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LANGHAM

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)

2018 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 2018 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	1H2018	1H2017	Change
Revenue of hotel portfolio	761.1	744.9	2.2%
Total rental income for the Trust Group under HKFRS 15 ^(a)	284.6	291.5	-2.4%
Total rental income for the Trust Group, if without HKFRS 15 adoption	326.6	332.8	-1.9%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	144.2	164.6	-12.4%
Distributable Income	189.0	209.6	-9.8%
Distributions per Share Stapled Unit	HK9.0 cents	HK10.3 cents ^(b)	-12.6%

Notes:

(a) In 2018, the Trust Group has applied Hong Kong Financial Reporting Standard 15 (“HKFRS 15”), which has resulted in a net off of service fees from total rental income and be presented on a net basis. While the application of HKFRS 15 has resulted in a change in the presentation of total rental income, it does not impact the Group’s net property income. Management Discussion and Analysis is based on total rental income under HKFRS 15. Figure has been restated in the comparative year.

(b) Pursuant to the Distribution Entitlement Waiver Deed which expired in 2017, LHIL Assets Holdings Limited had agreed to waive its entitlement of distributions in respect of 50,000,000 Share Stapled Units held by it for the year ended 31 December 2017. The Distribution per Share Stapled Unit in the interim distribution period of 2017 had been adjusted for the effect of distribution waiver. Without such waiver, the interim Distribution per Share Stapled Unit would be HK10.1 cents.

FINANCIAL HIGHLIGHTS (continued)

As at	30 Jun 2018	31 Dec 2017	30 Jun 2017
Gross Value of Hotel Portfolio (in HK\$ million)	20,000	19,373	18,763
Net Asset Value per Share Stapled Unit	HK\$6.15	HK\$5.94	HK\$5.70
Gearing Ratio	34.2%	34.7%	35.7%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2018, the Trust Group's hotel portfolio delivered a 2.2% increase in total revenue. While there was strong growth in revenues at The Langham, Hong Kong and Cordis, Hong Kong during the period, most of the increase has been offset by a reduction in revenue at Eaton HK, as the hotel underwent renovations throughout the first half period.

Against the backdrop of a sharp rebound in overnight visitor arrivals from Mainland China, which is the largest inbound market for Hong Kong, the hotel market posted strong growth in revenue per available room ("RevPAR") in the first half of 2018. Driven by an improvement in average room rate, growth in RevPAR for Hong Kong's hotels surged 13.0% year-on-year in the first half of 2018, as compared with a modest growth of only 2.3% year-on-year in 2017.

As for the Trust Group's hotels, except for the Eaton HK, with its revenue held back by renovation works, The Langham, Hong Kong and Cordis, Hong Kong both benefitted from the hotel market's robust RevPAR growth, and recorded RevPAR growth of 15.1% and 14.4% respectively in the first half of 2018. Meanwhile, negative impact arising from renovation work resulted in a modest growth of only 1.1% in RevPAR for Eaton HK.

Despite an overall 14.9% growth in RevPAR for the portfolio in the first half of 2018, room revenue increased by 9.0% year-on-year after accounting for a reduction in the number of available rooms amid renovation at the Eaton HK. In addition, a significant decline in food and beverage (F&B) contribution from the Eaton HK resulting from the large scale renovation work led to a 6.6% decline in F&B revenue during the period. All-in-all, total portfolio revenue only rose by 2.2% in the first half of 2018.

As compared with the same period in prior year, operating margin declined due to planned renovation at the Eaton HK in the first half of 2018, and therefore, operating profit before global marketing fee of the hotel portfolio actually dropped by 2.4%. Amid decline in operating profit of the hotel portfolio, total gross rental income prepared under HKFRS 15 dropped by 2.4% to HK\$284.6 million in the first half of 2018, and the Trust Group's net property income dropped by 2.7% year-on-year to HK\$271.1 million in the corresponding period.

Finance costs for the Trust Group rose by 18.2% year-on-year to HK\$86.5 million in the first half of 2018 due to higher interest rate. Nonetheless, as there was a booking of HK\$498.8 million in increase of the fair value of investment properties (hotel portfolio), net profit rose 65.9% to HK\$679.5 million for the first six months ended 30 June 2018. The Trust Group's first half results also factored in an increase of fair value of derivative financial instruments amounting to HK\$36.5 million, which reflects increase in market value of the interest rate swap contracts due to rise in interest rate as at the end of June 2018. Net profit excluding fair value change of investment properties and derivative financial instruments was HK\$144.2 million, which represents a decline of 12.4% from the first half of 2017.

As at 30 June 2018, valuation of the hotel portfolio rose to HK\$20,000 million as compared with HK\$19,373 million as at the end of December 2017. Net Asset Value ("NAV") of the Trust Group amounted to HK\$12,899 million or HK\$6.15 per Share Stapled Unit as at the end of June 2018. Based on the Company's closing price of HK\$3.22 per Share Stapled Unit on 29 June 2018, this represented a discount of 47.6% to the Trust Group's NAV. Gearing ratio was 34.2% as at the end of June 2018 as compared with 34.7% as at the end of December 2017.

