31 December 2018 and 30 June 2019	5,000,000,000	2,500,000

Units issued/share capital issued and fully paid:

Share Stapled Units

In accordance with the Trust Deed and the Company's articles of association, the number of ordinary shares and preference shares of the Company must be the same at all times and must be equal to the number of Share Stapled Units. Hence, the movement of the number of Share Stapled Units is the same as that of the ordinary shares and preference shares of the Company as shown below.

	Number of shares/units (unaudited)	Nominal value HK\$ (unaudited)
Ordinary shares of HK\$0.0005 each (note a)		
At 1 January 2018	2,088,423,083	1,044,212
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	10,660,355	5,330
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	10,632,501	5,316
At 31 December 2018	2,109,715,939	1,054,858
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	12,046,202	6,023
At 30 June 2019	2,121,762,141	1,060,881
Preference shares of HK\$0.0005 each (note c)		
At 1 January 2018	2,088,423,083	1,044,212
Issue of preference shares as payment of hotel management fees and licence fee (note b)	10,660,355	5,330
Issue of preference shares as payment of hotel management fees and licence fee (note b)	10,632,501	5,316
At 31 December 2018	2,109,715,939	1,054,858
Issue of preference shares as payment of hotel management fees and licence fee (note b)	12,046,202	6,023
At 30 June 2019	2,121,762,141	1,060,881

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18. ISSUED CAPITAL/UNITS (CONTINUED)

	At 30 June 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
Issued capital/unit	2,122	2,110

Notes:

- (a) All of the issued ordinary shares of the Company are 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 (notes 19 and 22(b)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$'000	Number of units
21 February 2018	1 July 2017 to 31 December 2017	3.373	35,957	10,660,355
23 August 2018	1 January 2018 to 30 June 2018	3.102	32,982	10,632,501
1 March 2019	1 July 2018 to 31 December 2018	3.250	39,150	12,046,202

- (c) The preference shares issued are components of the Share Stapled Units and have no rights to dividends, distributions or other payment from the Company except in case of the winding up of the Company, or if the Trust is terminated, the preference shares of the Company would be redeemed on termination at their par value.

19. MAJOR NON-CASH TRANSACTION

The hotel management fees and licence fee payable to Langham Hotels International Limited for the six months ended 30 June 2019 of HK\$35,026,000 (six months ended 30 June 2018: HK\$32,982,000) (note 22(b)) will be settled by Share Stapled Units subsequent to the end of the reporting period.

20. COMMITMENTS

At 30 June 2019, the Groups had authorised capital expenditures for investment properties which were not provided for in these condensed consolidated financial statements amounting to HK\$13,680,000 (31 December 2018: HK\$49,293,000) of which HK\$4,952,000 (31 December 2018: HK\$42,195,000) were contracted for.

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

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

For the six months ended 30 June 2019

21. OPERATING LEASE COMMITMENTS

The Groups as lessor

At the end of the reporting period, the Groups have 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 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)
With Master Lessee		
Within one year	112,500	225,000
With other tenants		
Within one year	1,594	550
In the second to fifth year	4,711	794
	6,305	1,344

Leases in respect of the retail shops in Eaton HK are negotiated for a term of three to five years at fixed monthly rentals. For the master lease agreements (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 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 fee. 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 will be negotiated with reference to market rental to be determined by independent property valuer. The above future minimum lease payments only include base rent of the First Period as the variable rent of the First Period cannot be determined as of the date of approval of the condensed consolidated financial statements.

In addition, for the Second and Third Period, the rentals will be determined by the independent property valuer prior to the commencement of the respective periods, which may be subject to unitholders' approval of the Trust and the Company and cannot be determined as of the date of approval of the condensed consolidated financial statements.

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

For the six months ended 30 June 2019

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 31 December 2018 HK\$'000 (audited)
With Moon Yik Company, Limited, a fellow subsidiary	
Within one year	682
In the second to fifth year	20
	702
With other landlords	
Within one year	258
In the second to fifth year	–
	258

Leases are negotiated for a term of 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 and the following related parties are connected parties of the Groups as defined in the chapter 14A of the Listing Rules.

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

For the six months ended 30 June 2019

22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Notes	Six Months Ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Rental income and related service fees income			
Master Lessee	(a)	338,868	326,560
Hotel management fees and licence fee			
Langham Hotels International Limited	(b)	35,026	32,982
Global marketing fee			
Langham Hotels Services Limited	(c)	9,027	8,983
Property management services fee			
The Great Eagle Properties Management Company, Limited	(d)	1,408	1,124
Rental expense			
Clever Gain Investment Limited	(e)	16	–
Moon Yik Company, Limited	(f)	341	341
Lease agency fee			
The Great Eagle Estate Agents Limited	(g)	113	–
Administrative support service fee			
The Great Eagle Company, Limited	(h)	480	480
Procurement services fee			
Champion Global Services Limited	(i)	–	650
Project management services fee			
The Great Eagle Development and Project Management Limited	(j)	–	1,920
Design and construction contracting services fee			
Keysen Engineering Company, Limited	(k)	101	–
Staff laundry services fee			
Master Lessee	(l)	–	1
Hotel accommodation expenses			
Master Lessee	(m)	–	70

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

For the six months ended 30 June 2019

22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes:

- (a) For the purpose of connected and related party disclosures, rental income and related service fees income that charged to Master Lessee in accordance with the master lease agreements has been presented before netting with service fees (including hotel management fees, licence fee and global marketing fee) of HK\$44,053,000 (six months ended 30 June 2018: HK\$41,965,000). Annual base rent of HK\$225 million was proportionately charged over the period for the six months ended 30 June 2019. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fee of HK\$324,704,000 (six months ended 30 June 2018: HK\$307,121,000) earned by Master Lessee.

