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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)

2019 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 2019 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	1H2019	1H2018	Change
Revenue of hotel portfolio	810.2	761.1	6.5%
Total Rental Income for the Trust Group	295.5	284.6	3.8%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	137.3	144.2	-4.8%
Distributable Income	184.6	189.0	-2.3%
Distributions per Share Stapled Unit	HK8.7 cents	HK9.0 cents	-3.3%
As at	30 Jun 2019	31 Dec 2018	30 Jun 2018
Gross Value of Hotel Portfolio (in HK\$ million)	20,180	20,177	20,000
Net Asset Value per Share Stapled Unit	HK\$6.04	HK\$6.14	HK\$6.15
Gearing Ratio	34.4%	34.2%	34.2%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hotel Performance

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

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

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

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

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

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

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	+12.4%	+11.0%
% of overnight guests from Mainland China to total arrivals	39.3%	68.6%

Performance of the individual hotels

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

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

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

OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Distributions

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

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

Net Assets Attributable to Holders of Share Stapled Units

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

Debt Profile

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

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

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

As at 30 June 2019, total gross assets of the Trust Group were HK\$20,332.5 million (31 December 2018: HK\$20,366.2 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of total gross assets, was 34.4% (31 December 2018: 34.2%).

Cash Position

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

Pledge of Assets

As at 30 June 2019, investment properties with a fair value of HK\$20,180 million (31 December 2018: HK\$20,177 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure a HK\$7,200 million term and revolving loan facilities granted to the Trust Group.

Commitments

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

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

INTERIM DISTRIBUTION

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

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

CLOSURE OF REGISTERS

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Monday, 9 September 2019 to Thursday, 12 September 2019, both days inclusive, during which period no transfer of Share Stapled Units will be registered.

In order to qualify for the 2019 interim distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 6 September 2019.

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 2019, 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 2019.

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

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

During the six-month period ended 30 June 2019, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

ISSUED SHARE STAPLED UNITS

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

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

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 2019 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 2019 Interim Report will be despatched to Holders of Share Stapled Units and published on the Company's website at www.langhamhospitality.com and the HKEXnews website at www.hkexnews.hk in September 2019.

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. Brett Stephen BUTCHER (*Chief Executive Officer*); and the Independent Non-executive Directors are Professor CHAN Ka Keung, Ceajer, Professor 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, 7 August 2019

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME OF THE TRUST AND OF THE COMPANY**
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST
AND OF THE COMPANY**
AT 30 JUNE 2019

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

NOTES TO THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL

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

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

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

2. BASIS OF PRESENTATION AND PREPARATION

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2019 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2019 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the period ended 30 June 2019 was an investment in the Company. Therefore, the condensed consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust Group are identical to the condensed consolidated financial statements of the Group with the only differences being disclosures of capital. The Trustee-Manager and the Directors believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust Group and the Group together. The condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Condensed Consolidated Financial Statements".

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 banking facilities could be refinanced taking into account of the existing banking relationship and the current fair value of the assets of the Groups.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to HKFRSs

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

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

3. PRINCIPAL ACCOUNTING POLICIES - continued

The Groups have applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations. In accordance with the transition provisions of HKFRS 16, the Groups apply the short-term lease recognition exemption to leases of office premises and car parks that have a remaining lease term of 12 months or less from the date of initial application and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The application of the new and amendments to HKFRSs in the current period has had no material impact on the Groups' financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

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

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

5. SEGMENT INFORMATION

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

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

Segment revenue and results

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

Six months ended 30 June 2019

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

5. SEGMENT INFORMATION - continued

Segment revenue and results - continued

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

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

Segment assets and liabilities

For the purpose of performance assessment, other than the fair values of investment properties, no other segment assets are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK were HK\$7,525,000,000, HK\$8,500,000,000 and HK\$4,155,000,000 respectively (31 December 2018: HK\$7,550,000,000, HK\$8,515,000,000 and HK\$4,112,000,000 respectively).

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	<u>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax		
- Current period	18,874	20,304
Deferred tax		
- Current period	15,404	14,225
	<u>34,278</u>	<u>34,529</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>2019</u>	<u>2018</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to holders of Share Stapled Units	37,542	679,478
Adjustments:		
Add:		
Depreciation	4	5
Deferred tax	15,404	14,225
Non-cash finance costs	9,000	9,000
Hotel management fees and licence fee payable in form of Share Stapled Units	35,026	32,982
Decrease in fair value of derivative financial instruments	24,795	-
Decrease in fair value of investment properties	74,951	-
Less:		
Increase in fair value of derivative financial instruments	-	(36,530)
Increase in fair value of investment properties	-	(498,759)
Reserve for furniture, fixtures and equipment	<u>(12,153)</u>	<u>(11,416)</u>
Total distributable income	<u>184,569</u>	<u>188,985</u>

9. DISTRIBUTION STATEMENT

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

9. DISTRIBUTION STATEMENT - continued

Notes:

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

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

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

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

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

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

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

- (d) Interim distribution

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

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

9. DISTRIBUTION STATEMENT - continued

Notes: - continued

(e) Final distribution

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

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

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

	Six Months Ended 30 June	
	<u>2019</u>	<u>2018</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)	2,407	2,493
Share-based payment expenses (Note a)	146	140
Depreciation	4	5
Interest income	(57)	(136)
	<u> </u>	<u> </u>

Note:

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

11. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT

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

	Six Months Ended 30 June <u>2019</u> HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Earnings		
Profit for the period for the purposes of basic and diluted earnings per Share Stapled Unit	<u>37,542</u>	<u>679,478</u>
	Six Months Ended 30 June <u>2019</u> '000 (unaudited)	2018 '000 (unaudited)
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	<u>2,123,653</u>	<u>2,101,200</u>

12. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

12. DEBTORS, DEPOSITS AND PREPAYMENTS - continued

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

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

13. CREDITORS, DEPOSITS AND ACCRUALS

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

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

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

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

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

14. EVENT AFTER THE END OF THE REPORTING PERIOD

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

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
OF LHIL MANAGER LIMITED**
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	<u>NOTE</u>	Six Months Ended 30 June <u>2019</u> HK\$ (unaudited)	<u>2018</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>
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 2019

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

1. GENERAL

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

The 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 2018 that is included in these condensed financial statements as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

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 the Company has not done so.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018.

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

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

4. INCOME TAX

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