Since the tightening of monetary policies by the U.S. Federal Reserve, interest rates in Hong Kong have been on the rise in the first half of 2018. To further reduce volatility in the Trust Group's future distributable income, we took the important step of entering into more interest rate swap contract with notional amount of HK\$0.5 billion in the first half of 2018, which brought the total notional worth of swap contracts to HK\$4.0 billion with weighted average swap rate of 1.65% as at 30 June 2018. As a result, interest rate on 57.9% of our HK\$6.9 billion bank loan was effectively fixed through these contracts as at 30 June 2018.

OPERATIONAL REVIEW

As the Hotels of the Trust Group are leased to GE (LHIL) Lessee Limited (the “Master Lessee”), an indirect wholly-owned subsidiary of Great Eagle Holdings Limited, the Trust Group receives rent in the form of a pre-determined fixed rental income (pro-rata at HK\$225 million per annum) and a variable rent calculated at 70% of the Hotels’ aggregate gross operating profit before deduction of the global marketing fees. In addition to the fixed rental income and variable rental income from the Master Lessee, the Trust Group also receives rental income directly from the retail shops located at Eaton HK, which are leased to independent third parties.

In 2018, the Trust Group has applied HKFRS 15, which has resulted in a net off of service fees from total rental income and be presented on a net basis.

Reflecting a decline in the Hotels’ aggregate gross operating profit before deduction of global marketing fee for the six months ended 30 June 2018, variable rental income from the Master Lessee dropped by 2.4% year-on-year to HK\$215.0 million. In addition to fixed rental income of HK\$111.6 million for the first half of 2018, total rental income received by the Trust Group, if without HKFRS 15 adoption, was HK\$326.6 million for the reporting period, representing a year-on-year decrease of 1.9%. As a result of the adoption of HKFRS 15, an adjustment has been made by netting off HK\$42.0 million in service fees incurred for the first half period and total rental income was HK\$284.6 million, representing a year-on-year decline of 2.4%.

Note that there was no rental income from the retail shops at Eaton HK, as the space was undergoing renovation works during the first half of 2018.

(in HK\$ million)	1H 2018	1H 2017	Change
Variable rental income	215.0	220.3	-2.4%
Fixed rental income	111.6	111.6	-
Rental income from retail shops	0.0	0.9	-100.0%
Total rental income for the Trust Group, if without HKFRS 15 adoption	326.6	332.8	-1.9%
Adjustment of HKFRS 15 adoption	(42.0)	(41.3)	1.7%
Total rental income for the Trust Group under HKFRS 15	284.6	291.5	-2.4%

Whereas total service fees are comprised of: i) hotel management fees, ii) licence fee and iii) global marketing fee paid to the hotel management company. Hotel management fees are comprised of a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee on 5% of adjusted gross operating profit of the Hotels. Licence fee is calculated based on 1% of total revenue of the Hotels, and global marketing fee is calculated at 2% of total room revenue of the Hotels. It should be noted that when calculating distributable income, global marketing fee is paid in cash. As for hotel management fees and licence fee, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both. For 2018, the Hotel Manager has elected to be paid wholly in the form of Share Stapled Unit for the payment of hotel management fees and licence fee.

In the first half of 2018, global market fee rose by 8.4% year-on-year as a result of improved total room revenue. In addition to a 2.7% year-on-year increase in licence fee, these led to an overall increase in total service fees payable to the hotel management company, which rose by 1.7% year-on-year to HK\$42.0 million in the first half of 2018.

(in HK\$ million)	1H 2018	1H 2017	Change
Hotel management fees	25.4	25.6	-0.8%
Licence fee	7.6	7.4	2.7%
Global marketing fee	9.0	8.3	8.4%
Total service fees	42.0	41.3	1.7%

Hotel properties' related expenses rose by 4.7% year-on-year to HK\$13.5 million for the first half of 2018, driven mainly by increase in government rates. Overall, there was a year-on-year decrease of 2.7% in net property income of the Trust Group to HK\$271.1 million in the first half of 2018.

(in HK\$ million)	1H 2018	1H 2017	Change
Total rental income under HKFRS 15	284.6	291.5	-2.4%
Hotel properties related expenses	(13.5)	(12.9)	4.7%
Net property income	271.1	278.6	-2.7%

As we strive to reduce the negative impact from potential hike in interest rate on distributable income, the Trust Group has effectively fixed the interest rate of HK\$4,000 million of bank loan by entering into four-year interest rate swap contracts since early November 2016 and through June 2018 at weighted average swap rate of 1.65%.

Hence, the Trust Group's total finance costs included net interest settlement on the interest rate swaps, which came to HK\$9.8 million in the first half of 2018, a reduction from that incurred in the first half of 2017.

As a result of higher interest rate, interest expense on the loan rose by 35.7% to HK\$67.7 million in the first half of 2018. Including amortisation of loan upfront fee of HK\$9.0 million and net interest settlement, total finance costs came to HK\$86.5 million, representing a year-on-year increase of 18.2%.

