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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)

## **2016 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 (the “Trust Group”) for the six-month period ended 30 June 2016 as follows:

### **FINANCIAL HIGHLIGHTS**

<b>(in HK\$ million, unless otherwise specified)</b>	<b>1H2016</b>	<b>1H2015</b>	<b>Change</b>
Total Rental Income	322.3	323.2	-0.3%
Net Property Income	270.4	265.9	+1.7%
Profit attributable to Holders of Share Stapled Units	263.9	80.7	+227.0%
Profit attributable to Holders of Share Stapled Units excluding a Change in Fair Value of Investment Properties	163.3	165.7	-1.4%
Distributable Income	228.1	226.4	+0.8%
Distributions per Share Stapled Unit before Distribution Waiver	HK11.1 cents	HK11.1 cents	
Distributions per Share Stapled Unit after Distribution Waiver	HK11.7 cents	HK11.7 cents	
	<b>As at 30 Jun 2016</b>	<b>As at 31 Dec 2015</b>	
Gross Value of Hotel Portfolio (in HK\$ million)	18,495	18,381	
Net Asset Value per Share Stapled Unit	HK\$5.70	HK\$5.72	
Gearing Ratio	36.1%	36.2%	

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

As compared with the first half of 2015, when overnight visitor arrivals to Hong Kong declined markedly in part due to the adverse effect of a strong Hong Kong dollar, the negative impact seems to have lessened for visitor arrivals from most of the key markets except Mainland China during the first half of 2016.

Excluding arrivals from Mainland China, overnight visitor arrivals to Hong Kong from other countries rose 7.4% year-on-year in the first half of 2016, as compared with a decline of 3.7% in the first half of 2015. The growth was led by increases in overnight tourist arrivals from other Asian countries, followed by growth in arrivals from major long haul markets such as North America and Europe. However, as overnight arrivals from Mainland China, the largest market for Hong Kong, still dropped by 6.7% in the first half of 2016, this has resulted in a decline of 2.1% in overall overnight visitor arrivals to Hong Kong in the first half of 2016.

With regard to the relative performance of the Trust Group's individual hotels, it was a mixed one during the first half of 2016.

For The Langham, Hong Kong, a modest 2.9% year-on-year revenue per available room ("RevPAR") decline was far better than the 6.4% year-on-year RevPAR decline witnessed for its respective High Tariff A market during the same period, as the Hotel managed to increase its market share of arrivals from Mainland China, which helped drive occupancy for the Hotel. For Cordis, Hong Kong, a year-on-year RevPAR decline of 9.7% (compared poorly to the 6.4% year-on-year RevPAR decline for its respective High Tariff A market) was in large part due to negative impact from the protests which broke out in Mongkok during the Chinese New Year, and as a result RevPAR for the Hotel dropped by 18% year-on-year during February and March 2016. For Eaton, Hong Kong, a 6.1% of year-on-year RevPAR decline was slightly worse than that of 5.3% for its respective High Tariff B hotel segment, as intense room rate competition still prevailed in its particular market.

Despite a 5.9% year-on-year decline in RevPAR for the portfolio as a whole, the drop in room revenue was only 1.9% for the first half of 2016, thanks to the increased number of rooms which contributed more revenue after the completion of the renovations in second half of 2015. With steady food and beverage (“F&B”) business, which were mostly derived from local patronages, overall hotel revenue dropped only by 1.2% in the first half period, while the drop in operating profit before global marketing fee was even smaller at a mere 0.7%, which reflected proactive effort of Langham Hotels International Limited (the “Hotel Manager”) in reining in operating costs.

Performance of the portfolio only impacted variable rental income received by the Trust Group, while total gross rental income, which included fixed rental and improved retail shop rental, only dropped by 0.3% in the first half of 2016 to HK\$322.3 million. However, with the booking of a HK\$100.6 million increase in fair value of properties, net profit rose by 227.0% to HK\$263.9 million. Distributable income, which was adjusted by non-cash items, including netting of the impact of the fair value increase, rose by 0.8% to HK\$228.1 million.

Distribution per Share Stapled Unit after and before the impact of distribution waiver was HK11.7 cents and HK11.1 cents respectively for the first half of 2016. Annualised yield based on HK11.7 cents for the first half period and the closing price of HK\$2.73 per Share Stapled Unit on 30 June 2016 was 8.6%.

As at 30 June 2016, valuation of the hotel portfolio was HK\$18,495 million as appraised by an independent professional valuer, and the valuation was 0.6% higher than the valuation of the hotel portfolio as at the end of 2015. The Trust Group had bank loans of HK\$6,800 million and the Net Asset Value (“NAV”) of the Trust Group amounted to HK\$11,729 million or HK\$5.70 per Share Stapled Unit as at the end of June 2016. The slight drop in NAV per Share Stapled Unit as compared to that as at the end of December 2015 was due to increased number of Share Stapled Units issued. Gearing ratio was 36.1% as at the end of June 2016 as compared to 36.2% as at the end of December 2015. Based on the Trust and the Company’s closing price of HK\$2.73 per Share Stapled Unit on 30 June 2016, this represented a discount of 52.1% to the Trust Group’s NAV.