A reconciliation between the Hotels' aggregate gross operating profit and the Groups' segment profit, and calculation of variable rent are shown as follows:

	Six Months Ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hotels' aggregate gross operating profit before deduction of global marketing fee	324,704	307,121
70% thereon, variable rent (before netting with service fees)	227,293	214,985
Base rent	111,575	111,575
Add:		
Rental income from retail shops in Eaton HK	708	42
Groups' segment revenue	339,576	326,602
Less:		
Service fees		
– Hotel management fees (i.e. base fee and incentive fee)	(26,924)	(25,372)
– Licence fee	(8,102)	(7,610)
– Global marketing fee	(9,027)	(8,983)
Property taxes, rates and insurance	(15,296)	(13,206)
Other deductions	(2,972)	(368)
Groups' segment profit	277,255	271,063

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

For the six months ended 30 June 2019

22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (Continued)

- (b) Langham Hotels International Limited is entitled, in accordance with hotel management agreements, 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, which are part of service fees and have been netted with revenue, are reported as connected and related party transactions for the disclosure purpose. The hotel management fees and licence fee would be settled by Share Stapled Units (notes 18 and 19).

		Six Months Ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
(A)	Total revenue of relevant hotel	810,204	761,058
(B)	Adjusted Hotel's aggregate gross operating profit	295,422	279,111
(i)	Base fee (A x 1.5%)	12,153	11,416
(ii)	Licence fee (A x 1%)	8,102	7,610
(iii)	Incentive fee (B x 5%)	14,771	13,956
Total fees		35,026	32,982

- (c) Global marketing fee was payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$451,330,000 (six months ended 30 June 2018: HK\$449,173,000)) under centralised services fees and marketing agreements. Global marketing fee, which is part of service fees and has been netted with revenue, is reported as a connected and related party transaction for the disclosure purpose.
- (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) Rental expense was payable to Moon Yik Company, Limited for leasing an office premise at Suite 2702, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (g) Lease agency fee was charged at the rate of 4% of the monthly rental income receivable from Eaton HK's retail shops plus an amount equivalent to a month's rental income arising from the leasing of the relevant retail shops for new leases.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) The contract sum for the work of design and construction contracting services shall be negotiated on an arm's length basis and determined between Keyzen 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.
- (l) Staff laundry services fee was payable to Master Lessee for staff laundry services.
- (m) The hotel accommodation expenses were paid to Master Lessee for the hotel accommodation of the designers of Eaton HK renovation.
- (n) Pursuant to the distribution entitlement waiver deed which was expired in 2017, LHIL Assets Holdings Limited agreed to waive its entitlement to receive any distributions payable of the Share Stapled Units held by it for the period in note 9(e). For six months ended 30 June 2018, net amount of HK\$2,927,000 was waived by LHIL Assets Holdings Limited and its fellow subsidiaries.

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

For the six months ended 30 June 2019

22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

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

	Six Months Ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Short-term benefits	1,794	1,778
Post-employment benefits	5	–
	1,799	1,778

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 asset and financial liability that are measured at fair values on a recurring basis

One of the Groups' financial assets and one of the 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 quoted prices (unadjusted) in active markets for identical asset or liability;
- Level 2 fair value measurements are inputs other than those quoted prices included within Level 1 that are observable for the asset or liability, 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 liability 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 2019

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of the Groups' financial asset and financial liability 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 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)		
Financial asset (liability)				
Interest rate swaps classified as non-current asset	10,340	26,923	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 classified as non-current liability	(17,101)	(8,889)	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 asset and financial liability recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values, determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

24. EVENT AFTER THE END OF THE REPORTING PERIOD

On 29 July 2019, the Groups repaid revolving loans of HK\$185,000,000 and borrowed another revolving loans of HK\$185,000,000 payable in one month.

REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

Deloitte.

德勤

TO THE MEMBER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed financial statements of LHIL Manager Limited (the "Company") set out on pages 66 to 69, which comprise the condensed statement of financial position as of 30 June 2019 and the related condensed statement of profit or loss and other comprehensive income and condensed statement of changes in equity for the six months period then ended 30 June 2019, 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

7 August 2019

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

For the six months ended 30 June 2019

	<i>Note</i>	Six Months Ended 30 June	
		2019 HK\$ (unaudited)	2018 HK\$ (unaudited)
Revenue		–	–
Administrative expenses		(11,957)	(11,957)
Less: Amount borne by a fellow subsidiary		11,957	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 2019

	<i>Note</i>	At 30 June 2019 HK\$ (unaudited)	At 31 December 2018 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 2019

	Share capital HK\$ (unaudited)
At 1 January 2018, 30 June 2018, 1 January 2019, and 30 June 2019	1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2019

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 of the Company 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 2018 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, it is not required to deliver its financial statements to the Registrar of Companies, and the Company has not done so.

The Company's auditor has reported on those condensed 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 2019

3. PRINCIPAL 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 2019 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018.

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

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

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

	At 30 June 2019 (unaudited)		At 31 December 2018 (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
"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, 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
"Corporate Governance Code"	Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules
"Great Eagle"	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust Group holding 63.14% issued Share Stapled Units as at 30 June 2019
"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

Glossary of Terms

Terms	Definition
"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, a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
"Hotel(s)"	The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK and "Hotel" means any of them
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Master Lessee"	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle
"Model Code"	Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules
"Registers"	The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed
"RevPAR"	Revenue per available room

Glossary of Terms

Terms	Definition
“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: (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit in the Trust and held by the Trustee-Manager; and (c) a specifically identified preference share of the Company stapled to the unit in the Trust
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	Langham Hospitality Investments, 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, 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)
(根據香港法律按日期為二零一三年五月八日之信託契約組成，其託管人為朗廷酒店管理人有限公司)

&

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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