(in HK\$ million)	1H 2018	1H 2017	Change
Breakdown of Finance costs			
Interest expense	(67.7)	(49.9)	35.7%
Amortisation of loan upfront fee	(9.0)	(9.0)	-
Interest paid on fixed interest rate swaps	(9.8)	(14.3)	-31.5%
Total Finance costs	(86.5)	(73.2)	18.2%

As swap rate was higher as of 30 June 2018, there was an increase in fair value of derivative financial instruments amounting to HK\$36.5 million in the first half of 2018, reflecting an increase in the market value of the contracts. As fair value changes are non-cash items, they do not impact distributable income.

In addition, increase in fair value of investment properties amounting to HK\$498.8 million in the first half period also contributed to higher net profit for the Trust Group. Profit attributable to Holders of Share Stapled Units rose 65.9% to HK\$679.5 million. Excluding the impact of fair value change on investment properties and financial derivative instruments, profit attributable to Holders of Share Stapled Units was HK\$144.2 million for the first half of 2018, representing a drop of 12.4% year-on-year.

(in HK\$ million)	1H 2018	1H 2017	Change
Net property income	271.1	278.6	-2.7%
Interest and other income	0.1	1.9	-94.7%
Increase in fair value of investment properties (Hotel portfolio)	498.8	295.8	68.6%
Fair value change on derivative financial instruments (interest rate swaps)	36.5	(50.7)	n.a.
Finance costs	(86.5)	(73.2)	18.2%
Trust and other expenses	(6.0)	(5.5)	9.1%
Profit before tax	714.0	446.9	59.8%
Income tax expense	(34.5)	(37.2)	-7.3%
Profit attributable to Holders of Share Stapled Units	679.5	409.7	65.9%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	144.2	164.6	-12.4%

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, ii) increase in fair value on derivative financial instruments and iii) 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 taxation. Distributable income of the Trust Group, based on a 100% distribution policy for the first half period, dropped by 9.8% year-on-year to HK\$189.0 million.

(in HK\$ million)	1H 2018	1H 2017	Change
Profit attributable to Holders of Share Stapled Units	679.5	409.7	65.9%
Add:			
Hotel management fees and Licence fee paid in Share Stapled Units	33.0	33.0	-
Amortization of upfront loan fee, a non-cash cost	9.0	9.0	-
Deferred tax	14.2	14.1	0.7%
Decrease in fair value on derivative financial instruments	-	50.7	n.a.
Less:			
Furniture, fixtures and equipment reserve	(11.4)	(11.1)	-2.7%
Increase in fair value of investment properties	(498.8)	(295.8)	68.6%
Increase in fair value on derivative financial instruments	(36.5)	-	n.a.
Distributable income	189.0	209.6	-9.8%

As compared with prior years, when the Great Eagle Group has waived its entitlement to receive distributions for some of its Share Stapled Units held, all of the holdings of Share Stapled Units of Great Eagle Group will be entitled to receive distribution payable from 2018 onward. Hence, Distribution per Share Stapled Unit before and after the impact of distribution waiver will be the same from 2018 onward and will be simply referred to as Distribution per Share Stapled Unit.

In the first half of 2018, distribution per Share Stapled Unit was HK9.0 cents, representing a year-on-year decline of 12.6% when compared with a distribution per Share Stapled Unit after the impact of distribution waiver of HK10.3 cents achieved for the first half of 2017.

Hotel Performance

	Average Daily				Average		RevPAR	
	Rooms		Occupancy		Room Rate		(in HK\$)	
	Available				(in HK\$)		(in HK\$)	
	1H 2018	1H 2017	1H 2018	1H 2017	1H 2018	1H 2017	1H 2018	1H 2017
The Langham, Hong Kong	498	498	90.6%	85.6%	2,270	2,086	2,057	1,787
<i>year-on-year growth</i>			+5.0ppt		+8.8%		+15.1%	
Cordis, Hong Kong	666	661	95.2%	91.6%	1,749	1,590	1,666	1,456
<i>year-on-year growth</i>			+3.6ppt		+10.0%		+14.4%	
Eaton HK	376	465	90.3%	96.9%	1,025	945	925	915
<i>year-on-year growth</i>			-6.6ppt		+8.5%		+1.1%	
Hotel Portfolio	1,540	1,624	92.5%	91.3%	1,742	1,537	1,611	1,402
<i>year-on-year growth</i>			+1.2ppt		+13.3%		+14.9%	

Hong Kong Hotel Markets	Occupancy		Average		RevPAR	
			Room Rate		(in HK\$)	
	1H 2018	1H 2017	1H 2018	1H 2017	1H 2018	1H 2017
High Tariff A	89.0%	84.0%	2,117	2,026	1,884	1,702
<i>year-on-year growth</i>	+5.0ppt		+4.5%		+10.7%	
High Tariff B	91.0%	88.0%	1,125	1,007	1,024	886
<i>year-on-year growth</i>	+3.0ppt		+11.7%		+15.6%	
All Hotels	91.0%	87.0%	1,334	1,234	1,214	1,074
<i>year-on-year growth</i>	+4.0ppt		+8.1%		+13.0%	

For the portfolio as a whole, RevPAR amounted to HK\$1,611 for the first half of 2018, representing a year-on-year growth of 14.9%. The growth in RevPAR was primarily driven by 13.3% increase in average daily rates to HK\$1,742, whereas occupancy increased by 1.2 percentage points to 92.5% during the period. However, given a 5.2% drop in the number of available rooms amid renovation at the Eaton HK, total room revenue of the portfolio rose by 9.0% year-on-year to HK\$449.2 million for the first six months of 2018 and accounted for 59.0% of total revenue of the portfolio.

