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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)

2013 ANNUAL 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 audited consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “**Trust Group**”) for the year ended 31 December 2013 as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Langham Hospitality Investments was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 May 2013. The assets of the Trust Group are comprised by a portfolio of three high quality hotels located in Hong Kong’s prime shopping and commercial areas, which provides investors with unique exposures to the Hong Kong hospitality market. The Trust Group is listed as a fixed single investment trust structure. It focuses principally on providing investors with distributions from a regular income stream. Our distribution policy is to pay out 100% of Trust Distributable Income for the period until December 2015 and not less than 90% for any period thereafter.

For the reporting period from 30 May 2013 (date of listing) to 31 December 2013, net profit, which included a gain on fair value change of investment properties amounting to HK\$25.5 million, was HK\$272.4 million and distributable income was HK\$348.8 million, which exceeded the forecast as disclosed in our initial public offering prospectus by 18.4% and 3.2% respectively. Should the gain on fair value change of investment properties be excluded, net

profit would have been HK\$246.9 million, and would exceed the forecast in our prospectus by 7.3%. The gain on fair value change of investment properties would not have an impact on distributions as it is a non-cash item. Our performance was achieved notwithstanding a softening to forecasted demand for the high end hotel sector in Hong Kong. Specifically, while Hong Kong's high end hotels recorded a drop in RevPARs of 1.9% and 4.3% for High Tariff A and High Tariff B hotels respectively in 2013, our hotel portfolio delivered growth in RevPAR of 3% in 2013.

Our hotel portfolio saw growth in both occupancy and average room rates in 2013. Weaker performing long haul and other Asian arrivals were offset by the continuing growth of arrivals from Mainland China.

Despite the relatively sound performance of the Trust Group's hotel portfolio, total rental revenue and net property income achieved over the reporting period came in slightly less than our forecast. It should be noted that the performance of the Hong Kong high end hotel sector was more robust in the early part of 2013 than in the latter, whereas our forecast on the performance of the hotels was primarily based on the momentum witnessed in the early part of 2013. The small negative variance at the net property income level was offset by lower than forecast finance and operating expenses incurred for the Trust Group. Overall, net profit excluding fair value change on investment properties and distributable income was 7.3% and 3.2% higher than the forecast respectively. On a 100% distribution policy and before distributions waived by the Great Eagle Group, distribution per Share Stapled Unit is HK17.4 cents. After the waiver of distributions, distribution per Share Stapled Unit is HK18.8 cents.

In spite of the economic volatility over the global financial markets in the second half of 2013, we saw this volatility as having little impact on the long term fundamentals of the Hong Kong high end hotel sector. The initiatives adopted by China to reform its economy towards a heavier reliance on domestic consumption as well as the implementation of further social and economic reforms should lead to the rise of disposable income in China. As a consequence, the Hong Kong high end hotel sector will benefit from such long term structural change. Hong Kong's position as the leading destination city for China's outbound travelers will continue to be supported with planned infrastructure projects and further expansion of existing projects such as the cruise terminal at Kai Tak. Lastly, the low number of planned additional new hotels between 2014 to at least 2016 will support the performance of the Hong Kong high end hotel sector.

Apart from organic growth, the operational performances of our hotels should be further optimized through planned asset enhancements. Furthermore, we are looking for the right opportunity to deploy our acquisition strategy to grow the value of the Trust Group. Therefore, our management has been constantly evaluating new investment opportunities to augment its portfolio by focusing on the quality of the properties, strength of the underlying operations, potential for capital appreciation as well as potential for increasing value through improved

property, revenue and yield management.

OPERATIONAL REVIEW

Although the financial figures for the reporting period were compiled from 30 May 2013 (the date of listing) to 31 December 2013, the operational performances of the hotels were based on a twelve-month period from 1 January to 31 December of 2013 so as to produce a more meaningful comparative analysis.

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

For the financial period of 216 days from 30 May 2013 to 31 December 2013, total rental income was HK\$471.8 million. Base rental income was HK\$133.1 million, variable rental income was HK\$335.7 million and rental income from the retail shops at the Eaton, Hong Kong was HK\$3.0 million. Hotels under the Trust Group's had performed well. As a result, HK\$335.7 million of variable rental income translated to 71.2% of total rental income received by the Trust Group.

	(in HK\$ mil)
	30 May 2013 – 31 Dec 2013
Variable rental income (70% of the hotels' aggregate gross operating profit before deduction of global marketing fees)	335.7
Base rental income (prorated based on HK\$225 million per annum)	133.1
Rental income from the retail shops at Eaton, Hong Kong	<u>3.0</u>
Total Rental Income to the Trust Group	<u>471.8</u>

In relation to operating expenses, service fees represented the biggest proportion to the total amount, which comprise hotel management fees, license fees and global marketing fees. It should be noted that the hotel management fees and licence fees will be paid in the form of Share Stapled Units until the end of 2017. Thereafter, the hotel manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both.

	(in HK\$ mil)
	30 May 2013 – 31 Dec 2013
Hotel Management Fees (comprises a base fee calculated at 1.5% of the total hotel revenue and an incentive fee calculated at 5% of the adjusted gross operating profit of the hotels)	37.1
Licence Fees (1% of the total revenue of the hotels)	10.0
Global Marketing Fees (2% of the total room revenue of the hotels)	<u>11.6</u>
Total service fees	58.7

In addition to service fees, other property related expenses such as office rental, property taxes and rates, building management fee and insurances were borne by the Trust Group and amounted to HK\$18.7 million during the reporting period.

	(in HK\$ mil)
	30 May 2013 – 31 Dec 2013
Total rental income	471.8
Property related expenses	(18.7)
Service fees	<u>(58.7)</u>
Net property income	394.4

Both total rental income and net property income were slightly below forecast due to a weaker than expected RevPAR performance.

As the Trust Group is internally managed, no asset management fee is paid. Finance costs, which are, the bulk of the expenses after net property income was HK\$76.8 million for the reporting period. The lower than our forecast finance costs incurred was due to the persistently low short term interest rates in Hong Kong, which were lower than what we had factored in our forecast.