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

Reflecting a decline in the Hotels’ aggregate gross operating profit before deduction of the global marketing fees for the six months ended 30 June 2016, variable rental income from the Master Lessee declined by 0.7% year-on-year to HK\$207.4 million. However, there was a slight increase in fixed rental income in the first half of 2016 by 0.3% year-on-year to HK\$111.9 million given the inclusion of one more calendar day in the first half of 2016, as 2016 was a leap year. Despite the small contribution to overall rental income, there was an 11.1% increase in rental income received directly from the retail shops at Eaton, Hong Kong, as there was an one-off compensation income from a tenant. Total rental income received by the Trust Group was HK\$322.3 million in the reporting period, representing a year-on-year decline of 0.3%.

<b>(in HK\$ million)</b>	<b>1H 2016</b>	<b>1H 2015</b>	<b>Change</b>
Variable rental income	207.4	208.9	-0.7%
Base rental income	111.9	111.6	+0.3%
Rental income from retail shops	3.0	2.7	+11.1%
<b>Total rental income to the Trust Group</b>	<b>322.3</b>	<b>323.2</b>	<b>-0.3%</b>

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

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

In the first half of 2016, as there was a modest decline in the performance of the hotel portfolio, it has resulted in a small decrease in total service fees payable to the hotel management companies, which dropped by 1.2% year-on-year to HK\$39.6 million.

(in HK\$ million)	1H 2016	1H 2015	Change
Hotel management fee	24.4	24.6	-0.8%
Licence fee	7.3	7.4	-1.4%
Global marketing fee	7.9	8.1	-2.5%
<b>Total service fees</b>	<b>39.6</b>	<b>40.1</b>	<b>-1.2%</b>

Hotel properties' related expenses dropped by 28.5% year-on-year to HK\$12.3 million for the first half of 2016, driven mainly by the absence of rental expense incurred by Cordis, Hong Kong. As part of cost-rationalisation exercise, instead of renting additional office space from external party to house its back office staff, the Hotel had converted the Tokoro restaurant for office use. The savings in office rental more than compensated for net income generated from the restaurant. As the Hotel terminated its office lease in December 2015, the absence of rental expense incurred in the first half of 2016 led to the increase in net property income of the Trust Group, which rose by 1.7% year-on-year to HK\$270.4 million in the first half of 2016.

(in HK\$ million)	1H 2016	1H 2015	Change
<b>Total rental income</b>	<b>322.3</b>	<b>323.2</b>	<b>-0.3%</b>
Hotel properties' related expenses	(12.3)	(17.2)	-28.5%
Service fees (hotel management fee, licence fee and global marketing fee)	(39.6)	(40.1)	-1.2%
<b>Net property income</b>	<b>270.4</b>	<b>265.9</b>	<b>+1.7%</b>

During the first half of 2016, the Trust Group recorded an interest income of HK\$0.9 million, which represented a year-on-year drop of 87.8%. The high level of interest income in last year's first half results was mostly derived from the Trust Group's Renminbi deposits, which bore a high interest rate at over 3% per annum compared to average 0.7% per annum for Hong Kong dollar deposits. However, since Renminbi experienced a rapid depreciation in August last year, the Trust Group had converted all its Renminbi back to Hong Kong dollars in September 2015. To a lesser extent, substantially lower deposits in the first half of 2016 also contributed to the decline in interest income, as most funds were used for planned renovations in the second half of 2015.

Finance cost was reduced by 3.0% to HK\$63.8 million in the first half of 2016. The decline partially reflected the savings after the Trust Group successfully refinanced the three-year loan with a principal of HK\$6,800 million that matured in May 2016. The new loan matures in four years and bears a lower interest rate of HIBOR plus 0.98% per annum, which is lower than the HIBOR plus 1.2% per annum for the previous one. Amortization of upfront fee charged on the new loan is also lower, however this does not impact distributable income, as it is a non cash item. In order to enhance financial flexibility, the Trust Group also obtained an additional HK\$400 million revolving facility, which carries the same interest rate as the new loan.

The new loan had drawn a remarkably high level of commitment by a total of seventeen reputable and diverse banks, which underscores the superior quality of the hotel portfolio, its proven performance in challenging times and recognition of our Hotels' brands. When taking into account of the lower interest rate spread (0.98% per annum) and lower amortization of upfront fee, which is based on 0.25% per annum on the loan size, the all-in cost of 1.23% per annum on the new loan marked significant savings compared with the all-in cost of 1.7% per annum on the previous loan. Furthermore, the extended maturity to four years effectively eliminates refinancing risks for the Trust Group in next four years.

