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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)

2014 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 2014 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2014	2013
		(30 May to 31 Dec)
Total Rental Income	751.7	471.8
Net Property Income	624.0	394.4
Profit attributable to Holders of Share Stapled Units	557.1	272.4
Distributable Income	558.8	348.8
Distribution per Share Stapled Unit (Before distribution waiver)	HK27.6 cents	HK17.4 cents
Distribution per Share Stapled Unit (After distribution waiver)	HK29.8 cents	HK18.8 cents
	As at 31 Dec 2014	As at 30 Jun 2014
Gross value of Portfolio (in HK\$ million)	HK\$17,000	HK\$16,719
Net Asset Value per Share Stapled Unit	HK\$5.28	HK\$5.24
Gearing ratio	38.4%	38.8%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

After witnessing steady revenue growth in our hotels for the first three quarters of 2014, the performance of the Trust Group was adversely impacted by the “Occupy Central” protests which started in late September 2014 and ended in mid December 2014. Revenue per available room (RevPAR) grew by 4.3% year-on-year for the first three quarters, but decreased by 10% in the fourth quarter of 2014.

Among the three hotels, the Langham Place Hotel, Hong Kong, being the largest with 666 rooms was hardest hit, as it is located closest to the Mongkok protest site causing serious security concern. RevPAR dropped 14.9% year-on-year in the fourth quarter of 2014, which wiped out the RevPAR growth achieved in the earlier three quarters. As a result, RevPAR in 2014 was HK\$1,706, down 0.1% over 2013.

Whilst The Langham, Hong Kong and Eaton, Hong Kong are located farther away from the protest site in Mongkok, performance of these two hotels was also negatively impacted in the fourth quarter of 2014, though to a small extent. RevPAR of The Langham, Hong Kong declined 7% year-on-year in the fourth quarter of 2014, whereas RevPAR at the Eaton, Hong Kong dropped 5.7%. For 2014, RevPAR was HK\$2,040 and HK\$1,166 for The Langham, Hong Kong and the Eaton, Hong Kong respectively, which represented a year-on-year growth rate of 1.3% and 1.5%.

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	4Q 2014	4Q 2013	4Q 2014	4Q 2013	4Q 2014	4Q 2013	4Q 2014	4Q 2013
The Langham, Hong Kong	496	495	88.3%	93.6%	2,409	2,446	2,128	2,289
<i>year-on-year growth</i>			<i>-5.3ppt</i>		<i>-1.5%</i>		<i>- 7.0%</i>	
Langham Place Hotel, Hong Kong	649	651	85.7%	94.3%	1,941	2,075	1,664	1,955
<i>year-on-year growth</i>			<i>- 8.6ppt</i>		<i>- 6.5%</i>		<i>- 14.9%</i>	
Eaton, Hong Kong	465	465	96.5%	97.6%	1,312	1,377	1,267	1,343
<i>year-on-year growth</i>			<i>-1.1ppt</i>		<i>- 4.7%</i>		<i>- 5.7%</i>	

The impact on Food and Beverage (“F&B”) varied to a considerable extent. At the Langham Place Hotel in Mongkok, although F&B revenue from banqueting business held up in the fourth quarter of 2014, revenue from other F&B operations declined, as patrons stayed away from Mongkok due to security concern mentioned above. Overall F&B revenue at the Langham Place Hotel, Hong Kong dropped 9.3% year-on-year in the fourth quarter of 2014, resulting in a much smaller 2.6% growth for the full year.

At the Eaton, Hong Kong, revenue from F&B in the fourth quarter of 2014 rose 9.2% year-on-year. The hotel not only saw growth in its banqueting business, but also growth from the other F&B operations. Consequently, revenue of F&B increased 7.3% in 2014. As for The Langham, Hong Kong, revenue growth was witnessed in its banqueting business in the fourth quarter of 2014, but was offset by softer revenue from its other F&B operations. Hence, overall revenue from F&B was flat for The Langham, Hong Kong in the fourth quarter of 2014, resulting in F&B revenue growth of 0.2% for the full year. The lack of growth in F&B at The Langham, Hong Kong, was partly caused by the renovation of the Palm Court, Artesian Bar and The Food Gallery in 2014.