While F&B at The Langham, Hong Kong and Cordis, Hong Kong grew, it was more than offset by a significant drop in F&B business at Eaton HK, which underwent renovation work in the first half of 2018. Hence, total F&B revenue for the portfolio as a whole dropped by 6.6% year-on-year, which accounted for 38.6% of total revenue.

RevPAR growth of the two High Tariff A hotels, The Langham, Hong Kong and Cordis, Hong Kong was at 15.1% and 14.4% respectively for the first half of 2018. Both are better than the corresponding High Tariff A hotel market, which recorded a growth of 10.7% in RevPAR during the first half of 2018. In addition, these two hotels have maintained higher occupancy rates of 90.6% and 95.2% respectively, as compared with 89.0% of the corresponding High Tariff A market. Eaton HK underperformed the corresponding High Tariff B hotel market with a 1.1% RevPAR growth during the first half of 2018, in which the High Tariff B hotel market saw a 15.6% growth in RevPAR.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	185.4	200.8	63.0	449.2
Food & Beverages	114.5	149.9	29.5	293.9
Others	6.8	8.6	2.6	18.0
Total revenue	306.7	359.3	95.1	761.1

Except for the Eaton HK, which witnessed a decline in arrivals across all geographical markets as the hotel underwent major renovation in the first half of 2018, both The Langham and Cordis witnessed very respectable growth in arrivals during the period. In particular, the Cordis had witnessed an improvement in arrivals across all geographical markets, as its room rates are more affordable in the High Tariff A segment.

For the first six months of 2018 and for the hotel portfolio as a whole, the number of guests from Mainland China rose by 5.8% year-on-year in the first half of 2018 and this market accounted for 36.4% of total arrivals by geographical breakdown. In addition, average room rate increase from Mainland China arrivals was 19.1% in comparison to the first half of 2017.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	+5.8%	+9.2%
% of overnight guests from Mainland China to total arrivals	36.4%	66.5%

Performance of the individual hotels

For **The Langham, Hong Kong**, the Hotel witnessed a growth of 11.1% in arrivals from Mainland China in the first half of 2018 as well as growth in other Asia countries and Europe. F&B revenue for the Hotel rose by 3.7% year-on-year in the first six months of 2018. The increase was driven by growth in business from T'ang Court, which has received the prestigious Michelin three-star rating for the second consecutive year, as well as improved business at the Palm Court. However, banqueting business continued to be soft in the first half of 2018.

At **Cordis, Hong Kong**, in addition to growth of 4.6% in arrivals from Mainland China in the first half of 2018, the hotel witnessed growth from arrivals across all other geographic regions. Revenue from F&B also witnessed growth of 6.1% year-on-year for the first six months of 2018. The increase was due to improved banqueting business in the first half period.

The **Eaton HK's** performance was negatively impacted by large scale renovation at the hotel throughout the first half of 2018. Arrivals from all major geographical countries, including Mainland China, witnessed decline during the period. Revenue from F&B at the Eaton HK, dropped by 53.1% year-on-year in first half of 2018, which was attributable to closure of the majority of its F&B outlets due to major renovation.

OUTLOOK

As there is little sign of a noticeable slowdown in visitor arrivals from Mainland China, growth for Hong Kong hotels' RevPAR is expected to continue, although its pace could become slower as the base for comparison is at a higher level. However, the abrupt weakening of Renminbi against the Hong Kong dollar since May 2018 could rein in the growth of visitor arrivals from Mainland China in the second half of 2018. In addition, elevated tensions over international trade and market volatility in recent months could also weigh on the outlook for global growth. Therefore, we will continue to stay vigilant and be ready to take action in mitigating a potential slowdown in visitor arrivals to Hong Kong.

Going forward, the completion of renovation at the Eaton HK in the second half of 2018 is expected to lay the foundation for high-quality revenue growth in the coming years. We believe the unique positioning of the hotel, which is at the forefront of satisfying guest expectations which are evolving towards a more inclusive and dynamic staying experience, will allow the Eaton HK to gain a first mover advantage in this rapidly shifting trend. However, in the near term, earnings of the hotel portfolio will still be affected during the transitional period as new facilities are ramped up for operation.