A key factor which significantly lifted net profit was the increase in fair value of investment properties, which amounted to HK\$100.6 million in the first half period, but this was a non-cash item and was deducted from the calculation of distributable income. Profit attributable to Holders of Share Stapled Units rose 227.0% to HK\$263.9 million in the first half of 2016, and if we strip out the impact of the fair value change, profit attributable to Holders of Share Stapled Units would have been HK\$163.3 million in the first half of 2016, representing a small decline of 1.4% year-on-year.

(in HK\$ million)	1H 2016	1H 2015	Change
<b>Net property income</b>	<b>270.4</b>	<b>265.9</b>	<b>+1.7%</b>
Interest income	0.9	7.4	-87.8%
Other income	-	0.1	n.a.
Net exchange loss	-	(1.0)	n.a.
Increase / (Decrease) in fair value of investment properties	100.6	(85.0)	+218.4%
Finance cost	(63.8)	(65.8)	-3.0%
Trust and other expenses	(7.4)	(5.2)	+42.3%
<b>Profit before tax</b>	<b>300.7</b>	<b>116.4</b>	<b>+158.3%</b>
Income tax expense	(36.8)	(35.7)	+3.1%
<b>Profit attributable to Holders of Share Stapled Units</b>	<b>263.9</b>	<b>80.7</b>	<b>+227.0%</b>
<b>Profit attributable to Holders of Share Stapled Units excluding a Change in Fair Value of Investment Properties</b>	<b>163.3</b>	<b>165.7</b>	<b>-1.4%</b>

To derive the Trust Group's distributable income, net profit was adjusted for non-cash items. Items deducted from net profit were: i) increase in fair value of investment properties, and ii) cash contribution to the furniture, fixtures and equipment reserve calculated based on 1.5% of total revenue of the Hotels. On the other hand, non-cash items added back to profit included: i) hotel management and licence fees paid in Share Stapled Units, ii) amortisation of upfront loan fee, and iii) deferred tax. Overall, distributable income of the Trust Group, based on a 100% distribution policy for the first half period, rose by 0.8% year-on-year to HK\$228.1 million in the first half of 2016.

(in HK\$ million)	1H 2016	1H 2015	Change
<b>Profit attributable to Holders of Share Stapled Units</b>	<b>263.9</b>	<b>80.7</b>	<b>+227.0%</b>
Add:			
Hotel management fee and Licence fee paid in Share Stapled Units	31.7	32.0	-0.9%
Amortization of upfront loan fee, a non-cash cost	15.6	17.0	-8.2%
Deferred tax	28.4	26.7	+6.4%
Decrease in fair value of investment properties	-	85.0	n.a.
Net exchange loss on Renminbi holdings	-	1.0	n.a.
Less:			
Realised exchange loss on Renminbi holdings	-	(4.9)	n.a.
Furniture, fixtures and equipment reserve	(10.9)	(11.1)	- 1.8%
Increase in fair value of investment properties	(100.6)	-	n.a.
<b>Distributable income</b>	<b>228.1</b>	<b>226.4</b>	<b>+0.8%</b>

In calculating the distribution per Share Stapled Unit, it should be noted that the holding company of the Trust Group, the Great Eagle Group, has agreed to waive its entitlement to receive distributions payable in respect of its 100 million Share Stapled Units (representing approximately 4.9% of the issued Share Stapled Units of the Trust Group as at 30 June 2016) for the financial year 2016.

For the first six months ended 30 June 2016, distribution per Share Stapled Unit was HK11.1 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK11.7 cents. It should be noted that the number of distribution waiver units will be reduced to 50 million Share Stapled Units for the financial year 2017, and all of the holdings of Share Stapled Units of Great Eagle Group will be entitled to receive distribution payable from 2018 onward.

## Hotel Performance

	Average Daily		Occupancy		Average Room Rate		RevPAR	
	Rooms Available				(in HK\$)		(in HK\$)	
	1H 2016	1H 2015	1H 2016	1H 2015	1H 2016	1H 2015	1H 2016	1H 2015
The Langham, Hong Kong	498	472	84.2%	81.8%	2,078	2,204	1,749	1,802
<i>year-on-year growth</i>			+2.4ppt		-5.7%		-2.9%	
Cordis, Hong Kong	650	619	85.4%	88.2%	1,610	1,725	1,374	1,522
<i>year-on-year growth</i>			-2.8ppt		-6.7%		-9.7%	
Eaton, Hong Kong	465	465	92.2%	86.2%	963	1,097	888	946
<i>year-on-year growth</i>			+6.0ppt		-12.2%		-6.1%	
Hotels portfolio	1,613	1,556	87.0%	85.7%	1,552	1,675	1,350	1,435
<i>year-on-year growth</i>			+1.3ppt		-7.3%		-5.9%	

