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# LANGHAM

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## HOSPITALITY INVESTMENTS

### **Langham Hospitality Investments**

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

and

### **Langham Hospitality Investments Limited**

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

(Stock code: 1270)

## **2013 INTERIM RESULTS ANNOUNCEMENT**

The boards of directors (the “**Boards**”) of LHIL Manager Limited (the “**Trustee-Manager**”, as the trustee-manager of Langham Hospitality Investments (the “**Trust**”) and Langham Hospitality Investments Limited (the “**Company**”) are pleased to announce the unaudited consolidated results of the Trust and of the Company together with the Company’s subsidiaries for the six months ended 30 June 2013 as follows:

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

This is the first financial report for Langham Hospitality Investments, which comprises of a portfolio of three high quality hotels located in Hong Kong’s prime shopping and commercial areas. Langham Hospitality Investments has successfully completed its initial public offering and its listing on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 May 2013. Langham Hospitality Investments is listed under a fixed single investment trust group structure (the “**Trust Group**”) focusing principally on distributions. Its distribution policy is to pay out 100% of distributable income to the end of 2015 and not less than 90% of distributable income thereafter.

For the reporting period consisting of only 32 days from 30 May 2013 (the date of listing of the Trust Group) to 30 June 2013, distributable income of the Trust Group amounted to HK\$39.1 million with distribution per Share Stapled Unit being HK2.11 cents, although there was an unaudited loss after tax of HK\$6.6 million over the reporting period. The loss was primarily due to the booking of a one-off item relating to the listing expense for the Trust Group. The listing expense will be settled by proceeds raised from the initial public offering and does not have an impact on distributable income. Given the listing expense has already been budgeted for in the profit forecasts stated in the prospectus, this one-off item does not have an impact on profit or distributable income forecasts for 2013.

Although the financial figures for the reporting period are compiled from the listing date to the end of June 2013, the operational performances of the hotels are based on a six-month period from January to June of 2013 for a more meaningful comparative analysis. Compared with the same period last year, all three hotels in the portfolio showed continued improvement in Revenue Per Available Room (the “RevPAR”) for the first six months of 2013, which outperformed their respective high tariff A and high tariff B hotel markets in Hong Kong.

For our hotel portfolio, demand from arrivals from the long haul markets such as Europe remained soft over the first half of 2013. Nonetheless, arrivals from Mainland China and most Southeast Asia countries continued to grow, driving occupancy and average room rates of the portfolio. Our performance is expected to steadily improve with higher variable rental income in the second half of 2013, a traditionally peak season for hotels in Hong Kong.

Despite increased volatility in the global financial markets since the listing of the Trust Group, the fundamentals of the hospitality sector in Hong Kong have remained stable. On the demand side, arrivals from the Mainland are expected to have continuous growth. With planned infrastructure projects and further expansion of existing projects such as the cruise terminal in Kai Tak, more leisure and business arrivals should be expected. Along with a low level of completion of new hotels from 2014 to at least 2016, we anticipate the performance of our hotels to be well supported by the favourable hotel market dynamics.

In the long run, we aim to deliver stable and sustainable long-term distribution growth as well as to seek value enhancement of our hotel portfolio by deploying both an active asset management strategy and an acquisition growth strategy. On the acquisition front, management is constantly evaluating new investment opportunities to augment its initial portfolio by focusing on the quality of the properties, the strength of the underlying operations, potential for capital appreciation as well as the potential for increasing value through improved property, revenue and yield management.

## **OPERATIONAL REVIEW**

The following discussion highlights selected financial information for the Trust Group from the listing date to the end of June 2013 (32 days in total).

It should be noted that the Trust Group does not manage the daily operations of the hotels itself. Instead, the hotels are leased to GE (LHIL) Lessee Limited as the Lessee under the master lease agreements. In return, the Trust Group receives rent in the form of a pre-determined fixed base rent (pro-rata at HK\$225 million per annum) and a variable rent, which is calculated at 70% of the hotels' aggregate gross operating profit before deduction of the global marketing fees. The base rent will serve to provide a level of downside protection to Holders of Share Stapled Units, who can participate in the upside performance of the hotels through the sharing of the hotels' profit under the variable rent component. In addition to the fixed base and variable rental income from the Lessee, the Trust Group also receives rental income directly from the retail shops located on the street level of Eaton, Hong Kong that are leased to independent third parties.

Income from base rent and variable rent during the reporting period were HK\$19.7 million and HK\$35.7 million respectively. There was also HK\$0.4 million of rental income which the Trust Group receives directly from the retail shops at Eaton, Hong Kong. All-in-all, total rental income for the Trust Group was HK\$55.8 million for the reporting period from the listing date to end of June 2013.