When compared to the High Tariff A and High Tariff B hotel segments, which included hotels in areas less or not affected by the “Occupy Central” protests, all three hotels delivered slower RevPAR growth in 2014.

In the fourth quarter of 2014, RevPAR of the High Tariff A segment declined by 4.1% versus 7.0% and 14.9% decline for The Langham, Hong Kong and Langham Place Hotel, Hong Kong. As for High Tariff B, RevPAR declined 5.1% versus 5.7% for Eaton, Hong Kong. For the whole year of 2014, RevPAR growth reached 2.9% and 2.6% for High Tariff A and High Tariff B hotel markets respectively, versus The Langham, Hong Kong at 1.3% and Langham Place Hotel, Hong Kong at -0.1% in High Tariff A and Eaton, Hong Kong at 1.5% in High Tariff B. The overall underperformance of the Trust Group’s hotels as compared to their broader markets was primarily due to weaker performance in the fourth quarter, as our hotels are more affected by the protest activities.

As the hotels of the Trust Group are leased to the GE (LHIL) Lessee Limited (the “Lessee”), based on a fixed rental of HK\$225 million per year plus 70% of aggregate gross operating profit before deduction of the global marketing fees, the protest activities only affected the variable rental income which the Trust Group received from the Lessee. The Trust Group still received a fixed rental income of HK\$225 million in 2014 as stipulated under the Master Lease Agreements entered into at the time of the initial public offering in May 2013.

In 2014, variable rental income was HK\$521.5 million. In addition, the Trust Group received rental income of HK\$5.2 million in 2014 directly from retail shops at Eaton, Hong Kong. Therefore, total rental income of the Trust Group was HK\$751.7 million in 2014.

Net property income of the Trust Group was HK\$624.0 million in 2014. After including an increase in fair value of investment properties amounting to HK\$155.6 million and deducting finance cost of HK\$130.8 million as well as adjusting for other income and expense, profit before tax was HK\$644.1 million in 2014. Taxes amounted to HK\$87 million which brought net profit of the Trust Group to HK\$557.1 million in 2014. Excluding the fair value change on investment properties, net profit would have been HK\$401.5 million. Note that year-on-year comparisons are not meaningful, as there are only 216 days in the financial year since being listed in May 2013. Furthermore, it is not meaningful to annualize the hotel performance in 2013 given the seasonality nature of the industry.

Distributable income, which was mainly adjusted for non-cash items including fair value change of investment properties, deferred taxes, hotel management and licence fees paid in share stapled units, unrealized exchange loss, and amortisation of bank loan upfront fee, reached HK\$558.8 million for the year ended 31 December 2014. Distribution per Share Stapled Unit before distribution waived by the Great Eagle Group is HK27.6 cents and HK29.8 cents after the impact of distribution waiver was reflected.

The Trust Group's hotel property portfolio was valued at HK\$17,000 million as at 31 December 2014 with HK\$6,800 million of bank debt. Net Asset Value amounted to HK\$10,683 million or HK\$5.28 per Share Stapled Unit, up from HK\$5.24 per Share Stapled Unit as at 30 June 2014. As at 31 December 2014, gearing was comfortable at 38.4%.

Regarding asset enhancement, the newly renovated guest rooms at The Langham, Hong Kong have been very well received, and despite negative protest effects, these rooms have gained meaningful RevPAR growth as they became available in the fourth quarter of 2014. In addition, the renovation of Palm Court and Artesian Bar should result in increased customer patronage and higher revenue in the future. Due to our continuous effort to upgrade the quality of the hotel, The Langham, Hong Kong has been named a Five-Star Hotel in the official 2015 Forbes Travel Guide Star Ratings. Our hotel is one of only 8 properties in Hong Kong and 115 in the world having received such prestigious rating.