Hong Kong Hotel Markets	Occupancy		Average Room Rate		RevPAR	
			(in HK\$)		(in HK\$)	
	1H 2016	1H 2015	1H 2016	1H 2015	1H 2016	1H 2015
High Tariff A	81.0%	82.0%	2,149	2,270	1,741	1,861
<i>year-on-year growth</i>	-1.0ppt		-5.3%		-6.4%	
High Tariff B	87.0%	86.0%	999	1,068	869	918
<i>year-on-year growth</i>	+1.0ppt		-6.5%		-5.3%	

For the portfolio as a whole, RevPAR amounted to HK\$1,350 for the first half of 2016, 5.9% lower than that achieved in the first half of 2015. The decline was led by a 7.3% decrease in average daily rates, although there was some recovery in occupancy for the portfolio, which rose by 1.3 percentage points to 87.0% during the first half of 2016. In addition, there were more available rooms during the first half of 2016, and after taking this into account, the decline in room revenue was only 1.9% year-on-year, and it accounted for 54.4% of total revenue of the hotel portfolio in the first half of 2016.

Where there was growth in F&B at The Langham, Hong Kong and Cordis, Hong Kong, the growth was more or less offset by reduced business at the Eaton hotel, and total F&B revenue for the portfolio as a whole only increased by 0.1% year-on-year in the first half of 2016 and accounted for 43.4% of total revenue of the hotel portfolio.

<b>Revenue breakdown (in HK\$ million)</b>	<b>The Langham, Hong Kong</b>	<b>Cordis, Hong Kong</b>	<b>Eaton, Hong Kong</b>	<b>Total</b>
Rooms	158.6	162.7	75.1	396.4
Food & Beverages	108.3	135.6	72.2	316.1
Others	7.2	8.1	1.3	16.6
<b>Total revenue</b>	<b>274.1</b>	<b>306.4</b>	<b>148.6</b>	<b>729.1</b>

For the hotel portfolio as a whole, guests from Mainland China rose by 10.6% year-on-year in the first half of 2016. Furthermore, guests from other Asian countries, Australia, U.S. and Europe, had all increased in the first half of 2016. With the growth in visitors from Mainland China, this market accounted for 30.4% of total arrivals by geographical breakdown.

	<b>Trust Group's hotel portfolio</b>	<b>Overnight arrivals to Hong Kong</b>
Year-on-year growth in guests from Mainland China	+10.6%	-6.7%
% of overnight guests from Mainland China to total arrivals	30.4%	64.4%

### *Performance of the individual hotels*

For **The Langham, Hong Kong**, the Hotel benefitted from keen demand for its renovated rooms and witnessed growth of arrivals from most geographical regions, especially Mainland China. The Hotel only saw decline in arrivals from Europe, which was not a major contributor to the Hotel's overall room demand. However, Average Room Rate had dropped due to subdued overall market condition. F&B revenue for the Hotel rose by 1.6% as compared with the restated F&B revenue for the first half of 2015. The increase was driven by growth in business from T'ang Court, which has received the prestigious Michelin three-star rating for this year, and the growth at this restaurant had more than offset lower F&B revenue from banqueting business.

At **Cordis, Hong Kong**, business was negatively impacted during the Chinese New Year when there were violent breakouts in Mongkok, and RevPAR for the hotel dropped by 18% year-on-year during February and March 2016. Nonetheless, demand for rooms recovered and the Hotel witnessed growth in arrivals across most major markets since April. Arrivals from Mainland China were a major contributor to the overall growth in room demand in the second quarter of 2016. Overall for the first half of 2016, RevPAR was significantly lower. Despite a lack of revenue contribution from the Tokoro space that had been converted to office use last year, revenue from F&B still rose 3.2% year-on-year for the first six months of 2016. The increase was largely due to improved business at the all day dining restaurant, which underwent renovation and was closed for two months in the first half of last year.

**Eaton, Hong Kong** faced severe room rate competition from other hotels which relied heavily on arrivals from Mainland China. Accordingly, the Hotel shifted its focus to arrivals from other geographical regions in the first half of 2016. Hence, while there was a drop in arrivals from the Mainland China market during the first half, increases in arrivals from other Asian countries, Australia and Europe had more than offset decline in arrivals from Mainland China. Overall, the markedly lower room rate brought down RevPAR significantly. Revenue from F&B dropped by 7.3% year-on-year in the first six months of 2016 as a result of reduced business in the restaurants and a drop in banqueting business.

### **OUTLOOK**

After a prolonged period of room rate declines in Hong Kong's hotel market, room rates in Hong Kong have become more competitive amongst other global gateway cities. There are also signs indicating that Hong Kong's RevPAR might be close to bottoming out as the rate of RevPAR decline narrowed markedly in the first half of 2016 as compared with that witnessed in the first and second half of 2015.