On the expense side, if we exclude the listing expense, total operational, net finance and tax expenses incurred by the Trust Group over the reporting period would be HK\$27.7 million. After deducting the total expense of HK\$27.7 million from the total rental income of HK\$55.8 million, there would have been a profit after tax of HK\$28.1 million for the Trust Group. However, after taking into account the listing expense of HK\$34.7 million that is settled from the proceeds from the initial public offering, this accounting entry turned profit after tax to a loss after tax of HK\$6.6 million for the Trust Group over the reporting period. However, this item does not have an impact on distributable income.

In addition to the adjustment on the listing expense, other non-cash items which are primarily hotel management fee paid in unit, amortisation of debt upfront fee and deferred taxation are added back for distribution purposes, although there is one subtraction adjustment related to cash contribution to the furniture, fixtures and equipment reserve. Overall, distributable income of the Trust Group amounted to HK\$39.1 million and distribution per Share Stapled Unit after distributions waived by the Great Eagle Group was HK2.11 cents for the period from the listing date to 30 June 2013. Distribution would have been HK1.95 cents per Share Stapled Unit before the impact of distributions waived.

### *Hotels performance*

While the financial performance above is compiled from the listing date to end of June 2013, it should be noted that the following discussion on operational performance of the hotels is based on a six-month period from January to June of 2013. The comparisons based on a six-month period minimize distortions arising from seasonality and thus provide a more meaningful comparative operational performance analysis of the hotels.

	Average Daily		Occupancy		Average Room		RevPAR	
	Rooms Available		1H 2013	1H 2012	Rate (in HK\$)		1H 2013	1H 2012
The Langham, Hong Kong	495	495	85.4%	81.6%	2,254	2,221	1,924	1,811
Langham Place Hotel, Hong Kong	652	654	87.7%	85.8%	1,846	1,850	1,619	1,587
Eaton, Hong Kong	440	461	93.3%	92.5%	1,159	1,141	1,082	1,055

The underlying performances of the hotels during the reporting period all recorded positive year-on-year growth in RevPARs for the first six months of 2013. With a diversified guest segment, the hotels were able to adjust their guest mix towards markets that continued to show growth over the first six months of 2013. As a result, occupancy for the portfolio grew by 2.2 percentage points to an average of 88.8% in the first six months of 2013. With the improvement in RevPARs, comparable first half adjusted gross operating margins of hotels also improved reflecting the hotel manager's effectiveness at translating incremental revenues into bottom line profits.

In terms of the operational performance of the individual hotels, **The Langham, Hong Kong** had a good start to the year. While there was continued slow-down in travellers from Europe, there was some rebound in travellers from the U.S. over the first six months of 2013. At the same time, The Langham, Hong Kong continued to accommodate more individual leisure tourist arrivals from Mainland China and other Asia-Pacific regions, which helped The Langham, Hong Kong to outperform the market in RevPAR growth in the first six-month period. Although there were signs of a slow-down in revenue growth in May 2013 amidst uncertainties in the world economies, improved performance was witnessed in June. Overall, occupancy increased by 3.8 percentage points in the first six months of 2013 to 85.4% (1H 2012: 81.6%) while average room rate increased 1.5% year-on-year to HK\$2,254 (1H 2012: HK\$2,221).

Revenue from food and beverages rose 7% year-on-year in the first six months of 2013 for The Langham, Hong Kong, which was mainly driven by an increase in average check achieved. In addition, there was also an improvement in the catering business relating to wedding banquets and corporate events.

**Langham Place Hotel, Hong Kong** achieved a higher average occupancy of 87.7% (1H 2012: 85.8%) for the first six months of 2013. The increase was primarily driven by rising corporate and leisure travellers from Mainland China, and other Asian countries. Except for arrivals from the UK, arrivals from the long haul markets remained weak. Similar to the experience at The Langham, Hong Kong, Langham Place Hotel, Hong Kong also witnessed reduced demand in May, but there was a recovery in demand in June. Average room rate for the first six months of 2013 came to HK\$1,846 (1H 2012 HK\$1,850).

For Langham Place Hotel, Hong Kong, there was a modest increase in revenue from food and beverages for the first six months of 2013. The increase was supported by the steady catering business and higher average check achieved. Business at the refurbished Michelin-starred Chinese restaurant has gained momentum over the six-month period with revenue at the restaurant having reached pre-refurbishment level.

At **Eaton, Hong Kong**, the renovation on approximately one-fifth of the guest rooms from the second quarter of 2013 has negatively impacted the performance of the hotel. Average occupancy came to 93.3% on an average of 440 rooms available for the first six months of 2013, as compared to 92.5% achieved on an average of 461 rooms available in the first six months of 2012. The average room rate for the first six months came to HK\$1,159 (1H 2012 HK\$1,141). Upon completion of the renovations targeted at the early part of July 2013, the new rooms will help to increase the competitiveness of the hotel, and they should underpin further growth in its market share.