The continued improvement of Hong Kong's hotel market will support our hotel's underlying performance in the near term. In addition, we expect ongoing infrastructure improvements like the high speed railway, the accumulation of wealth and rising disposable income in China as structural growth drivers will contribute to support leisure and corporate travel spending in the long term.

FINANCIAL REVIEW

Distributions

Distributable income of the Trust Group for 2018 interim period was HK\$188,985,000, which represents 100% of total distributable income for current period (2017 interim period: HK\$209,576,000 which represents 100% of total distributable income). It is the present policy of the Trust Group to distribute between 90% to 100% of total distributable income to its Holders of Share Stapled Units.

Distribution per Share Stapled Unit for current period was HK9.0 cents (six months ended 30 June 2017: HK10.3 cents, after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 50,000,000 Share Stapled Units pursuant to the Distribution Entitlement Waiver Deed which expired in 2017). Based on the closing Share Stapled Unit price of HK\$3.22 as at 29 June 2018, Distribution per Share Stapled Unit represents an annualised distribution yield of 5.6%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units were HK\$12,899.2 million or HK\$6.15 per Share Stapled Unit as at 30 June 2018 (31 December 2017: HK\$12,411.1 million or HK\$5.94 per Share Stapled Unit) which represents a 91.0% premium to the closing Share Stapled Unit price of HK\$3.22 as at 29 June 2018.

Debt Profile

Total outstanding borrowings of the Trust Group as at 30 June 2018 were HK\$6,910 million (31 December 2017: HK\$6,800 million). The secured term loan of HK\$6,800 million (31 December 2017: HK\$6,800 million) is on a floating-rate interest basis and repayable in full in May 2020. The two revolving loans of HK\$30 million and HK\$80 million drawn were repayable in July 2018 and August 2018 respectively, which may be redrawn in the revolver until maturity of the term loan.

In order to mitigate the interest rate exposure, the Trust Group entered into a four-year interest rate swap transaction of HK\$500 million during the period. In addition to the HK\$3,500 million four-year interest rate swap transactions entered in 2016 and 2017, total HK\$4,000 million or 57.9% of the outstanding borrowings was fixed at a weighted average swap rate of 1.65% p.a.

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

As at 30 June 2018, total gross assets of the Trust Group were HK\$20,233.3 million (31 December 2017: HK\$19,617.9 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of total gross assets, was 34.2% (31 December 2017: 34.7%).

Cash Position

As at 30 June 2018, the Trust Group had a cash balance of HK\$99.4 million (31 December 2017: HK\$101.1 million) to satisfy a portion of asset enhancement of Eaton HK, as well as its working capital and operating requirements. In addition, the Trust Group had unused revolving loan amounting to HK\$290 million as of 30 June 2018.

Pledge of Assets

As at 30 June 2018, investment properties with a fair value of HK\$20,000 million (31 December 2017: HK\$19,373 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 2018, the Trust Group had authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$93,126,000 (31 December 2017: HK\$170,582,000), of which HK\$86,582,000 (31 December 2017: HK\$123,838,000) were contracted for.

Other than 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 HK9.0 cents per Share Stapled Unit (2017: HK10.3 cents) for the six-month period ended 30 June 2018, payable on 28 September 2018 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 13 September 2018.

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, 10 September 2018 to Thursday, 13 September 2018, both days inclusive, during which period no transfer of Share Stapled Units will be registered.

In order to qualify for the 2018 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, 7 September 2018.

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 2018, 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 employee.

COMPLIANCE WITH THE MODEL CODE

The Trustee-Manager and the Company have adopted their 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 had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2018.

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 2018, 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 2018, the total number of issued Share Stapled Units of the Trust and the Company was 2,099,083,438. As compared with the position of 31 December 2017, 10,660,355 new Share Stapled Units were issued during the reporting period as follows:-

Date	Particulars	No. of Share Stapled Units
31 December 2017	Number of issued Share Stapled Units	2,088,423,083
21 February 2018	Issue of new Share Stapled Units at the price of HK\$3.373 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees to the Hotel Manager of approximately HK\$35,957,000 for the second half of 2017	10,660,355
30 June 2018	Number of issued Share Stapled Units	2,099,083,438

SUFFICIENCY OF 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-month period ended 30 June 2018 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 2018 Interim Report will be despatched to Holders of Share Stapled Units and published on the corporate website at www.LanghamHospitality.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk in September 2018.

BOARD OF DIRECTORS

As at the date of this announcement, the Non-executive Directors are Dr. LO Ka Shui (*Chairman*) and Mr. LO Chun Him, Alexander; the Executive Director is Mr. IP Yuk Keung, Albert (*Chief Executive Officer*); and the Independent Non-executive Directors are Professor CHAN Ka Keung, Ceajer, Dr. LIN Syaru, Shirley and Mr. WONG Kwai Lam.