Apart from operational enhancement initiatives, asset enhancement also plays a critical role for the long term success and positioning of our Hotels. This has been well demonstrated in the case of The Langham, Hong Kong, which has outperformed its respective market after the renovations. The renovation plan for Eaton, Hong Kong, which includes refurbishment of the lobby, ballroom and meeting space to embrace a more engaging concept with more well-used communal spaces, will commence in the middle of 2017.

We are still optimistic about the potential and strength of the hotel industry in Hong Kong. While the level of completion of new hotels remains manageable at 3.3% p.a. from 2016 to 2019, demand for Hong Kong's hotel rooms will likely be maintained as Hong Kong is still one of the most sought-after travel destinations in the world. Furthermore, Hong Kong government's investments in new tourism and infrastructure projects such as the Hong Kong-Zhuhai-Macau bridge and extension of Mainland China's high-speed rail network to Hong Kong will serve to support tourist visitations to Hong Kong in the long term. However, we will remain vigilant and cost conscious for the near term, as the world economies remain fragile and uncertain in general.

## **FINANCIAL REVIEW**

### ***Distributions***

The distributable income of the Trust Group for the 2016 interim period was HK\$228,054,000, which represents 100% of total distributable income for current period (six months ended 30 June 2015: HK\$226,433,000 which represents 100% of total distributable income). It is the present policy of the Trust Group to distribute no less than 90% of total distributable income to its Share Stapled Unitholders.

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

The Distribution per Share Stapled Unit for current period was HK11.7 cents (six months ended 30 June 2015: HK11.7 cents) (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 100,000,000 Share Stapled Units for current period (six months ended 30 June 2015: 100,000,000 Share Stapled Units)). Based on the closing Share Stapled Unit price of HK\$2.73 as at 30 June 2016, the Distribution per Share Stapled Unit represents an annualized distribution yield of 8.6%.

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

Net Assets Attributable to Holders of Share Stapled Units was HK\$11,729.2 million or HK\$5.70 per Share Stapled Unit as at 30 June 2016 (31 December 2015: HK\$11,682.0 million or HK\$5.72 per Share Stapled Unit) which represents a 108.8% premium to the closing Share Stapled Unit price of HK\$2.73 as at 30 June 2016.

### ***Debt Profile***

On 30 May 2016, the Trust Group, through its subsidiary, entered into a four-year term and revolving loan facilities of HK\$7,200 million to fully refinance the outstanding principal of HK\$6,800 million term loan granted to the Trust Group in 2013. The new loan bears interest at a floating rate of HIBOR plus 0.98% per annum. Total outstanding borrowings of the Trust Group as at 30 June 2016 and 31 December 2015 were HK\$6,800 million. The Trust Group will closely monitor interest rate movements and may, depending on market conditions, consider hedging the interest rate exposure on part of the bank debt.

As at 30 June 2016, total gross assets of the Trust Group were HK\$18,810.9 million (31 December 2015: HK\$18,803.0 million). The gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 36.1% (31 December 2015: 36.2%).

### ***Cash Position***

As at 30 June 2016, the Trust Group had a cash balance of HK\$250.4 million (31 December 2015: HK\$304.2 million) to satisfy the asset enhancement of the three hotels, primarily Eaton, Hong Kong, as well as the working capital and operating requirements. In addition, the Trust Group had unused revolving loan amounting to HK\$400 million as of 30 June 2016.

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

As at 30 June 2016, investment properties of the Trust Group with a fair value of HK\$18,495 million (31 December 2015: HK\$18,381 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure a HK\$7,200 million term and revolving loan facilities granted to the Trust Group.

### ***Commitments***

At 30 June 2016, the Trust Group had authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$143,431,000 (31 December 2015: HK\$126,407,000), of which HK\$30,998,000 (31 December 2015: HK\$16,182,000) were contracted for.

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

### **INTERIM DISTRIBUTION**

The Trustee-Manager Board has declared an interim distribution of HK11.7 cents per Share Stapled Unit (2015: HK11.7 cents) for the six-month period ended 30 June 2016, payable on 5 October 2016 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 15 September 2016, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed.

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

### **CLOSURE OF REGISTERS**

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Monday, 12 September 2016 to Thursday, 15 September 2016, both days inclusive, during which period no transfer of Share Stapled Units will be registered.

In order to qualify for the 2016 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, 9 September 2016.

## **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other relevant rules and regulations.

During the six-month period ended 30 June 2016, the Trust (via the Trustee-Manager) and the Company had complied with all the applicable code provisions and, where appropriate, adopted some of the recommended best practices as set out in the 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 employees.