Revenue from food and beverages rose 7% year-on-year in the first six months for Eaton, Hong Kong, mainly from improved business at the restaurants, as well as improved revenue from catering business arising from wedding banquets.

### ***Balance sheet***

As for the Trust Group's balance sheet, net debt was approximately HK\$6,178 million as at the end of June 2013 comprised of debt of HK\$6,800 million, offset by HK\$622 million of cash. Our debt service coverage ratio is strong of about 4 times. The large portion of the cash balance of HK\$622 million arose from the initial public offering, and has been primarily earmarked for value added asset enhancement programmes. Through targeted and strategically deployed asset enhancement expenditures, we believe the operating performance of the portfolio will be further improved, leading to accretive distributions to Holders of Share Stapled Units, which also serve to enhance the value of the hotels.

## **OUTLOOK**

As we move through the remainder of 2013, we are confident in the performance of our portfolio, given the high quality of the hotels, as well as their prime locations. Thus far, the hotels are witnessing encouraging booking pace, although the forward booking window is short. In the long term, our goal is to grow the size of the portfolio, with the backing of the Great Eagle Group given the right of first refusals arrangement, and we will also be actively seeking acquisitions from third parties that are either yield accretive to the Trust Group or assets that possess strong long term growth prospectus.

## **FINANCIAL REVIEW**

Upon listing of the Trust Group on 30 May 2013, a total of 2,000,000,000 Share Stapled Units were issued. The issue price per unit was HK\$5.00. Equity capital raised amounted to approximately HK\$10,000 million (including Share Stapled Units to Great Eagle Group, before issuing expenses), which, together with the HK\$6,800 million of bank financing were applied towards acquisition of the hotels, payment of the costs and expenses of the global offering and debt related expenses.

### ***Distributions***

The total distribution of the Trust Group for the period was HK\$39,055,000. It is the intention of the Directors to distribute 100% of total distributable income in respect of the period from the listing date to 31 December 2013 and each financial year ending 31 December 2014 and 2015 and not less than 90% of total distributable income in respect of each financial year thereafter.

The first distribution paid to Holders of Share Stapled Units will be based on the distributable income for the period from the listing date to 31 December 2013 and accordingly, Holders of Share Stapled Units will not receive distributions for any period before the listing date.

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

### ***Debt Profile***

A secured term loan facility of HK\$6,800 million was drawn on the listing date and remained outstanding as at 30 June 2013. The secured term loan is on a floating-rate interest basis and repayable in full on 29 May 2016. The Trust Group will closely monitor interest rate movements and may, depending on market conditions, consider fixing the interest rate on part or all of the debt.

As at 30 June 2013, total gross assets of the Trust Group were HK\$17,320 million. The gearing ratio, calculated as total borrowings as a percentage of gross assets, was 39.3%.

### ***Hotel Properties***

Upon listing, the hotel properties with a carrying book value of HK\$4,063 million were re-classified as investment properties due to change in use from hotel operations to rental earnings. At the date of change, the fair value of the properties was HK\$16,661 million, the excess of fair value over the carrying value amounted to HK\$12,598 million was credited to the property revaluation reserve. There is no change for the property valuation as at 30 June 2013 as compared to 30 May 2013.

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

Net Assets Attributable to Holders of Share Stapled Units was HK\$10,382 million or HK\$5.19 per Unit as at 30 June 2013, representing a 28.8% premium to the closing unit price of HK\$4.03 as at 28 June 2013.

### ***Cash Position***

As at 30 June 2013, the Trust Group had a cash balance of HK\$622 million to satisfy its working capital and operating requirements.

### ***Pledge of Assets***

As at 30 June 2013, investment properties of the Trust Group with a fair value of HK\$16,661 million, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure the banking facilities granted to the Trust Group.

### ***Commitments***

At 30 June 2013, the Trust Group had capital expenditures in respect of authorised hotel renovation expenditure amounting to HK\$18,170,000 of which HK\$2,158,000 were contracted for.

### ***New Share Stapled Units Issued***

There is no new Share Stapled Unit issued after the listing date up to 30 June 2013.

## **CORPORATE SOCIAL RESPONSIBILITY**

The hotel manager recognises the potential environmental and social impact that the hotels' business, products and services have on the environment and local communities and value the importance of preserving our community and environment for our future generations by operating the hotels responsibly. This belief is essential to the hotel manager's sustainability commitment and is ingrained in the day-to-day practices of the hotels. To ensure the adoption of these principles, values and objectives regarding environmental and social responsibility, there are designated employees in each hotel who are responsible for ensuring our ongoing environmental performance and implementing environmental and social sustainability measures. The hotels and the hotel manager have launched the "Guests of the Earth" and "Green Team" programmes to invite our guests and employees to join us in taking proactive steps to protect the environment. We have also been partnering with an association to provide vocational training for adults with intellectual disabilities. The trainees of the association work in our back of house areas, supporting day-to-day operations such as housekeeping, cleaning and laundry services.