In addition to finance costs, trust and other expenses, came to HK\$42.8 million, of which, HK\$34.7 million was attributable to listing expenses, whilst the remaining were primarily attributable to administration expenses for the Trust Group. The listing expenses of HK\$34.7 million were paid by the proceeds from initial public offering and did not have an impact on distributions. Administration expenses incurred during the reporting period were less than what we had factored in our forecast, given lower than expected administrative expenses incurred by the Trust Group, and a delay in take up on part of its office space requirement to 2014. As both

the finance cost and administration expenses incurred during the reporting period were less than our forecast, positive variances arising from these items offset the negative variance at the net property income level. Furthermore, other income amounting to HK\$9.6 million including interest income and exchange gain in relation to our Renminbi deposits, and an increase in fair value change of investment properties amounting to HK\$25.5 million that had not been included in our forecast were added to the Trust Group's profit. These items also helped to deliver a better than forecast profit for the Trust Group.

	(in HK\$ mil)
	30 May 2013 – 31 Dec 2013
Net Property Income	394.4
Other income (majority are interest income)	9.6
Change in fair value of investment properties	25.5
Finance costs	(76.8)
Trust and other expenses (Of which, HK\$34.7 million are listing expenses)	<u>(42.8)</u>
Profit before tax	309.9
Income tax expense	(37.5)
Profit attributable to Holders of Share Stapled Units	<u>272.4</u>

The income tax expense incurred by the Trust Group over the reporting period was HK\$37.5 million, making profit attributable to holders of Share Stapled Units amounting to HK\$272.4 million for the reporting period. This profit attributable to holders of Share Stapled Units exceeded the net profit forecast stated in the initial offering prospectus by 18.4%. Net profit excluding the impact from the fair value change of investment properties would have exceeded net profit forecast by 7.3%.

To derive the Trust Group's distributable income, non-cash items are added back to profit. These items include hotel management and licence fees paid in units, amortisation of debt upfront fee, deferred taxation and adjustment on listing expenses that is paid by proceeds from the initial public offering. However, there are also deduction adjustments, which are non-cash net exchange gain and gain on fair value change of investment properties, as well as cash contribution to the furniture, fixtures and equipment reserve, which is based on 1.5% of total revenue of the hotels. Overall, distributable income of the Trust Group amounted to HK\$348.8 million.

(in HK\$ mil)
30 May 2013 –
31 Dec 2013

Profit attributable to Holders of Share Stapled Units	272.4
Adjustments:	
Add:	
Hotel Management Fees (Base, incentive fees paid in units)	37.1
Licence Fees	10.0
Amortisation of Debt Upfront Fee, i.e. a non-cash finance costs	20.0
Listing expenses (settled by proceeds from the initial public offering)	34.7
Deferred tax	19.5
Less:	
Cash contribution to furniture, fixtures and equipment reserve	(15.0)
Change in fair value of investment properties	(25.5)
Non-cash net exchange gain	(4.4)
Distributable income	348.8

Distribution per Share Stapled unit is HK17.4 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver is HK 18.8 cents for the period from the listing date to 31 December 2013. The purpose of the distribution waiver is to minimize the dilution impact on the yield of the Trust Group, as additional Share Stapled Units were issued at the time of the initial public offering. The majority of the additional funds raised were set aside for asset enhancements of the hotels.

As at the end of 2013, the Trust Group's property portfolio has undergone a revaluation on a market value basis and recorded a revaluation gain of HK\$25.5 million as compared with the portfolio valuation on 30 June 2013. Vigers Appraisal and Consulting Limited, an independent firm, has arrived at a market valuation of the property portfolio of HK\$16,696 million.

As at 31 December 2013, net debt was approximately HK\$6,048 million, i.e. a gross debt of HK\$6,800 million offset by cash of HK\$752 million. The debt, which was drawn to finance the acquisition of the hotel properties, will become mature on 29 May 2016. At 31 December 2013, the net gearing ratio of the Trust Group was 38.7% and debt service coverage ratio was approximately 5 times.

A large portion of the cash balance of HK\$752 million arose from the initial public offering. As the enhancement works are still at the design stage, the majority of the cash has been placed in Renminbi deposits bearing higher interests, resulting in HK\$5.2 million of additional interest income and HK\$4.4 million of exchange gain. Through targeted and strategically deployed asset enhancement expenditures, we believe the operating performances of the portfolio will be further improved, leading to accretive distributions to Holders of Share Stapled Units, which also serve to enhance the value of the hotels.

Hotels performance

Although the financial performance referred to above was compiled from the listing date to 31 December 2013, it should be noted that the following discussion on the operational performances of the hotels was based on a twelve-month period from 1 January to 31 December of 2013. The comparisons were based on a twelve-month period so as to minimize distortions arising from seasonality and thus provided a more meaningful comparative operational performances analysis of the hotels.

	Average Daily Rooms Available		Occupancy		Average Daily Room Rate (in HK\$)		RevPAR (in HK\$)	
	2013	2012	2013	2012	2013	2012	2013	2012
The Langham, Hong Kong	495	495	88.9%	86.1%	2,266	2,239	2,013	1,927
<i>year-on-year growth</i>			<i>+2.8ppt</i>		<i>+1.2%</i>		<i>+4.5%</i>	
Langham Place Hotel, Hong Kong	652	653	90.7%	89.2%	1,883	1,866	1,707	1,665
<i>year-on-year growth</i>			<i>+1.5ppt</i>		<i>+0.9%</i>		<i>+2.5%</i>	
Eaton, Hong Kong	452	445	95.1%	94.9%	1,208	1,198	1,149	1,138
<i>year-on-year growth</i>			<i>+0.2ppt</i>		<i>+0.8%</i>		<i>+1.0%</i>	
Hotels average	533	531	91.5%	90.1%	1,786	1,768	1,623	1,576
<i>year-on-year growth</i>			<i>+1.4ppt</i>		<i>+1.0%</i>		<i>+3.0%</i>	

	Occupancy		Average Daily Room Rate (in HK\$)		RevPAR (in HK\$)		
	2013	2012	2013	2012	2013	2012	
Hong Kong Hotel Markets							
High Tariff A		86.0%	85.0%	2,382	2,457	2,049	2,088
<i>year-on-year growth</i>		<i>+1.0ppt</i>		<i>- 3.1%</i>		<i>- 1.9%</i>	
High Tariff B		89.0%	91.0%	1,201	1,228	1,069	1,117
<i>year-on-year growth</i>		<i>-2.0ppt</i>		<i>-2.2%</i>		<i>- 4.3%</i>	

When compared with 2012, all three hotels recorded positive year-on-year growth in RevPAR for 2013, and the growth achieved by the hotels outperformed their respective High Tariff A and High Tariff B hotels. Average occupancy of the hotel portfolio was 91.5% with the fourth quarter of 2013 being particularly strong with average occupancy at 95.1%. Average room rates for 2013 were HK\$1,786, which resulted in a RevPAR of HK\$1,623 for 2013, and translated to a year-on-year RevPAR growth of 3%.