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

Hong Kong, 8 August 2018

**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 2018**

	<u>NOTES</u>	Six Months Ended 30 June <u>2018</u> HK\$'000 (unaudited)	<u>2017</u> HK\$'000 (unaudited) (restated)
Revenue	4	284,637	291,551
Property related expenses		<u>(13,574)</u>	<u>(12,955)</u>
Net Property income		271,063	278,596
Other income		147	1,888
Increase in fair value of investment properties		498,759	295,813
Fair value change on derivative financial instruments		36,530	(50,723)
Trust and other expenses		(6,031)	(5,423)
Finance costs	6	<u>(86,461)</u>	<u>(73,218)</u>
Profit before tax		714,007	446,933
Income tax expense	7	<u>(34,529)</u>	<u>(37,237)</u>
Profit and total comprehensive income for the period attributable to holders of Share Stapled Units	10	<u><u>679,478</u></u>	<u><u>409,696</u></u>
Earnings per Share Stapled Unit			
Basic and diluted	11	<u><u>HK32 cents</u></u>	<u><u>HK20 cents</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST
AND OF THE COMPANY
AT 30 JUNE 2018**

	<u>NOTES</u>	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		23	28
Investment properties		20,000,000	19,373,000
Derivative financial instruments		66,600	28,300
		<u>20,066,623</u>	<u>19,401,328</u>
Current assets			
Debtors, deposits and prepayments	12	67,293	115,491
Bank balances		99,428	101,076
		<u>166,721</u>	<u>216,567</u>
Current liabilities			
Creditors, deposits and accruals	13	69,386	97,362
Secured bank loans due within one year		110,000	-
Tax payable		43,904	23,600
		<u>223,290</u>	<u>120,962</u>
Net current (liabilities) assets		<u>(56,569)</u>	<u>95,605</u>
Total assets less current liabilities		<u>20,010,054</u>	<u>19,496,933</u>
Non-current liabilities			
Secured bank loans due after one year		6,765,597	6,756,597
Deferred tax liabilities		343,416	329,192
Derivative financial instruments		1,846	76
		<u>7,110,859</u>	<u>7,085,865</u>
NET ASSETS		<u>12,899,195</u>	<u>12,411,068</u>
Capital and reserves			
Issued capital/units		2,099	2,089
Reserves		12,897,096	12,408,979
TOTAL EQUITY		<u>12,899,195</u>	<u>12,411,068</u>

NOTES TO THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. GENERAL

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

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

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

2. BASIS OF PRESENTATION AND PREPARATION

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2018 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 2018 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the period ended 30 June 2018 was investment in the Company. Therefore, the condensed consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust Group are identical to the condensed consolidated financial statements of the Group with the only differences being disclosures of capital. The Trustee-Manager and the Directors believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust Group and the Group together. The condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Condensed Consolidated Financial Statements".

2. BASIS OF PRESENTATION AND PREPARATION - continued

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

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

The Trust and the Company's condensed consolidated financial statements have been prepared on a going concern basis because the Trustee-Manager and the Directors of the Company are of the opinion that the Groups will have adequate sources of funding to meet in full its financial obligations, after taking into account the continuous cash flows generated from operating activities, and the availability of undrawn revolving loan facilities amounting to HK\$290,000,000.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Groups' annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The following table summarise the impacts of apply HKFRS 15 on the Groups' condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

For the six months ended 30 June 2018

	<u>As reported</u> HK\$'000	<u>Reclassification</u> HK\$'000	Amount without application of <u>HKFRS 15</u> HK\$'000
Revenue	284,637	41,965	326,602
Service fees	-	(41,965)	(41,965)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs - continued

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers - continued

The effect of the changes in the Groups' accounting policy described above on the results for the previous interim period by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income is as follows:

For the six months ended 30 June 2017

	Originally stated HK\$'000	<u>Reclassification</u> HK\$'000	<u>Restated</u> HK\$'000
Revenue	332,814	(41,263)	291,551
Service fees	(41,263)	41,263	-

In addition to the above effect, there has been no change in earnings per Share Stapled Unit and condensed consolidated statement of financial position.

4. REVENUE

	Six Months Ended 30 June	
	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Rental income from GE (LHIL) Lessee Limited ("Master Lessee")		
Base rent	111,575	111,575
Variable rent	173,020	179,105
	<u>284,595</u>	<u>290,680</u>
Rental income from retail shops in Eaton HK (formerly known as Eaton, Hong Kong)	42	871
	<u>284,637</u>	<u>291,551</u>

Service fees income of HK\$41,965,000 (six months ended 30 June 2017: HK\$41,263,000) has been adjusted against the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee) and has not been recognised as revenue.