The hotels' operations are subject to various environmental laws. Historically, the hotels have complied with, and going forward, the hotel manager is required under the hotel management agreements to ensure that the hotels continue to comply with applicable environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control and noise control. None of the members of the Trust Group has ever received any material fines or penalties associated with the breach of any environmental laws or regulations.

## **EMPLOYEES**

The Trust Group has employed a team of professional staff for its daily operation. The remuneration package of our employees includes salary, bonuses and allowances. In Hong Kong, we are subject to the Employment Ordinance, Employees' Compensation Ordinance, Mandatory Provident Fund Schemes Ordinance and Minimum Wage Ordinance.

Pursuant to the hotel management agreements, Langham Hotels International Limited, a wholly owned subsidiary of Great Eagle Group, is the hotel manager and responsible for the management of and all sales, marketing and advertising activities in relation to the hotels subject to the overall management and supervision of the Trustee-Manager. The hotel manager has a team of well-experienced operational staff exclusively dedicated to providing services to the hotels.

The following tables show the breakdown of the employees of the hotel manager and its subsidiaries who were engaged in the operation and management of the hotels as at 30 June 2013:

<b>Hotel</b>	<b>Number of Employees</b>
The Langham, Hong Kong	471
Langham Place Hotel, Hong Kong	560
Eaton, Hong Kong	321
<b>Total</b>	<b>1,352</b>

<b>Function</b>	<b>Number of Employees</b>
Rooms	441
Food and beverage	546
Sales and marketing	70
Others	295
<b>Total</b>	<b>1,352</b>

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Trust, the Company and the Trustee-Manager embraced the importance of maintaining and developing a high standard of corporate governance practices to sustain and protect the interests of Holders of Share Stapled Units. The Corporate Governance Statement sets out the governance framework of the Trust Group and serves as an ongoing guidance for the Directors in performing and fulfilling their respective roles and obligations to the Trust Group. The statement is reviewed from time to time in light of the latest statutory regime and governance practices.

Throughout the period from 30 May 2013 (Date of Listing) to 30 June 2013, the Trustee-Manager and the Company have complied with all the applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The requirement to establish Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all time comprise the same individuals who serve as the Directors of the Company. Since the Directors of the Trustee-Manager are not entitled to any remuneration under the Trust Deed and the Trustee-Manager does not have any employees, the requirement to establish Remuneration Committee is also not relevant to the Trustee-Manager.

## **COMPLIANCE WITH THE MODEL CODE**

The Trust Group has adopted its own Code of Conduct regarding Securities Transactions by Directors and Relevant Employees (the “**Code of Conduct for Securities Transactions**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules 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 have confirmed that they have fully complied with the Code of Conduct for Securities Transactions during the period ended 30 June 2013.

## **PURCHASE, SALE OR REDEMPTION OF SHARE STAPLED UNITS**

Pursuant to Trust Deed, the Holders of Share Stapled Units have no right to demand for repurchase or redemption of their Share Stapled Units. Unless and until expressly permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time, the Trustee-Manager shall not repurchase or redeem any Share Stapled Units on behalf of the Trust.

During the period ended 30 June 2013, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries purchased, sold or redeemed any Share Stapled Units.

## **SHARE STAPLED UNITS CAPITAL**

On the listing date of the Trust Group on 30 May 2013, the total number of issued Share Stapled Units was 2,000,000,000 Share Stapled Units. 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:

- (1) a Unit in the Trust;
- (2) the beneficial interest in a specifically identified ordinary share of the Company of HK\$0.0005 each that linked to the Unit and held by the Trustee-Manager; and
- (3) a specifically identified preference share of the Company of HK\$0.0005 each that stapled to the Unit.

Between the listing date and 30 June 2013, no new Share Stapled Units have been issued.

## **PUBLIC FLOAT**

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

## **REVIEW OF INTERIM RESULTS**

The unaudited consolidated financial statements of the Trust Group and unaudited financial statements of the Trustee-Manager for the period ended 30 June 2013 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.

## **BOARD OF DIRECTORS**

As of the date of this announcement, the Non-executive Directors are Dr. LO Ka Shui (Chairman) and Ms. LO Bo Lun, Katherine; the Executive Director is Ms. Katherine Margaret BENSON (Chief Executive Officer); and the Independent Non-executive Directors are Dr. LIN Syaru, Shirley, Mr. SO Yiu Wah and Mr. WONG Kwai Lam.