Despite the outperformance of the hotels against their respective markets, gross revenue achieved by the hotels was below our forecast. The slightly less than expected performance was due to weakness in the long haul markets such as North America and Australia and also some sluggishness in Asia markets such as Japan. The slowdown in arrivals from some of these markets was in part due to the significant weakening of their currencies against the Hong Kong dollar, as well as increased economic volatilities in some of the emerging markets.

However, as a result of the focus on diversified guest segments, our hotels were able to adjust their guest mix towards markets that continued to show growth over 2013. As such, the hotel manager made a conscious decision to drive more arrivals from Mainland China in 2013. Arrivals from Mainland China to our hotel portfolio grew 27.4% year-on-year as compared with 13.1% growth from Mainland China for the broader overnight visitors registered by the Hong Kong Tourism Board. Even after the move to accommodate more arrivals from China, they only accounted for 27.3% of our total geographical arrivals.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in visitors from China	+27.4%	+13.1%
% of overnight arrivals from China to total arrivals	27.3%	66.6%

With the improvement in RevPARs, comparable adjusted gross operating margins of hotels also improved in 2013, which reflected the hotel manager's effectiveness at translating incremental revenues into bottom line profits.

Although all hotels had more visitors from Mainland China to support RevPAR growth, each hotel has its own set of opportunities and challenges and each hotel has its own set of strategies to help them achieve their RevPAR growth:

The Langham, Hong Kong witnessed softer demand from Europe, Australia and Japan. The softer demand from Australia and Japan was due to the depreciation of their currencies, which had depreciated markedly in 2013. Nonetheless, The Langham, Hong Kong continued to drive more business from individual tourist arrivals from Mainland China, and saw some rebound in travelers from the U.S. Therefore, The Langham, Hong Kong was able to achieve a 4.5% growth in RevPAR in 2013, and outperformed the overall High Tariff A hotel market in 2013.

For the year 2013, its occupancy increased by 2.8 percentage points in 2013 to 88.9% (2012: 86.1%) while average room rate increased 1.2% year-on-year to HK\$2,266 (2012: HK\$2,239). At The Langham, Hong Kong, revenue from food and beverage rose 3% year-on-year in 2013 and was mainly driven by a higher average check as well as an overall improvement in the catering business. However compared with the growth seen in the first half of the year, business from banqueting business was weaker in the second half. It was also worth noted that in 2013, the T'ang Court reclaimed its two-star Michelin rating.

Langham Place Hotel, Hong Kong saw a decline in demand for rooms from Australia and Japan and also witnessed softer demand from some other long haul markets. Despite of these shortfalls, the hotel shifted its focus to accommodate a larger proportion of leisure travelers from Mainland China, as well as other Asian markets, resulting in an occupancy of 90.7% in 2013. For the year 2013, occupancy increased by 1.5 percentage points to 90.7% (2012: 89.2%) while average room rate increased 0.9% year-on-year to HK\$1,883 (2012: HK\$1,866).

For Langham Place Hotel, Hong Kong, revenue from food and beverage saw a 2% year-on-year growth. Given the slow pick up in wedding banquets in the second half of 2013, the hotel accommodated more corporate and social catering events. Nonetheless, business at the refurbished Michelin-starred Ming Court Chinese restaurant gained momentum with revenue at the restaurant having reached pre-refurbishment levels.

Among the three Trust hotels, **Eaton, Hong Kong** accommodated most of the newly added travelers arrivals from Mainland China. Other than the growth in arrivals from Mainland China, with its family rooms and the positioning of the hotel towards budget travelers, the hotel also attracted arrivals from some European countries like Germany and Spain. With completion of the renovations on approximately one-fifth of the guest rooms in the second half of 2013, the new rooms helped to increase the competitiveness of the hotel, and underpinned further growth in its market share.

Revenue from food and beverage rose 2% year-on-year in 2013 for Eaton, Hong Kong, mainly from improved business at the restaurants, given increased number of guests.

For the year 2013, the hotel achieved average occupancy of 95.1% on an average of 452 rooms (2012: 94.9% on an average of 445-rooms) and an average room rate of HK\$1,208 (2012: HK\$1,198).

OUTLOOK

While the current outlook for the global economy continues to remain fragile and uncertain, 2014 has begun on a positive note for the Trust Group. RevPAR for the portfolio has increased year-on-year in the first six weeks of 2014. Given such a positive start, we are cautiously optimistic in our outlook for the performance of the hotel portfolio in 2014. As of to-date, the hotels are witnessing encouraging booking pace although the forward booking window is short. Given little visibility on future demand, macroeconomic trends of the major feeder markets will still play a key role in determining RevPAR growth for the Hong Kong hotels in 2014. Nonetheless, we are optimistic about the long term resilience of the Hong Kong high end hotel sector, especially for the prime locations where our hotels are located.

In the near term, asset enhancement initiatives such as the renovation of the lobby at Eaton, Hong Kong and rooms at The Langham, Hong Kong will enable the hotels to further strengthening their high end market positioning and help them to command better room rates. In the long term, our goal is to grow the size of the portfolio with the backing of the Great Eagle Group given the right of first refusals arrangement, and we will also be actively seeking acquisitions from third parties that can either be yield accretive to the Trust Group or assets that possess strong long term growth prospects potential.

FINANCIAL REVIEW

As at the date of listing, there were a total of 2,000,000,000 issued Share Stapled Units. The issue price per Share Stapled Unit was HK\$5.00. Equity capital raised amounted to approximately HK\$10,000 million (including Share Stapled Units to Great Eagle, before issuing expenses), which together with the HK\$6,800 million of bank financing were applied towards acquisition of the hotels, payment of the costs and expenses of the Global Offering and debt related expenses.