5. SEGMENT INFORMATION

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

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

Segment revenue and results

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

Six months ended 30 June 2018

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

5. SEGMENT INFORMATION - continued

Segment revenue and results - continued

Six months ended 30 June 2017

	The Langham, <u>Hong Kong</u> HK\$'000 (unaudited)	Cordis, <u>Hong Kong</u> HK\$'000 (unaudited)	Eaton <u>HK</u> HK\$'000 (unaudited)	Segment <u>Total</u> HK\$'000 (unaudited)	<u>Reconciliation</u> HK'000 (unaudited) (note)	<u>Consolidated</u> HK'000 (unaudited) (restated)
Segment revenue	<u>124,405</u>	<u>144,742</u>	<u>63,667</u>	<u>332,814</u>	<u>(41,263)</u>	<u>291,551</u>
Segment results	<u>103,946</u>	<u>120,542</u>	<u>54,108</u>	<u>278,596</u>	<u>-</u>	<u>278,596</u>
Other income						1,888
Increase in fair value of investment properties						295,813
Fair value change on derivative financial instruments						(50,723)
Trust and other expenses						(5,423)
Finance costs						<u>(73,218)</u>
Profit before tax						446,933
Income tax expense						<u>(37,237)</u>
Profit for the period attributable to holders of Share Stapled Units						<u>409,696</u>

Note: Reconciliation represents adjustment of service fees income of HK\$41,965,000 (six months ended 30 June 2017: HK\$41,263,000) against the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee) that has been adjusted from revenue.

Segment assets and liabilities

For the purpose of performance assessment, other than the fair values of investment properties, no other segment assets are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK were HK\$7,520,000,000, HK\$8,480,000,000 and HK\$4,000,000,000 (31 December 2017: HK\$7,380,000,000, HK\$8,205,000,000 and HK\$3,788,000,000), 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>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	67,089	49,365
Net interest on interest rate swaps	9,831	14,270
Loan front-end fee amortisation	9,000	9,000
Other borrowing costs	541	583
	<u>86,461</u>	<u>73,218</u>

7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax		
- Current period	20,304	23,118
Deferred tax		
- Current period	14,225	14,119
	<u>34,529</u>	<u>37,237</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>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to holders of Share Stapled Units	679,478	409,696
Adjustments:		
Add:		
Depreciation	5	5
Deferred tax	14,225	14,119
Non-cash finance costs	9,000	9,000
Hotel management fees and licence fee payable in form of Share Stapled Units	32,982	33,020
Decrease in fair value of derivative financial instruments	-	50,723
Less:		
Increase in fair value of derivative financial instruments	(36,530)	-
Increase in fair value of investment properties	(498,759)	(295,813)
Reserve for furniture, fixtures and equipment	<u>(11,416)</u>	<u>(11,174)</u>
Total distributable income	<u>188,985</u>	<u>209,576</u>

9. DISTRIBUTION STATEMENT

	<u>NOTE</u>	Six Months Ended 30 June <u>2018</u> HK\$'000 (unaudited)	<u>2017</u> HK\$'000 (unaudited)
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June 2018 (Six months ended 30 June 2017: in respect of the six months ended 30 June 2017)	8	188,985	209,576
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for interim distribution period		<u>188,985</u>	<u>209,576</u>
Interim distribution (note c)		<u>188,985</u>	<u>209,576</u>
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December 2017 (Six months ended 30 June 2017: in respect of the financial year ended 31 December 2016)		437,200	501,387
Less: distributable income paid for interim distribution period (note d)		<u>(209,958)</u>	<u>(230,165)</u>
Distributable income available for final distribution period		227,242	271,222
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for final distribution period		<u>227,242</u>	<u>271,222</u>
Final distribution (note c)		<u>227,242</u>	<u>271,222</u>
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit to be paid (note d)		<u>HK\$0.090</u>	<u>HK\$0.103</u>
Final distribution per Share Stapled Unit paid (note d)		<u>HK\$0.111</u>	<u>HK\$0.138</u>

9. DISTRIBUTION STATEMENT - continued

Notes:

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

The final distribution in 2017 is based on total distributable income for the year ended 31 December 2017.

The interim distribution in 2017 is based on total distributable income for the six months ended 30 June 2017.

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

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

The final distribution after 31 December 2017 has not been recognised as a liability as at 31 December 2017.

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

- (d) The interim distribution

The interim distribution per Share Stapled Unit of HK\$0.090 in 2018 is calculated based on the interim distribution of HK\$188,985,000 for the period and 2,099,083,438 Share Stapled Units as at 30 June 2018. The interim distribution will be paid to holders of Share Stapled Units on or before 28 September 2018.

The interim distribution per Share Stapled Unit of HK\$0.103 in 2017 is calculated based on the interim distribution of HK\$209,576,000 for the period and 2,028,796,339 Share Stapled Units after taking into account of the 50,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 30 June 2017. In consideration of 9,626,744 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 30 June 2017 on 24 August 2017, the number of Share Stapled Units entitled for the interim distribution in 2017 had been adjusted to be 2,038,423,083. Total distribution of HK\$209,958,000 in respect of 2017 interim distribution period was paid to holders of Share Stapled Units on 29 September 2017. Without such waiver, the interim distribution per Share Stapled Unit would be HK\$0.101 in 2017.