By Order of the Boards  
**LHIL Manager Limited**  
**and**  
**Langham Hospitality Investments Limited**  
**LO Ka Shui**  
*Chairman*

Hong Kong, 16 August 2013

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE TRUST AND OF THE COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six Months Ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Continuing operation</b>			
Revenue	4	55,823	-
Property related expenses		(2,725)	-
Service fees		(6,875)	-
		<u>46,223</u>	<u>-</u>
Other income		201	-
Trust and other expenses		(35,882)	-
Finance costs	6	(11,405)	-
		<u>(863)</u>	<u>-</u>
Loss before tax		(863)	-
Income tax expense	7	(5,741)	-
		<u>(6,604)</u>	<u>-</u>
<b>Loss for the period attributable to holders of Share Stapled Units</b>			
		(6,604)	-
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	10	<u>172,888</u>	<u>171,770</u>
<b>Profit for the period</b>	11	<u>166,284</u>	<u>171,770</u>
<b>Basic and diluted earnings (loss) per Share Stapled Unit</b>			
<b>From continuing and discontinued operations</b>	12	<u>HK\$0.1280</u>	<u>HK\$0.1496</u>
<b>From continuing operation</b>		<u>HK\$(0.0051)</u>	<u>-</u>
<b>From discontinued operation</b>		<u>HK\$0.1331</u>	<u>HK\$0.1496</u>

**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 2013

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	Six Months Ended 30 June	
	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>166,284</u>	<u>171,770</u>
<b>Other comprehensive income (expense):</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Surplus on revaluation of owner occupied buildings upon change of use to investment properties	12,598,157	-
<b>Items that may be reclassified to profit or loss:</b>		
Fair value loss on available-for-sale investments Reclassified upon disposal of available-for-sale investments	- <u>(23,555)</u>	(3,177) <u>-</u>
<b>Other comprehensive income (expense) for the period</b>	<u>12,574,602</u>	<u>(3,177)</u>
<b>Total comprehensive income for the period</b>	<u><u>12,740,886</u></u>	<u><u>168,593</u></u>

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST  
AND OF THE COMPANY  
AT 30 JUNE 2013**

	<u>NOTES</u>	At 30 June <u>2013</u> HK\$'000 (unaudited)	At 31 December <u>2012</u> HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		5	4,060,113
Investment properties		16,661,000	-
Available-for-sale investments		-	54,601
Amount due from a fellow subsidiary		-	1,003,396
		<u>16,661,005</u>	<u>5,118,110</u>
<b>Current assets</b>			
Inventories		-	13,488
Debtors, deposits and prepayments	13	36,176	82,490
Amounts due from fellow subsidiaries		-	60,199
Bank balances and cash		622,322	31,555
		<u>658,498</u>	<u>187,732</u>
<b>Current liabilities</b>			
Creditors, deposits and accruals	14	107,332	256,981
Amounts due to fellow subsidiaries		-	525,737
Tax payable		19,486	4,192
Secured bank loans due within one year		-	29,530
		<u>126,818</u>	<u>816,440</u>
<b>Net current assets (liabilities)</b>		<u>531,680</u>	<u>(628,708)</u>
<b>Total assets less current liabilities</b>		<u>17,192,685</u>	<u>4,489,402</u>
<b>Non-current liabilities</b>			
Secured bank loans due after one year		6,701,016	158,943
Amounts due to fellow subsidiaries		-	4,912,640
Deferred tax liabilities		109,889	86,013
		<u>6,810,905</u>	<u>5,157,596</u>
<b>NET ASSETS (LIABILITIES)</b>		<u>10,381,780</u>	<u>(668,194)</u>
<b>Capital and reserves</b>			
Issued capital		2,000	8
Reserves		10,379,780	(668,202)
<b>TOTAL EQUITY (DEFICIT)</b>		<u>10,381,780</u>	<u>(668,194)</u>

**NOTES TO THE TRUST'S AND THE COMPANY'S CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

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1. GENERAL

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

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

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

2. BASIS OF PRESENTATION AND PREPARATION

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2013 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2013 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Company Group").

The Trust controls the Company and the sole activity of the Trust during the six months ended 30 June 2013 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust are identical to the condensed consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust and the Company together. The condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as "the Trust's and the Company's condensed consolidated financial statements".