Distributions

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

The total distributable income of the Trust Group for the period was HK\$348,753,000. It is the intention of the Directors to distribute 100% of total distributable income in respect of the period from the date of listing to 31 December 2013 and each financial year ending 31 December 2014 and 2015 and not less than 90% of total distributable income in respect of each financial year thereafter.

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

The Distribution per Share Stapled Units for the period was HK18.8 cents (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 150,000,000 Share Stapled Units). This represents an annualized distribution yield of 8.54% based on the closing Share Stapled Unit price of HK\$3.72 as at 31 December 2013.

Hotel Properties

Upon listing, the hotel properties with a carrying book value of HK\$4,063 million were re-classified as investment properties due to change in use from hotel operations to rental earnings. At the date of change, the fair value of the properties was HK\$16,661 million, the excess of fair value over the carrying value amounted to HK\$12,598 million was credited to the property revaluation reserve. As at 31 December 2013, the fair value of the properties was HK\$16,696 million, the increase in fair value from the date of listing to the end of the reporting period was recognized in the Statement of Profit or Loss.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$10,670 million or HK\$5.33 per Share Stapled Unit as at 31 December 2013 which represented a 43.3% premium to the closing Share Stapled Unit price of HK\$3.72 as at 31 December 2013.

Debt Profile

A secured term loan facility of HK\$6,800 million was drawn on the date of listing and remained outstanding as at 31 December 2013. The secured term loan is on a floating-rate interest basis and repayable in full on 29 May 2016. The Trust Group will closely monitor interest rate movements and may, depending on market conditions, consider fixing the interest rate on part or all of the debt.

As at 31 December 2013, total gross assets of the Trust Group were HK\$17,583 million. The gearing ratio, calculated as total borrowings as a percentage of gross assets, was 38.7%.

Cash Position

As at 31 December 2013, the Trust Group had a cash balance of HK\$752 million to satisfy its working capital and operating requirements.

Pledge of Assets

As at 31 December 2013, investment properties of the Trust Group with a fair value of HK\$16,696 million, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure the banking facilities granted to the Trust Group.

Commitments

At 31 December 2013, the Trust Group had capital expenditures in respect of authorised hotel renovation expenditure amounting to HK\$20,028,000 of which HK\$8,169,000 were contracted for.

CORPORATE SOCIAL RESPONSIBILITY

We believe that corporate social responsibility creates enduring values for the Company as well as its stakeholders. The Hotel Manager has in place the corporate social responsibility programme CONNECT in the Hotels with the four key sustainability values – Environment, Community, Colleagues and Governance. CONNECT forms the framework to address those corporate social responsibility areas that are most relevant to the Hotels' business.

The commitment to protecting the environment is integrated into the operations of the Hotels. EarthCheck provides one of the best environmental management systems in use by the travel and tourism industry for the benchmarking and certification of their operational practices. All of the three Hotels indirectly owned by the Company in Hong Kong are certified to the EarthCheck Silver level, and Langham Place Hotel, Hong Kong is accredited with an ISO 14001 certification.

Moreover, each of the Hotels has been recognized as a Caring Company for over five years and has been working with local community partners through various employee community services, donations, visits, free or in-kind sponsorships, and on-going partnership programmes. In 2013, the Hotels' colleagues served a total of 2,512 hours of community services and volunteering efforts.

Colleagues are the most important assets for a successful organization. The Hotel Manager and the Hotels are mindful of the health and safety obligations to colleagues, and various occupational health and safety trainings are delivered regularly to the colleagues. It is the Hotels' commitment to provide suitable career and training opportunities for their colleagues, and the average number of training hours per colleague in the Hotels was approximately 30 hours in 2013.

Lastly, through the Hotel Manager, we are committed to maintaining good corporate governance and business integrity in all the business activities of the Hotels. The Code of Conduct sets out the basic standard of behaviour expected of all colleagues in connection with their official duties. The Code of Conduct and other relevant standard operating procedures are reviewed from time to time to ensure on-going commitment to ethical behaviour and good governance.

EMPLOYEES

The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated to providing services to the Hotels. When compared to the figure as at 30 June 2013, the total number of employees of the Hotels increased by approximately 3.4% to 1,398. The change was mainly attributable to the increase in employees in the rooms, and food and beverage operations. The following tables show the breakdown of the employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels as at 31 December 2013:

Hotel	Number of Employees
The Langham, Hong Kong	476
Langham Place Hotel, Hong Kong	577
Eaton, Hong Kong	345
Total	1,398

Function	Number of Employees
Rooms	455
Food and beverage	577
Sales and marketing	73
Others	293
Total	1,398

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

The Company has employed a team of four professional staff to maintain an effective operation of the Trust Group. Great Eagle Group provides certain administrative and non-management services to the Trust Group including but not limited to legal and corporate secretarial support, finance, accounting and taxation support, human resources support, information technology support, internal audit support and general office administrative support on a cost-sharing basis under the Administrative Support Services Agreement. The remuneration package of our employees includes salary, bonuses and allowances, and the Company has arranged various retirement benefit schemes for the benefit of its staff. The Company makes contribution to an overseas superannuation plan for the Chief Executive Officer, Ms. Katherine Margaret Benson, currently at 11.75% of the basic salary, while other staff members are signed up with the Mandatory Provident Fund Scheme in accordance with the applicable laws and regulations.

FINAL DISTRIBUTION

The Company Board and the Trustee-Manager Board have recommended the payment of a final distribution of HK18.8 cents per Share Stapled Unit for the 2013 final distribution period to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 14 May 2014, except for the number of Distribution Waiver Units waived by LHIL Assets Holdings Limited pursuant to the Distribution Entitlement Waiver Deed. Subject to the approval of the Holders of Share Stapled Units at the forthcoming 2014 Annual General Meeting (the “AGM”), the payment of the final distribution will be made on or before 29 May 2014.

The Board of Directors of the Trustee-Manager has confirmed, in accordance with the Trust Deed, that (i) the Auditors of the Trust Group have 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 register of registered holders of Share Stapled Units, the register of holders of units, the principal and Hong Kong branch registers of members of the Company 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 during the following periods and during these periods, no transfer of Share Stapled Units will be registered:

(i) For ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2014 AGM

From Thursday, 24 April 2014 to Wednesday, 30 April 2014, both days inclusive, for the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2014 AGM. In order to be eligible to attend and vote at the 2014 AGM, 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 ("**Share Stapled Units Registrar**") for registration not later than 4:30 p.m. on Wednesday, 23 April 2014.