## **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 for the six-month period ended 30 June 2016.

## **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 2016, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

## ISSUED SHARE STAPLED UNITS

As at 30 June 2016, the total number of issued Share Stapled Units of the Trust and the Company was 2,057,152,289. As compared with the position of 31 December 2015, 14,246,352 new Share Stapled Units were issued during the reporting period as follows:-

<b>Date</b>	<b>Particulars</b>	<b>No. of Share Stapled Units</b>
31 December 2015	Number of issued Share Stapled Units	2,042,905,937
4 March 2016	Issue of new Share Stapled Units at the price of HK\$2.51 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees to the Hotel Manager of approximately HK\$35,758,000 for the second half of 2015	14,246,352
<b>30 June 2016</b>	<b>Number of issued Share Stapled Units</b>	<b>2,057,152,289</b>

## PUBLIC FLOAT

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

## REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Trust Group and unaudited condensed financial statements of the Trustee-Manager for the six months ended 30 June 2016 were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“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.

## **ISSUANCE OF INTERIM REPORT**

The 2016 Interim Report will be despatched to Holders of Share Stapled Units and published on the corporate website at [www.LanghamHospitality.com](http://www.LanghamHospitality.com) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) in September 2016.

## **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 (Mr. LO Chun Him, Alexander as her alternate); the Executive Director is Mr. IP Yuk Keung, Albert (*Chief Executive Officer*); and the Independent Non-executive Directors are Dr. LIN Syaru, Shirley, Mr. SO Yiu Wah, Eric and Mr. WONG Kwai Lam.

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

Hong Kong, 15 August 2016

**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 2016**

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	<u>NOTES</u>	Six Months Ended 30 June 2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	322,329	323,201
Property related expenses		(12,285)	(17,167)
Service fees		(39,661)	(40,139)
		<hr/>	<hr/>
		270,383	265,895
Other income		928	7,524
Increase (decrease) in fair value of investment properties		100,569	(85,043)
Trust and other expenses		(7,405)	(6,219)
Finance costs	6	(63,770)	(65,746)
		<hr/>	<hr/>
Profit before tax		300,705	116,411
Income tax expense	7	(36,789)	(35,751)
		<hr/>	<hr/>
<b>Profit and total comprehensive income for the period attributable to holders of Share Stapled Units</b>	10	<hr/> <hr/>	<hr/> <hr/>
		263,916	80,660
<b>Basic earnings per Share Stapled Unit</b>	11	<hr/> <hr/>	<hr/> <hr/>
		HK\$0.1282	HK\$0.0397

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST  
AND OF THE COMPANY  
AT 30 JUNE 2016**

	<u>NOTES</u>	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		16	19
Investment properties		<u>18,495,000</u>	<u>18,381,000</u>
		<u>18,495,016</u>	<u>18,381,019</u>
<b>Current assets</b>			
Debtors, deposits and prepayments	12	65,472	116,153
Tax recoverable		-	1,666
Restricted cash		-	60,064
Bank balances		<u>250,439</u>	<u>244,133</u>
		<u>315,911</u>	<u>422,016</u>
<b>Current liabilities</b>			
Creditors, deposits and accruals	13	68,342	86,355
Secured bank loans due within one year		-	6,786,016
Tax payable		<u>6,887</u>	<u>91</u>
		<u>75,229</u>	<u>6,872,462</u>
<b>Net current assets (liabilities)</b>		<u>240,682</u>	<u>(6,450,446)</u>
<b>Total assets less current liabilities</b>		<u>18,735,698</u>	<u>11,930,573</u>
<b>Non-current liabilities</b>			
Secured bank loans due after one year		6,729,597	-
Deferred tax liabilities		<u>276,903</u>	<u>248,576</u>
		<u>7,006,500</u>	<u>248,576</u>
<b>NET ASSETS</b>		<u><u>11,729,198</u></u>	<u><u>11,681,997</u></u>
<b>Capital and reserves</b>			
Issued capital		2,057	2,043
Reserves		<u>11,727,141</u>	<u>11,679,954</u>
<b>TOTAL EQUITY</b>		<u><u>11,729,198</u></u>	<u><u>11,681,997</u></u>

**NOTES TO THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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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 Trust Group (as defined in note 2 below) is property investment.

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

2. BASIS OF PRESENTATION AND PREPARATION

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2016 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 2016 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The Trust controls the Company and the sole activity of the Trust during the six months ended 30 June 2016 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust are identical to the condensed consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust and the Company together. The condensed consolidated financial statements of the Trust and the condensed consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's condensed consolidated financial statements".

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

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").

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Trust and the Company's annual financial statements for the year ended 31 December 2015.

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

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

### 4. REVENUE

	Six Months Ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental income from GE (LHIL) Lessee Limited ("Master Lessee")		
Base rent	111,885	111,576
Variable rent	207,383	208,919
	<u>319,268</u>	<u>320,495</u>
Rental income from retail shops in Eaton, Hong Kong	3,061	2,706
	<u>322,329</u>	<u>323,201</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, namely The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong (the "Hotels").