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

## 2. BASIS OF PRESENTATION AND PREPARATION - continued

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

- (i) GE (LHIL) Holdings Limited, a wholly-owned subsidiary of Great Eagle Holdings Limited, transferred the one issued share in the Company (re-designated as one ordinary share) held by it to the Trustee-Manager (in its capacity as trustee-manager of the Trust). In consideration for such transfer, the Trustee-Manager and the Company jointly issued one Share Stapled Unit to LHIL Assets Holdings Limited, a wholly-owned subsidiary of Great Eagle Holdings Limited, at the direction of GE (LHIL) Holdings Limited;
- (ii) Certain assets and liabilities relating to the hotel operations and employees were transferred to certain wholly-owned subsidiaries of Great Eagle Holdings Limited (see note 10);
- (iii) LHIL (LHK) Limited, LHIL (LPHK) Limited and LHIL (EHK) Limited (the "Purchaser Companies"), wholly owned subsidiaries of the Company entered into the sale and purchase agreements with, among others, the Orwell Enterprises Limited, Bondcity Investments Limited and Hamni Properties Limited pursuant (the "Vendor Companies") to which the Purchaser Companies conditionally agreed to:
  - (a) acquire the entire issued share capital of Baxter Investment Limited, Braveforce Investments Limited, Glendive Investment Limited and Rowan Enterprises Limited (the "Hotel Holding Companies"), of which their wholly-owned subsidiaries together own the hotels, namely The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong (the "Hotels") ("Shares of the Hotel Holding Companies"); and
  - (b) accept an assignment of the shareholders' loans due by the Hotel Holding Companies to the Vendor Companies ("Loans due to the Vendor Companies").

The aggregate considerations for the above acquisitions amounted to HK\$16,037,078,000, which comprised the consideration for Shares of the Hotel Holding Companies of HK\$11,564,685,000 and the consideration for Loans due to the Vendor Companies of HK\$4,472,393,000. Out of the aggregate considerations of HK\$16,037,078,000, an amount of HK\$10,297,948,000 was paid in cash and the remaining amount of HK\$5,739,130,000 was settled through the issue of 1,147,825,999 Share Stapled Units to the Vendor Companies.

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

## 2. BASIS OF PRESENTATION AND PREPARATION - continued

The Reorganisation was merely a reorganisation of the intermediate owners of the Hotels with no change in the management and the ultimate owners of the Hotels. Therefore, the Trust's and Company's condensed consolidated financial statements have been prepared by applying the principle of merger accounting which is consistent with the principle as stated in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Trust's and Company's condensed consolidated statement of financial position as of 31 December 2012 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2013 and 2012 have been prepared as if the Trust, the Company, Hotel Holding Companies and their subsidiaries are regarded as a single reporting entity in existence as at that date or through those periods.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's financial information for each of the three years ended 31 December 2010, 2011 and 2012 as contained in the accountants' report set out in appendix I of the prospectus for the global offering of Share Stapled Units of the Trust and the Company dated 16 May 2013.

### **Property, plant and equipment**

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

### **Investment properties**

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### **Investment properties** - continued

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

#### **Taxation**

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

In addition, in the current interim period, the Groups have also applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Trust's and the Company's condensed consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### **HKFRS 13 "Fair Value Measurement"**

The Groups have applied HKFRS 13 in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The Directors have made an assessment on the impact of the adoption of HKFRS 13 to the measurement and disclosures in the Trust's and the Company's condensed consolidated financial statements and concluded that the adoption of HKFRS 13 has had no material impact on the Trust's and the Company's condensed consolidated financial statements.

#### **Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE

	Six Months Ended 30 June	
	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operation</b>		
Rental income from GE (LHIL) Lessee Limited ("Master Lessee")		
Base rent	19,726	-
Variable rent	<u>35,675</u>	<u>-</u>
	55,401	-
Rental income from retail shops in Eaton, Hong Kong	<u>422</u>	<u>-</u>
	<u><u>55,823</u></u>	<u><u>-</u></u>

5. SEGMENT INFORMATION

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

After the execution of the master lease agreements, the Groups' business changed from hotel operations to property investment operation. Therefore, hotel operations were discontinued on the Listing Date (see note 10). The segment information reported below does not include any amounts from the discontinued operation, which would be described in more details in note 10. The Groups' results from continuing operation are derived from property investment operation, which relates to the operating results from leasing of the three Hotels and represents three operating segments under HKFRS 8.

5. SEGMENT INFORMATION- continued

**Segment revenue and results**

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

For the period from the Listing Date to 30 June 2013

**Continuing operation**

	The Langham, <u>Hong Kong</u> HK\$'000 (unaudited)	Langham Place Hotel, <u>Hong Kong</u> HK\$'000 (unaudited)	Eaton, <u>Hong Kong</u> HK\$'000 (unaudited)	<u>Consolidated</u> HK\$'000 (unaudited)
Segment revenue	21,275	23,923	10,625	55,823
Segment results	17,836	19,354	9,033	46,223
Other income				201
Trust and other expenses				(35,882)
Finance costs				(11,405)
Loss before tax				(863)
Income tax expense				(5,741)
Loss for the period attributable to holders of Share Stapled Units				(6,604)

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

**Segment assets and liabilities**

**Continuing operation**

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong were HK\$6,070,000,000, HK\$7,020,000,000 and HK\$3,571,000,000, respectively.