(ii) For ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2013 final distribution

From Friday, 9 May 2014 to Wednesday, 14 May 2014, both days inclusive, for the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2013 final distribution. In order to qualify for the proposed 2013 final distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar for registration not later than 4:30 p.m. on Thursday, 8 May 2014.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2014 AGM of the Trust and the Company will be held on Wednesday, 30 April 2014, for the purpose of, among other things, approving the payment of a final distribution of HK18.8 cents per Share Stapled Units. The notice of 2014 AGM together with the 2013 Annual Report and all other relevant documents (the "**Documents**") will be despatched to the Holders of Share Stapled Units on or about 18 March 2014. The Documents will also be published on the corporate website at www.LanghamHospitality.com and the website of the Stock Exchange at www.hkexnews.hk.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Both the Trust and the Company are listed on the Stock Exchange. Pursuant to the Trust Deed, the Trustee-Manager shall be responsible for compliance by the Trust with the applicable Listing Rules and other relevant rules and regulations; the Company shall be responsible for compliance by the Company with the applicable Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and other relevant rules and regulations; and each of the Trustee-Manager and the Company must co-operate with each other to ensure that each party complies with the Listing Rules and to co-ordinate disclosure to the Stock Exchange.

The Trustee-Manager Board and the Company Board play a central support and supervisory role in the respective corporate governance duties of the Trust and the Company by reviewing the overall corporate governance arrangements and approving governance policies. Both the Boards are responsible for monitoring compliance with the Corporate Governance Code and Corporate Governance Report (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules and have to review disclosures in the Corporate Governance Report prepared on a combined basis.

During the period from 30 May 2013 to 31 December 2013, the Trust (via the Trustee-Manager) and the Company had complied with all the applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code. The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employees.

COMPLIANCE WITH THE MODEL CODE

The Trust Group has adopted its own Code of Conduct regarding Securities Transactions by Directors and Relevant Employees (the “**Code of Conduct for Securities Transactions**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions during the period from 30 May 2013 (date of listing) to 31 December 2013.

REPURCHASE, SALE OR REDEMPTION OF SHARE STAPLED UNITS

Except for the repurchase or redemption of the Preferences Shares in the event of the exercise of the Exchange Right (as defined in the Trust Deed) or the termination of the Trust, the Trustee-Manager is prohibited under the Trust Deed from repurchasing or redeeming 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 and only with the agreement of the Company and in circumstances where the Company repurchases or redeems the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be repurchased or redeemed.

Under the Trust Deed, the Holders of Share Stapled Units have no right to demand for repurchase or redemption of their Share Stapled Units.

During the year ended 31 December 2013, none of the Trust, the Trustee-Manager, the Company nor the Company's subsidiaries had purchased, sold or redeemed any Share Stapled Units of the Trust and the Company.

ISSUED SHARES STAPLED UNITS

On 30 August 2013, 1,389,932 new Share Stapled Units were issued at HK\$3.93 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees (collectively "Hotel Manager's Fees") of approximately HK\$5,462,000 for the period from 30 May 2013 to 30 June 2013 pursuant to the to the Hotel Management Agreements and Trademark Licence Agreements in respect of The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong (collectively the "**Hotel Agreements**"). The Hotel Manager, Langham Hotel International Limited has nominated its fellow subsidiary, LHIL Assets Holdings Limited, to take up all the Share Stapled Units purportedly to be issued directly to the Hotel Manager by way of physical scrip pursuant to the Hotel Agreements.

The payment of the Hotel Manager's Fees by way of Share Stapled Units is in accordance with the terms of the Trust Deed and does not require specific prior approval of the Holders of Share Stapled Units pursuant to a waiver granted by the Stock Exchange. Principal provisions regarding the Hotel Manager's Fees and the waiver conditions have been set out in details in the prospectus dated 16 May 2013 in connection with the initial public offering of the Share Stapled Units of the Trust Group. The basis of determination of the 1,389,932 Share Stapled Units as payment of Hotel Manager's Fees is consistent with the relevant provisions of the Hotel Agreements and the total number of Share Stapled Units issued as payment of Hotel Manager's Fees for the period from 30 May 2013 to 30 June 2013 represents approximately 0.07% of the total number of Share Stapled Units in issue as at 31 December 2013.

Except for the above, no new Share Stapled Units was issued between the date of listing and 31 December 2013. As at 31 December 2013, the total number of issued Share Stapled Units of the Trust and the Company was 2,001,389,932.

PUBLIC FLOAT

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

AUDIT COMMITTEES

The final results of the Trust Group for the year ended 31 December 2013 have been reviewed by the Audit Committees of the Trustee-Manager and the Company and the final results of the Trustee-Manager for the period from 25 January 2013 (date of incorporation) to 31 December 2013 have been reviewed by the Audit Committee of the Trustee-Manager.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Trust and the Company's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in this announcement have been agreed by the Trust Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Trust and the Company's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

The figures in respect of the Trustee-Manager's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the period from 25 January 2013 (date of incorporation) to 31 December 2013 as set out in this announcement have been agreed by the Trustee-Manager's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Trustee-Manager's audited financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

BOARD OF DIRECTORS

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

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

Hong Kong, 18 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>NOTES</u>	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Continuing operation			
Revenue	6	471,764	-
Property related expenses		(18,670)	-
Service fees		(58,702)	-
		<u>394,392</u>	<u>-</u>
Other income	7	9,606	-
Increase in fair value of investment properties		25,554	-
Trust and other expenses		(42,839)	-
Finance costs	8	(76,755)	-
Profit before tax		309,958	-
Income tax expense	9	(37,571)	-
Profit for the year attributable to holders of Share Stapled Units		<u>272,387</u>	<u>-</u>
Discontinued operation			
Profit for the year from discontinued operation	12	<u>172,888</u>	<u>397,491</u>
Profit for the year	13	<u>445,275</u>	<u>397,491</u>
Basic and diluted earnings per Share Stapled Unit			
From continuing and discontinued operations	14	<u>HK\$0.2690</u>	<u>HK\$0.3463</u>
From continuing operation		<u>HK\$0.1645</u>	<u>-</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Profit for the year	<u>445,275</u>	<u>397,491</u>
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of owner occupied buildings upon change of use to investment properties	12,598,157	-
Items that may be reclassified to profit or loss:		
Fair value gain on available-for-sale investments	-	8,835
Reclassified upon disposal of available-for-sale investments	<u>(23,555)</u>	<u>-</u>
Other comprehensive income for the year	<u>12,574,602</u>	<u>8,835</u>
Total comprehensive income for the year	<u><u>13,019,877</u></u>	<u><u>406,326</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND OF THE COMPANY
AT 31 DECEMBER 2013