### Segment revenue and results

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

#### Six months ended 30 June 2016

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

5. SEGMENT INFORMATION - continued

**Segment revenue and results - continued**

Six months ended 30 June 2015

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

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

**Segment assets and liabilities**

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong were HK\$6,970,000,000, HK\$7,725,000,000 and HK\$3,800,000,000 (31 December 2015: HK\$6,845,000,000, HK\$7,770,000,000 and HK\$3,766,000,000), 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>2016</u> HK\$'000 (unaudited)	<u>2015</u> HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	48,101	48,456
Loan front-end fee amortisation	15,581	17,000
Other borrowing costs	88	290
	<u>63,770</u>	<u>65,746</u>

7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	<u>2016</u>	<u>2015</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax:		
Current period	8,462	9,102
Overprovision in prior year	-	(14)
	<u>8,462</u>	<u>9,088</u>
Deferred tax:		
Current period	<u>28,327</u>	<u>26,663</u>
	<u><u>36,789</u></u>	<u><u>35,751</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 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	
	<u>2016</u>	<u>2015</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to holders of Share Stapled Units	263,916	80,660
Adjustments:		
Add:		
Depreciation	3	3
Deferred tax	28,327	26,663
Non-cash finance costs	15,581	17,000
Hotel management fees and licence fee payable in form of Share Stapled Units	31,733	32,055
Decrease in fair value of investment properties	-	85,043
Net exchange loss	-	993
Less:		
Increase in fair value of investment properties	(100,569)	-
Net realised exchange loss	-	(4,909)
Reserve for furniture, fixtures and equipment	<u>(10,937)</u>	<u>(11,075)</u>
Total distributable income	<u><u>228,054</u></u>	<u><u>226,433</u></u>

9. DISTRIBUTION STATEMENT

	<u>NOTE</u>	Six Months Ended 30 June <u>2016</u> HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June 2016 (Six months ended 30 June 2015: in respect of the six months ended 30 June 2015)	8	228,054	226,433
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for interim distribution period		<u>228,054</u>	<u>226,433</u>
Interim distribution (note c)		<u>228,054</u>	<u>226,433</u>
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December 2015 (Six months ended 30 June 2015: in respect of the financial year ended 31 December 2014)		477,534	558,825
Less: distributable income paid for interim distribution period (note e)		<u>(227,320)</u>	<u>(273,369)</u>
Distributable income available for final distribution period		250,214	285,456
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for final distribution period		<u>250,214</u>	<u>285,456</u>
Final distribution (note c)		<u>250,214</u>	<u>285,456</u>
<b>Distribution per Share Stapled Unit</b>			
Interim distribution per Share Stapled Unit to be paid			
- Before taking into account the effect of the Distribution Waiver (note d)		<u>HK\$0.111</u>	<u>HK\$0.111</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.117</u>	<u>HK\$0.117</u>
Final distribution per Share Stapled Unit paid			
- Before taking into account the effect of the Distribution Waiver (note d)		<u>HK\$0.122</u>	<u>HK\$0.141</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.129</u>	<u>HK\$0.152</u>

9. DISTRIBUTION STATEMENT - continued

Notes:

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

The final distribution in 2015 is based on total distributable income for the year ended 31 December 2015.

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

- (b) The Trust Deed and the articles of association of the Company state that it is the intention of the Directors to declare and distribute (i) 100% of the total distributable income in respect of the financial year ended 31 December 2014 and financial year ended 31 December 2015, and (ii) not less than 90% of the total distributable income in respect of each financial year thereafter.

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

The final distribution after 31 December 2015 has not been recognised as a liability as at 31 December 2015.

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

- (d) The interim distribution per Share Stapled Unit of HK\$0.111 (Six months ended 30 June 2015: HK\$0.111) for the interim distribution period in 2016 is calculated based on the interim distribution to be paid of HK\$228,054,000 (Six months ended 30 June 2015: HK\$226,433,000) for the period and 2,057,152,289 (Six months ended 30 June 2015: 2,032,888,934) Share Stapled Units as at 30 June 2016.

The final distribution per Share Stapled Unit of HK\$0.122 (Six months ended 30 June 2015: HK\$0.141) for the final distribution period in 2015 is calculated based on the final distribution to be paid of HK\$250,214,000 (Six months ended 30 June 2015: HK\$285,456,000) for the period and 2,042,905,937 (Six months ended 30 June 2015: 2,022,390,859) Share Stapled Units as at 31 December 2015.