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

6. FINANCE COSTS

	Six Months Ended 30 June	
	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operation</b>		
Interest on bank borrowings wholly repayable within five years	8,389	-
Loan front-end fee amortisation	<u>3,016</u>	<u>-</u>
	<u><u>11,405</u></u>	<u><u>-</u></u>

7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operation</b>		
Current tax:		
Hong Kong Profits Tax:		
Current period	1,370	-
Deferred tax:		
Current period	<u>4,371</u>	<u>-</u>
	<u><u>5,741</u></u>	<u><u>-</u></u>

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

8. TOTAL DISTRIBUTABLE INCOME

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

8. TOTAL DISTRIBUTABLE INCOME - continued

	Listing Date To 30 June <u>2013</u> HK\$'000 (unaudited)
Loss for the period attributable to holders of Share Stapled Units	(6,604)
Adjustments:	
Add:	
Hotel management fees payable in form of Share Stapled Units	5,462
Non-cash finance costs	3,016
Deferred tax	4,371
Listing expenses charged to profit or loss	34,695
Less:	
Reserve for furniture, fixtures and equipment	<u>(1,885)</u>
Total distributable income	<u><u>39,055</u></u>

Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, immediate holding company of the Company after the Listing, has agreed to waive its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out below:

	Number of Share Stapled <u>Units</u> '000 (unaudited)
Listing Date to 31 December 2013	150,000
Year ending 31 December 2014	150,000
Year ending 31 December 2015	100,000
Year ending 31 December 2016	100,000
Year ending 31 December 2017	<u><u>50,000</u></u>

9. DISTRIBUTION STATEMENT

- (a) The Trust Deed and the articles of association of the Company state that it is the current intention of the Directors to declare and distribute (i) 100% of the total distributable income in respect of the period from the Listing Date to 31 December 2013 and each financial year ending 31 December 2014 and 2015, and (ii) not less than 90% of the total distributable income in respect of each financial year thereafter.
- (b) The first distribution paid to holders of Share Stapled Units will be based on total distributable income for the period from the Listing Date to 31 December 2013 and accordingly, holders of Share Stapled Units will not receive distributions for the period before the Listing Date.

10. DISCONTINUED OPERATION

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

The profit and cash flows from the discontinued operation for the current and preceding interim periods are set out as follows:

Profit for the period from discontinued operation

	1 January 2013 To Listing <u>Date</u> HK\$'000 (unaudited)	Six Months Ended 30 June <u>2012</u> HK\$'000 (unaudited)
Revenue	657,356	764,733
Operating expenses	<u>(394,926)</u>	<u>(471,038)</u>
Operating profit before depreciation and amortisation	262,430	293,695
Depreciation and amortisation	<u>(62,106)</u>	<u>(72,632)</u>
Operating profit	200,324	221,063
Other income	4,477	8,965
Gain on disposal of available-for-sale investments	23,853	-
Administrative expenses	(136)	(404)
Finance costs	<u>(22,201)</u>	<u>(35,102)</u>
Profit before tax	206,317	194,522
Income tax expense	<u>(33,429)</u>	<u>(22,752)</u>
Profit for the period from discontinued operation	<u><u>172,888</u></u>	<u><u>171,770</u></u>

## 11. PROFIT FOR THE PERIOD

	<u>Continuing operation</u>		<u>Discontinued operation</u>		<u>Total</u>	
	<u>Listing Date</u> To 30 June <u>2013</u> HK\$'000 (unaudited)	<u>Six Months</u> Ended 30 June <u>2012</u> HK\$'000 (unaudited)	<u>1 January 2013</u> To Listing <u>Date</u> HK\$'000 (unaudited)	<u>Six Months</u> Ended 30 June <u>2012</u> HK\$'000 (unaudited)	<u>Six Months</u> Ended 30 June <u>2013</u> HK\$'000 (unaudited)	<u>Six Months</u> Ended 30 June <u>2012</u> HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):						
Staff costs (including directors' emoluments)	430	-	179,921	216,431	180,351	216,431
Depreciation	-	-	62,106	72,632	62,106	72,632
Listing expenses	34,695	-	-	-	34,695	-
Dividend income from listed investments	-	-	-	(2,223)	-	(2,223)
Interest income	(201)	-	(4,289)	(6,493)	(4,490)	(6,493)
	<u>430</u>	<u>-</u>	<u>179,921</u>	<u>216,431</u>	<u>180,351</u>	<u>216,431</u>

## 12. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE STAPLED UNIT

### From continuing and discontinued operations

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

	<u>Six Months Ended 30 June</u>	
	<u>2013</u> HK\$'000 (unaudited)	<u>2012</u> HK\$'000 (unaudited)
<b>Earnings</b>		
Profit for the period for the purpose of basic and diluted earnings per Share Stapled Unit	<u>166,284</u>	<u>171,770</u>
	At 30 June <u>2013</u> '000	At 31 December <u>2012</u> '000
<b>Number of Share Stapled Units</b>		
Weighted average number of Share Stapled Units for the purpose of basic and diluted earnings per Share Stapled Unit	<u>1,298,606</u>	<u>1,147,826</u>

For the six months ended 30 June 2013 and 2012, the weighted average number of Share Stapled Units for the purpose of basic and diluted earnings per Share Stapled Unit have been taken into account the Share Stapled Units issued pursuant to the Reorganisation as disclosed in note 2 as if it had been effective on 1 January 2012.

12. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE STAPLED UNIT - continued

**From continuing operation**

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

	Six Months Ended 30 June	
	<u>2013</u>	<u>2012</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Loss</b>		
Loss for the period attributable to holders of Share Stapled Units for the purpose of basic and diluted loss per Share Stapled Unit	(6,604)	-
	<u>          </u>	<u>          </u>

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

**From discontinued operation**

The calculation of basic and diluted earnings per Share Stapled Unit from discontinued operation attributable to holders of Share Stapled Units is based on the profit for the period from discontinued operation of HK\$172,888,000 (six months ended 30 June 2012: HK\$171,770,000) and the denominators detailed above for both basic and diluted earnings per Share Stapled Unit.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June <u>2013</u> HK\$'000 (unaudited)	At 31 December <u>2012</u> HK\$'000 (audited)
Trade debtors	35,675	68,188
Less: Allowance for doubtful debts	-	(555)
	<u>35,675</u>	<u>67,633</u>
Interest receivable	198	-
Deposits and prepayments	303	13,240
Other debtors	-	1,617
	<u>36,176</u>	<u>82,490</u>

13. DEBTORS, DEPOSITS AND PREPAYMENTS - continued

At 30 June 2013, rentals receivable from Master Lessee are payable on presentation of invoices. At 31 December 2012, trade debtors represented service income receivable from customers and the Groups allow a credit period of 30 days to certain customers for hotel revenue.

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

	At 30 June <u>2013</u> HK\$'000 (unaudited)	At 31 December <u>2012</u> HK\$'000 (audited)
0 - 3 months	35,675	68,074
3 - 6 months	-	114
	<u>35,675</u>	<u>68,188</u>

14. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June <u>2013</u> HK\$'000 (unaudited)	At 31 December <u>2012</u> HK\$'000 (audited)
Trade creditors	11,774	60,477
Deposits received	1,313	74,584
Other creditors	10,777	8,045
Accruals and other payables	<u>83,468</u>	<u>113,875</u>
	<u>107,332</u>	<u>256,981</u>

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

	At 30 June <u>2013</u> HK\$'000 (unaudited)	At 31 December <u>2012</u> HK\$'000 (audited)
0 - 3 months	11,774	59,330
3 - 6 months	-	1,041
Over 6 months	-	106
	<u>11,774</u>	<u>60,477</u>

Accruals and other payables mainly consist of accrued listing expenses and accrued renovation expenses for the Hotels (31 December 2012: accrued operating expenses for hotel operations).

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME OF LHIL MANAGER LIMITED**  
FOR THE PERIOD FROM 25 JANUARY 2013 (DATE OF INCORPORATION)  
TO 30 JUNE 2013

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	<u>NOTE</u>	25.1.2013 to <u>30.6.2013</u> HK\$ (unaudited)
Revenue		-
Administrative expenses		(3,030)
Less: Amount borne by a fellow subsidiary		<u>3,030</u>
<b>Profit or loss before tax</b>		-
Income tax	4	<u>-</u>
<b>Profit or loss and other comprehensive income/expense for the period</b>		<u><u>-</u></u>

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**CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED**  
**AT 30 JUNE 2013**

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	At 30 June <u>2013</u> HK\$ (unaudited)
<b>Current asset</b>	
Cash on hand	1
<b>NET ASSET</b>	<u>1</u>
<b>Capital</b>	
Share capital	1
<b>TOTAL EQUITY</b>	<u>1</u>

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED  
FOR THE PERIOD FROM 25 JANUARY 2013 (DATE OF INCORPORATION)  
TO 30 JUNE 2013**

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1. GENERAL

The Company is a limited liability company incorporated in Hong Kong. The Company's parent company is LHIL Management Limited, a limited liability company incorporated in the British Virgin Islands. The Directors consider the Company's ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited.

The 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.

No comparative financial information is shown as this is the first set of financial statements of the Company since its date of incorporation.

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

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 pursuant to the Trust Deed.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies are set out below.

#### Financial instruments

##### **Financial asset**

Financial asset represents cash on hand.

##### **Equity instrument**

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

### 4. INCOME TAX

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