	<u>NOTES</u>	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Non-current assets			
Property, plant and equipment		9	4,060,113
Investment properties		16,696,000	-
Available-for-sale investments		-	54,601
Amount due from a fellow subsidiary		-	1,003,396
		<u>16,696,009</u>	<u>5,118,110</u>
Current assets			
Inventories		-	13,488
Debtors, deposits and prepayments	15	132,591	82,490
Amounts due from fellow subsidiaries		-	60,199
Tax recoverable		2,217	-
Bank balances and cash		751,932	31,555
		<u>886,740</u>	<u>187,732</u>
Current liabilities			
Creditors, deposits and accruals	16	69,450	256,981
Amounts due to fellow subsidiaries		-	525,737
Tax payable		35	4,192
Secured bank loans due within one year		-	29,530
		<u>69,485</u>	<u>816,440</u>
Net current assets (liabilities)		<u>817,255</u>	<u>(628,708)</u>
Total assets less current liabilities		<u>17,513,264</u>	<u>4,489,402</u>
Non-current liabilities			
Secured bank loans due after one year		6,718,016	158,943
Amounts due to fellow subsidiaries		-	4,912,640
Deferred tax liabilities		125,002	86,013
		<u>6,843,018</u>	<u>5,157,596</u>
NET ASSETS (LIABILITIES)		<u>10,670,246</u>	<u>(668,194)</u>
Capital and reserves			
Issued capital		2,001	8
Reserves		10,668,245	(668,202)
TOTAL EQUITY (DEFICIT)		<u>10,670,246</u>	<u>(668,194)</u>

NOTES TO THE TRUST'S AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL

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

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

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

2. BASIS OF PRESENTATION AND PREPARATION

In accordance with Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's consolidated financial statements for the year ended 31 December 2013 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Group"). The Company's consolidated financial statements for the year ended 31 December 2013 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Company Group").

The Trust controls the Company and the sole activity of the Trust during the year ended 31 December 2013 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated financial statements of the Company with the only differences being disclosures of capital of the Company. The Trustee-Manager and the Directors of the Company believe therefore that it is clearer to present the consolidated financial statements of the Trust and the Company together. The consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's consolidated financial statements".

2. BASIS OF PRESENTATION AND PREPARATION - continued

The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statements of cash flows, significant accounting policies and the related explanatory information are identical to the Trust and the Company.

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

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

- (i) GE (LHIL) Holdings Limited, a wholly-owned subsidiary of Great Eagle Holdings Limited, transferred the one issued share in the Company (re-designated as one ordinary share) held by it to the Trustee-Manager (in its capacity as trustee-manager of the Trust). In consideration for such transfer, the Trustee-Manager and the Company jointly issued one Share Stapled Unit to LHIL Assets Holdings Limited, a wholly-owned subsidiary of Great Eagle Holdings Limited, at the direction of GE (LHIL) Holdings Limited;
- (ii) Certain assets and liabilities relating to the hotel operations and employees were transferred to certain wholly-owned subsidiaries of Great Eagle Holdings Limited (see note 12);
- (iii) LHIL (LHK) Limited, LHIL (LPHK) Limited and LHIL (EHK) Limited (the "Purchaser Companies"), wholly-owned subsidiaries of the Company, entered into the sale and purchase agreements with, among others, Orwell Enterprises Limited, Bondcity Investments Limited and Hamni Properties Limited (the "Vendor Companies"), wholly-owned subsidiaries of Great Eagle Holdings Limited, pursuant to which the Purchaser Companies conditionally agreed to:
 - (a) acquire the entire issued share capital of Baxter Investment Limited, Braveforce Investments Limited, Glendive Investment Limited and Rowan Enterprises Limited (the "Hotel Holding Companies"), of which their wholly-owned subsidiaries together own the hotels, namely The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong (the "Hotels") ("Shares of the Hotel Holding Companies"); and
 - (b) accept an assignment of the shareholders' loans due by the Hotel Holding Companies to the Vendor Companies ("Loans due to the Vendor Companies").

The aggregate considerations for the above acquisitions amounted to HK\$16,034,944,000, which comprised the consideration for Shares of the Hotel Holding Companies of HK\$11,562,551,000 and the consideration for Loans due to the Vendor Companies of HK\$4,472,393,000. Out of the aggregate considerations of HK\$16,034,944,000, an amount of HK\$10,295,814,000 was paid in cash and the remaining amount of HK\$5,739,130,000 was settled through the issue of 1,147,825,999 Share Stapled Units to the Vendor Companies.

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

2. BASIS OF PRESENTATION AND PREPARATION - continued

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Groups have applied the following new and revised HKFRSs issued by HKICPA that are relevant for the preparation of the Trust and the Company's consolidated financial statements for the first time in the current year:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 13 "Fair Value Measurement"

The Groups have applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Groups have not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

The Groups have applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Groups' 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

The Groups have not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ³
HK(IFRIC) - Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Groups.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and available-for-sale investments that are measured at fair values at the end of each reporting period.

5. SEGMENT INFORMATION

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

After the execution of the master lease agreements, the Groups' business changed from hotel operations to property investment operation. Therefore, hotel operations were discontinued on the Listing Date (see note 12). The segment information reported below does not include any amounts from the discontinued operation, which would be described in more details in note 12. The Groups' results from continuing operation are derived from property investment operation, which relates to the operating results from leasing of the three Hotels and represents three operating segments under HKFRS 8.