- (e) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, immediate holding company of the Company after the Listing, has waived its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out below (the "Distribution Waiver"):

9. DISTRIBUTION STATEMENT - continued

Notes: - continued

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

The interim distribution per Share Stapled Unit of HK\$0.117 (Six months ended 30 June 2015: HK\$0.117) for the interim distribution period in 2016 is calculated based on 1,957,152,289 (Six months ended 30 June 2015: 1,932,888,934) Share Stapled Units after taking into account of the 100,000,000 (Six months ended 30 June 2015: 100,000,000) units waived by LHIL Assets Holdings Limited. The interim distribution of HK\$228,054,000 will be paid to holders of Share Stapled Units on or before 5 October 2016.

After the issue of 10,017,003 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 30 June 2015 on 21 August 2015, the number of Share Stapled Units entitled for the interim distribution in 2015 should be 1,942,905,937. The interim distribution of HK\$227,320,000 was paid to holders of Share Stapled Units on 2 October 2015.

The final distribution per Share Stapled Unit of HK\$0.129 (Six months ended 30 June 2015: HK\$0.152) for the final distribution period in 2015 is calculated based on 1,942,905,937 (Six months ended 30 June 2015: 1,872,390,859) Share Stapled Units after taking into account of the 100,000,000 (Six months ended 30 June 2015: 150,000,000) units waived by LHIL Assets Holdings Limited.

After the issue of 14,246,352 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 31 December 2015 on 4 March 2016, the number of Share Stapled Units entitled for the final distribution in 2015 should be 1,957,152,289. The final distribution for the final distribution period in 2015 of HK\$252,473,000 was paid to holders of Share Stapled Units on 16 May 2016.

After the issue of 10,498,075 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 31 December 2014 on 3 March 2015, the number of Share Stapled Units entitled for the final distribution in 2014 should be 1,882,888,934. The final distribution for the final distribution period in 2014 of HK\$286,199,000 was paid to holders of Share Stapled Units on 14 May 2015.



12. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Trade debtors	59,904	109,332
Interest receivable	74	702
Deposits and prepayments	<u>5,494</u>	<u>6,119</u>
	<u>65,472</u>	<u>116,153</u>

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

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

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
0 - 3 months	<u>59,904</u>	<u>109,332</u>

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

Included in trade debtors is an amount due from a fellow subsidiary of HK\$59,904,000 (31 December 2015: HK\$109,136,000) which is unsecured, interest-free and payable on presentation of invoices. At 31 December 2015, included in deposits and prepayments is an amount due from a fellow subsidiary of HK\$1,351,000 which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

13. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
Trade creditors	34,146	37,432
Deposits received	1,394	1,394
Other creditors	6,844	13,755
Accruals and other payables	<u>25,958</u>	<u>33,774</u>
	<u>68,342</u>	<u>86,355</u>

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

	At 30 June <u>2016</u> HK\$'000 (unaudited)	At 31 December <u>2015</u> HK\$'000 (audited)
0 - 3 months	17,434	23,607
3 - 6 months	<u>16,712</u>	<u>13,825</u>
	<u>34,146</u>	<u>37,432</u>

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

Trade creditors is amounts due to fellow subsidiaries of HK\$34,146,000 (31 December 2015: HK\$37,432,000) which is unsecured, interest-free and payable on presentation of invoices. Included in other creditors is amounts due to fellow subsidiaries of HK\$361,000 (31 December 2015: HK\$188,000) which is unsecured, interest-free and payable on presentation of invoices.

At 31 December 2015, included in accruals and other payables is an amount due to a fellow subsidiary of HK\$1,759,000 which is unsecured, interest-free and payable on presentation of invoices.

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME OF LHIL MANAGER LIMITED  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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	<u>NOTE</u>	Six Months Ended 30 June	
		<u>2016</u> HK\$ (unaudited)	<u>2015</u> HK\$ (unaudited)
Revenue		-	-
Administrative expenses		(11,957)	(11,957)
Less: Amount borne by a fellow subsidiary		<u>11,957</u>	<u>11,957</u>
<b>Profit or loss before tax</b>		-	-
Income tax	4	<u>-</u>	<u>-</u>
<b>Profit or loss and other comprehensive income/expense for the period</b>		<u><u>-</u></u>	<u><u>-</u></u>

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**CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED**  
**AT 30 JUNE 2016**

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	At 30 June <u>2016</u> HK\$ (unaudited)	At 31 December <u>2015</u> HK\$ (audited)
<b>Current asset</b>		
Cash on hand	<u>1</u>	<u>1</u>
<b>NET ASSET</b>	<u><u>1</u></u>	<u><u>1</u></u>
<b>Capital</b>		
Share capital	<u>1</u>	<u>1</u>
<b>TOTAL EQUITY</b>	<u><u>1</u></u>	<u><u>1</u></u>

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## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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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.

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 ("HKICPA") pursuant to the Trust Deed.

The financial information relating to the year ended 31 December 2015 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 these financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2015.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

4. INCOME TAX

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