Other asset enhancement included renovation of the lobby and the bar at the Langham Place Hotel, Hong Kong. The renovated lobby commands a more elegant finishing, whereas the bar located on the fifth floor was extensively renovated and expanded to capitalize on part of the under-utilized business centre, resulting in increased covers. The new bar named Alibi had received very positive feedback since it opened in mid-December 2014. These value added enhancements, leveraging on Langham Hotels International Limited's (the "Hotel Manager") extensive design experiences and practical insights, should drive performance of the hotels in the future.

Going forward, the last phase of the room renovation at The Langham, Hong Kong, which comprises of 128 rooms will be carried out from the second quarter of 2015. At the Langham Place Hotel, Hong Kong, phased renovations of the rooms, the Club Lounge and The Place Restaurant have been scheduled to commence from the second quarter of 2015, and these should be completed by end 2015.

To better capture demand from the forthcoming renovations at Langham Place Hotel, Hong Kong and to allow higher efficiency in its operations, the hotel will be rebranded to “Cordis” in the second quarter of 2015. The rebranding will allow the Hotel Manager to better position and market the hotel, and hopefully in due time to operate it with higher profitability. As for the Eaton, Hong Kong, refurbishment of the lobby, ballroom, meeting space and hotel entrance will likely commence in 2016, as the final design has yet to be finalized. Phased renovations in the hotels will help minimize impact of temporary revenue reduction in the hotel portfolio. These renovation projects are expected to enhance quality, operating performance and valuation of the hotels in the medium term.

Apart from the abovementioned asset enhancement initiatives, we are constantly evaluating new investment opportunities, with an aim of carrying out yield accretive acquisitions. When evaluating investment opportunities, the Trust Group does not only focus on the quality of the properties and strength of the underlying hotel operations, but also look out for potential to increase profitability through improved property, revenue and yield management.

OPERATIONAL REVIEW

As mentioned above, profitability was sustained from the base rental income paid to the Trust Group. As the hotels are leased to the Lessee, an indirect wholly-owned subsidiary of Great Eagle, the Trust Group receives rent in the form of a pre-determined fixed base rent of 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. The base rent serves to provide a level of downside protection to Holders of Share Stapled Units, for which in 2014 has demonstrated its effect. On the other hand, the variable rent component allows participation in the upside performance of the hotels through the sharing of the hotels’ profit. In addition to the fixed base and variable rental income, the Trust Group also receives rental income directly from the retail shops at Eaton, Hong Kong.

Total rental income of the Trust Group was HK\$751.7 million for the year ended 31 December 2014, of which variable rental income was HK\$521.5 million and accounted for the largest share of total rental income, followed by base rental income of HK\$225 million, and rental income from the retail shops at Eaton, Hong Kong, which amounted to HK\$5.2 million.

	(in HK\$ million)	
	2014	2013 (30 May to 31 Dec)
Variable rental income (70% of the hotels' aggregate gross operating profit before deduction of global marketing fees)	521.5	335.7
Base rental income (based on HK\$225 million per annum)	225.0	133.1
Rental income from the retail shops at Eaton, Hong Kong	5.2	3.0
Total Rental Income to the Trust Group	751.7	471.8

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

Service fees consisted of hotel management fee, licence fee and global marketing fee. Hotel management fee accounting for the largest share of service fees was HK\$59.1 million in 2014, followed by global marketing fee of HK\$19 million and licence fee of HK\$16.6 million. It should be noted that when calculating the distributable income, global marketing fee is paid in cash, while hotel management and licence fees are 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 thereof.

	(in HK\$ million)	
	2014	2013 (30 May to 31 Dec)
Hotel management fee (comprised of a base fee at 1.5% of total hotel revenue and an incentive fee at 5% of adjusted gross operating profit of the hotels)	59.1	37.1
Global marketing fee (2% of total room revenue of the hotels)	19.0	11.6
Licence fee (1% of total revenue of the hotels)	16.6	10.0
Service fees	94.7	58.7

Hotel properties' related expenses are comprised of building management fee, insurance and property taxes and rates. Property taxes and rates represented the bulk of hotel properties' related expenses and had increased since the second quarter of 2014. The increase was in line with higher reassessed rateable values of the hotel properties from April 2014. Including building management fee, insurance and other hotel properties' related expenses, total expenses borne by the Trust Group amounted to HK\$33 million for the year ended 31 December 2014.