Segment revenue and results

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

For the period from the Listing Date to 31 December 2013

Continuing operation

	The Langham, Hong Kong HK\$'000	Langham Place Hotel, Hong Kong HK\$'000	Eaton, Hong Kong HK\$'000	Consolidated HK\$'000
Segment revenue	170,199	202,301	99,264	471,764
Segment results	143,503	166,327	84,562	394,392
Other income				9,606
Increase in fair value of investment properties				25,554
Trust and other expenses				(42,839)
Finance costs				(76,755)
Profit before tax				309,958
Income tax expense				(37,571)
Profit for the year attributable to holders of Share Stapled Units				272,387

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

5. SEGMENT INFORMATION - continued

Segment assets and liabilities

Continuing operation

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Langham Place Hotel, Hong Kong and Eaton, Hong Kong were HK\$6,080,000,000, HK\$7,030,000,000 and HK\$3,586,000,000, respectively.

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

Geographical information

All of the Groups' revenue is derived from activities and customers located in Hong Kong and the Groups' non-current assets are all located in Hong Kong.

Information about major customers

Revenue from GE (LHIL) Lessee Limited (the "Master Lessee") is HK\$468,800,000, contributing over 10% of the total revenue of the Groups for the period from the Listing Date to 31 December 2013.

6. REVENUE

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Continuing operation		
Rental income from the Master Lessee		
Base rent	133,151	-
Variable rent	335,649	-
	<u>468,800</u>	<u>-</u>
Rental income from retail shops in Eaton, Hong Kong	2,964	-
	<u>471,764</u>	<u>-</u>

7. OTHER INCOME

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Continuing operation		
Interest on bank deposits	5,154	-
Net exchange gain	4,452	-
	<u>9,606</u>	<u>-</u>

8.	FINANCE COSTS	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
	Continuing operation		
	Interest on bank borrowings wholly repayable within five years	56,739	-
	Loan front-end fee amortisation	<u>20,016</u>	<u>-</u>
		<u>76,755</u>	<u>-</u>
9.	INCOME TAX EXPENSE	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
	Continuing operation		
	Current tax:		
	Hong Kong Profits Tax:		
	Current year	18,035	-
	Underprovision in prior years	<u>53</u>	<u>-</u>
		<u>18,088</u>	<u>-</u>
	Deferred tax:		
	Current year	19,536	-
	Overprovision in prior years	<u>(53)</u>	<u>-</u>
		<u>19,483</u>	<u>-</u>
		<u>37,571</u>	<u>-</u>

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

10. TOTAL DISTRIBUTABLE INCOME

Total distributable income is the profit for the year 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 consolidated statement of profit or loss for the relevant period. The adjustments to arrive at the total distributable income for the current year are set out below:

	Listing Date to 31 December <u>2013</u> HK\$'000
Profit for the year attributable to holders of Share Stapled Units	272,387
Adjustments:	
Add:	
Listing expenses charged to profit or loss	34,748
Depreciation	1
Deferred tax	19,483
Non-cash finance costs	20,016
Hotel management fees and licence fee payable in the form of Share Stapled Units	47,090
Less:	
Increase in fair value of investment properties	(25,554)
Non-cash net exchange gain	(4,452)
Reserve for furniture, fixtures and equipment	<u>(14,966)</u>
Total distributable income	<u><u>348,753</u></u>

11. FINAL DISTRIBUTION

	<u>NOTE</u>	Listing Date to 31 December <u>2013</u> HK\$'000
<u>Final distribution period (note a)</u>		
Total distributable income	10	348,753
Percentage of distributable income for distribution (note b)		<u>100%</u>
Distributable income for final distribution period		<u>348,753</u>
Proposed final distribution (note c)		<u>348,753</u>
Distribution per Share Stapled Unit		
Proposed final distribution per Share Stapled Unit to be paid		
- Before taking into account the effect of the Distribution Waiver (note d)		<u>HK\$0.174</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.188</u>

Notes:

- (a) The first distribution paid to holders of Share Stapled Units will be based on total distributable income for the period from the Listing Date to 31 December 2013 and accordingly, holders of Share Stapled Units will not receive distributions for the period before the Listing Date.
- (b) The Trust Deed and the articles of association of the Company state that it is the current intention of the Directors to declare and distribute (i) 100% of the total distributable income in respect of the period from the Listing Date to 31 December 2013 and each financial year ending 31 December 2014 and 2015, and (ii) not less than 90% of the total distributable income in respect of each financial year thereafter.
- (c) The final distribution proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2013.
- (d) The proposed final distribution per Share Stapled Unit of HK\$0.174 for the final distribution period in 2013 is calculated based on the proposed final distribution to be paid of HK\$348,753,000 for the period and 2,001,389,932 Share Stapled Unit. The proposed final distribution will be paid to holders of Share Stapled Units on or before 29 May 2014.
- (e) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, immediate holding company of the Company after the Listing, has agreed to waive its entitlement to receive any distributions payable of the Share Stapled Units held by it for the periods as set out below (the "Distribution Waiver"):

11. FINAL DISTRIBUTION- continued

Notes: - continued

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

After taking into account of the 150,000,000 units held by LHIL Assets Holdings Limited, the number of units entitled for the proposed final distribution should be 1,851,389,932.

12. DISCONTINUED OPERATION

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

The profit and cash flows from the discontinued operation for the current and prior years are set out as follows:

Profit for the year from discontinued operation

	1 January 2013 to Listing <u>Date</u> HK\$'000	<u>2012</u> HK\$'000
Revenue	657,356	1,623,459
Operating expenses	<u>(394,926)</u>	<u>(964,086)</u>
Operating profit before depreciation and amortisation	262,430	659,373
Depreciation and amortisation	<u>(62,106)</u>	<u>(154,620)</u>
Operating profit	200,324	504,753
Other income	4,477	15,821
Gain on disposal of available-for-sale investments	23,555	-
Administrative expenses	(136)	(1,622)
Finance costs	<u>(21,903)</u>	<u>(70,020)</u>
Profit before tax	206,317	448,932
Income tax expense	<u>(33,429)</u>	<u>(51,441)</u>
Profit for the year from discontinued operation	<u>172,888</u>	<u>397,491</u>

12. DISCONTINUED OPERATION - continued

Cash flows from discontinued operation

	1 January 2013 to Listing Date HK\$'000	<u>2012</u> HK\$'000
Net cash from operating activities	126,436	483,356
Net cash used in investing activities	(5,946)	(119,515)
Net cash used in financing activities	<u>(92,389)</u>	<u>(372,509)</u>
Net increase (decrease) in cash flows	<u>28,101</u>	<u>(8,668)</u>