9. DISTRIBUTION STATEMENT - continued

Notes: - continued

(d) - continued

The final distribution

The final distribution per Share Stapled Unit of HK\$0.111 in 2017 is calculated based on the distributable income available for final distribution period of HK\$227,242,000 and 2,038,423,083 Share Stapled Units after taking into account of the 50,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 31 December 2017. In consideration of the issue of 10,660,355 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2017 on 21 February 2018, the number of Share Stapled Units entitled for the final distribution in 2017 had been adjusted to be 2,049,083,438. Total distribution of HK\$227,448,000 in respect of 2017 final distribution period was paid to holders of Share Stapled Units on 16 May 2018. Without such waiver, the final distribution per Share Stapled Unit would be HK\$0.109 in 2017.

The final distribution per Share Stapled Unit of HK\$0.138 in 2016 is calculated based on the distributable income available for final distribution period of HK\$271,222,000 and 1,967,226,456 Share Stapled Units after taking into account of the 100,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 31 December 2016. In consideration of 11,569,883 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2016 on 1 March 2017, the number of Share Stapled Units entitled for the final distribution in 2016 had been adjusted to 1,978,796,339. Total distribution of HK\$273,074,000 in respect of 2016 final distribution period was paid to holders of Share Stapled Units on 19 May 2017. Without such waiver, the final distribution per Share Stapled Unit would be HK\$0.131 in 2016.

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

	Six Months Ended 30 June	
	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)	2,633	2,415
Depreciation	5	5
Interest income	<u>(136)</u>	<u>(1,489)</u>

11. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT

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

	Six Months Ended 30 June	
	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period for the purposes of basic and diluted earnings per Share Stapled Unit	<u>679,478</u>	<u>409,696</u>
	<u>2018</u>	<u>2017</u>
	'000	'000
	(unaudited)	(unaudited)
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	<u>2,101,200</u>	<u>2,080,028</u>

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June <u>2018</u> HK\$'000 (unaudited)	At 31 December <u>2017</u> HK\$'000 (audited)
Trade debtor	59,835	106,168
Deferred rent receivable	31	-
Other debtor	-	152
Interest receivable	13	-
Deposits and prepayments	<u>7,414</u>	<u>9,171</u>
	<u>67,293</u>	<u>115,491</u>

Receivable from Master Lessee is 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>2018</u> HK\$'000 (unaudited)	At 31 December <u>2017</u> HK\$'000 (audited)
0 - 3 months	<u>59,835</u>	<u>106,168</u>

Trade debtor is an amount due from a fellow subsidiary of HK\$59,835,000 (31 December 2017: HK\$106,168,000) which is unsecured, interest-free and payable on presentation of invoices. Included in deposits and prepayments is an amount due from a fellow subsidiary of HK\$331,000 (31 December 2017: nil) which is unsecured and interest-free.

Deposits and prepayments mainly consist of deposits paid to contractors for hotels renovation. At 31 December 2017, other debtor represented amount due from a fellow subsidiary of HK\$152,000 which was unsecured, interest-free and payable on presentation of invoices.

13. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June <u>2018</u> HK\$'000 (unaudited)	At 31 December <u>2017</u> HK\$'000 (audited)
Trade creditors	35,653	37,800
Deposits received	269	-
Other creditors	30	6,083
Construction fee payable	25,432	44,259
Accruals and other payables	<u>8,002</u>	<u>9,220</u>
	<u><u>69,386</u></u>	<u><u>97,362</u></u>

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

	At 30 June <u>2018</u> HK\$'000 (unaudited)	At 31 December <u>2017</u> HK\$'000 (audited)
0 - 3 months	18,258	23,590
3 - 6 months	<u>17,395</u>	<u>14,210</u>
	<u><u>35,653</u></u>	<u><u>37,800</u></u>

Trade creditors are amounts due to fellow subsidiaries of HK\$35,653,000 (31 December 2017: HK\$37,800,000) which are unsecured, interest-free and payable on presentation of invoices. Included in construction fee payable are amounts due to fellow subsidiaries of HK\$1,959,000 (31 December 2017: nil) which are unsecured, interest-free and payable on presentation of invoices.

Other creditors, accruals and other payables mainly consist of interest payable. At 31 December 2017, included in other creditors were amounts due to fellow subsidiaries of HK\$6,082,000 which were 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 2018**

	<u>NOTE</u>	Six Months Ended 30 June <u>2018</u> HK\$ (unaudited)	<u>2017</u> HK\$ (unaudited)
Revenue		-	-
Administrative expenses		(11,957)	(10,357)
Less: Amount borne by a fellow subsidiary		<u>11,957</u>	<u>10,357</u>
Profit or loss before tax		-	-
Income tax	4	<u>-</u>	<u>-</u>
Profit or loss and other comprehensive income/expense for the period		<u><u>-</u></u>	<u><u>-</u></u>

CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 30 JUNE 2018

	At 30 June <u>2018</u> HK\$ (unaudited)	At 31 December <u>2017</u> HK\$ (audited)
Current asset		
Cash on hand	1	1
NET ASSET	<u>1</u>	<u>1</u>
Capital		
Share capital	1	1
TOTAL EQUITY	<u>1</u>	<u>1</u>

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 dollar, 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 2017 that is included in these condensed financial statements as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

2. BASIS OF PREPARATION - continued

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

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

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 2018 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017.

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

The application of new 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.