13. PROFIT FOR THE YEAR

	<u>Continuing operation</u>		<u>Discontinued operation</u>			<u>Total</u>
	Listing Date to 31 December <u>2013</u> HK\$'000	<u>2012</u> HK\$'000	1 January 2013 to Listing Date HK\$'000	<u>2012</u> HK\$'000	<u>2013</u> HK\$'000	
Profit for the year has been arrived at after charging (crediting):						
Staff costs (including directors' emoluments)						
Retirement benefits scheme contribution	164	-	7,370	16,057	7,534	16,057
Other staff cost	<u>3,457</u>	<u>-</u>	<u>172,551</u>	<u>415,527</u>	<u>176,008</u>	<u>415,527</u>
Depreciation	3,621	-	179,921	431,584	183,542	431,584
Auditor's remuneration	1	-	62,106	154,620	62,107	154,620
Auditor's remuneration	1,180	-	404	768	1,584	768
Allowance for doubtful debts	-	-	21	60	21	60
Operating lease payments on rented premises	3,518	-	1,752	4,233	5,270	4,233
Listing expenses	34,748	-	-	-	34,748	-
Cost of inventories recognised as an expense	-	-	67,641	170,320	67,641	170,320
Loss on disposal of property, plant and equipment	-	-	-	657	-	657
Dividend income from listed investments	-	-	-	(2,223)	-	(2,223)
Net exchange gain	<u>(4,452)</u>	<u>-</u>	<u>(415)</u>	<u>(1,067)</u>	<u>(4,867)</u>	<u>(1,067)</u>

14. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT

From continuing and discontinued operations

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

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	<u>445,275</u>	<u>397,491</u>
	<u>2013</u> '000	<u>2012</u> '000
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>1,655,419</u>	<u>1,147,826</u>

For the year ended 31 December 2013 and 2012, the weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit has been taken into account the Share Stapled Units issued pursuant to the Reorganisation as disclosed in note 2 as if it had been effective on 1 January 2012.

From continuing operation

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

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Earnings		
Profit for the year attributable to holders of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit	<u>272,387</u>	<u>-</u>

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

From discontinued operation

Basic and diluted earnings per Share Stapled Unit from discontinued operation attributable to holders of Share Stapled Units is HK\$0.1045 (2012: HK\$0.3463), based on the profit for the year from discontinued operation of HK\$172,888,000 (2012: HK\$397,491,000) and the denominators detailed above for both basic and diluted earnings per Share Stapled Unit.

15. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Trade debtors	128,527	68,188
Less: Allowance for doubtful debts	-	(555)
	<u>128,527</u>	<u>67,633</u>
Interest receivable	451	-
Deposits and prepayments	3,613	13,240
Other debtors	-	1,617
	<u>132,591</u>	<u>82,490</u>

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

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

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
0 - 3 months	128,527	68,074
3 - 6 months	-	114
	<u>128,527</u>	<u>68,188</u>

At 31 December 2012, included in the Groups' trade debtors balances were debtors with aggregate carrying amount of HK\$3,228,000 which were past due as at the reporting date for which the Groups had not provided for impairment loss as there were no significant changes in credit quality and the amount was still considered recoverable. The Groups did not hold any collateral over these balances.

Aging analysis of debtors based on the invoice date which are past due but not impaired is as follows:

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Overdue:		
0 - 3 months	-	3,139
3 - 6 months	-	89
	<u>-</u>	<u>3,228</u>

Included in trade debtors is an amount due from a fellow subsidiary of HK\$128,527,000 (2012: nil) 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\$1,336,000 (2012: nil) which is unsecured, interest-free and payable within 30 days after expiration of the respective lease agreement.

16. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
Trade creditors	45,737	60,477
Deposits received	1,334	74,584
Other creditors	2,710	8,045
Accruals and other payables	<u>19,669</u>	<u>113,875</u>
	<u>69,450</u>	<u>256,981</u>

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

	<u>2013</u> HK\$'000	<u>2012</u> HK\$'000
0 - 3 months	28,532	59,330
3 - 6 months	17,205	1,041
Over 6 months	-	106
	<u>45,737</u>	<u>60,477</u>

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

Included in trade creditors is amounts due to fellow subsidiaries of HK\$45,737,000 (2012: nil) which is unsecured, interest-free and payable on presentation of invoices. Included in other creditors is an amount due to a fellow subsidiary of HK\$15,000 (2012: nil) which is unsecured, interest-free and payable on presentation of invoices. Included in accruals and other payables is an amount due to a fellow subsidiary of HK\$3,609,000 (2012: nil) which is unsecured, interest-free and payable on presentation of invoices.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE PERIOD FROM 25 JANUARY 2013 (DATE OF INCORPORATION)
TO 31 DECEMBER 2013

	<u>NOTE</u>	HK\$
Revenue		-
Administrative expenses		(23,030)
Less: Amount borne by a fellow subsidiary		<u>23,030</u>
Profit or loss before tax	4	-
Income tax	5	<u>-</u>
Profit or loss and other comprehensive income/expense for the period		<u><u>-</u></u>

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 31 DECEMBER 2013

	<u>NOTE</u>	HK\$
Current asset		
Cash on hand		1
		<u>1</u>
NET ASSET		<u><u>1</u></u>
Capital		
Share capital		1
		<u>1</u>
TOTAL EQUITY		<u><u>1</u></u>

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED
FOR THE PERIOD FROM 25 JANUARY 2013 (DATE OF INCORPORATION)
TO 31 DECEMBER 2013

1. GENERAL

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

The principal activity of the Company is administering Langham Hospitality Investments (the "Trust"), in its capacity as trustee-manager of the Trust.

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the register holders of units of the Trust, in accordance with the terms of the deed of trust dated 8 May 2013 constituting the Trust entered into between the Company and Langham Hospitality Investments Limited (the "Trust Deed") but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

The Company had no income during the period, thus the distribution statement is not presented.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Company has not early applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that have been issued but are not yet effective:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ³
HK(IFRIC) - Int 21	Levies ¹

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

- ¹ Effective for annual periods beginning on or after 1 January 2014.
² Effective for annual periods beginning on or after 1 July 2014.
³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

4. PROFIT OR LOSS BEFORE TAX

	HK\$
Profit or loss before tax has been arrived at after charging:	
Auditor's remuneration	<u>20,000</u>

5. INCOME TAX

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