	(in HK\$ million)	
	2014	2013 (30 May to 31 Dec)
Total rental income	751.7	471.8
Service fees (hotel management fee, licence fee and global marketing fee)	(94.7)	(58.7)
Hotel properties related expenses	<u>(33.0)</u>	<u>(18.7)</u>
Net property income	<u>624.0</u>	<u>394.4</u>

After deducting services fee and hotel properties' related expenses from total rental income, net property income for the Trust Group was HK\$624.0 million in 2014. To derive net profit from net property income, finance cost is the largest cost item to the Trust Group which amounted to HK\$130.8 million in 2014.

Finance cost incurred for the period consisted of: i) amortization of upfront loan fee, which is a non-cash item, and ii) interest expense for the period. Interest expense was calculated based on a spread of 120 basis points over HIBOR. For 2014, it was based on one month HIBOR, which remained low throughout the period.

As a majority of cash is denominated in higher interest bearing Renminbi deposits, most of the HK\$19.3 million interest income earned in 2014 was derived from such deposits. The remaining came from Hong Kong dollar deposits at minimum interest rate.

However, as Renminbi had depreciated 2.4% against Hong Kong dollar during 2014, this resulted in an exchange loss booked in 2014's final results. Of the total HK\$12.1 million exchange loss, HK\$12 million was unrealized and is therefore a non-cash item that does not impact distributable income. Furthermore, incremental interest income earned on the Renminbi deposits due to substantially higher interest paid versus Hong Kong dollar deposits more than covered the exchange loss in 2014. Finally, HK\$0.1 million of exchange loss booked was realized, as the Trust Group converted a small portion of the Renminbi deposits to Hong Kong dollar to fund payments of the asset enhancement works in October 2014. Such realized loss has not been added back in calculating distributable income for 2014.

Trust and other expenses amounted to HK\$12.2 million for the year ended 31 December 2014, which comprised of staff and other administration expenses. As the Trust Group is internally managed, it does not pay an asset management fee to external asset manager, but instead bears the payroll of its own management team.

Included in 2014's final results was a gain arising from an increase in fair value of investment properties amounting to HK\$155.6 million, which is, a non-cash item, and will be deducted from the calculation of the distributable income. Income tax expense incurred by the Trust Group was HK\$87 million, and profit attributable to Holders of Share Stapled Units reached HK\$557.1 million.

	(in HK\$ million)	
	2014	2013 (30 May to 31 Dec)
Net property income	624.0	394.4
Other income (majority of which, HK\$19.3m are interest income)	19.6	5.2
Finance cost	(130.8)	(76.8)
Increase in fair value of investment properties	155.6	25.5
Net exchange (loss)/gain	(12.1)	4.4
Trust and other expenses	(12.2)	(42.8)
Profit before tax	644.1	309.9
Income tax expense	(87.0)	(37.5)
Profit attributable to Holders of Share Stapled Units	557.1	272.4

In order 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 Share Stapled Units, amortisation of upfront loan fee, unrealized exchange losses and deferred taxation. However, there are two deduction adjustments relating to: i) cash contribution to the furniture, fixtures and equipment reserve, which is based on 1.5% of total revenue of the hotels; and ii) increase in fair value of investment properties. Overall, distributable income of the Trust Group amounted to HK\$558.8 million.

	(in HK\$ million)	
	2014	2013 (30 May to 31 Dec)
Profit attributable to Holders of Share Stapled Units	557.1	272.4
Adjustments:		
Add:		
Hotel management fee (base and incentive fees paid in Share Stapled Units)	59.1	37.1
Licence fee	16.6	10.0
Amortization of upfront loan fee, a non-cash cost	34.0	20.0
Listing expenses	-	34.7
Deferred tax	60.5	19.5
Non-cash net exchange loss	12.0	-
Less:		
Increase in fair value of investment properties	(155.6)	(25.5)
Non-cash net exchange gain	-	(4.4)
Cash contribution to furniture, fixtures and equipment reserve	(24.9)	(15.0)
Distributable income	558.8	348.8

It should be noted that the holding company of the Trust Group, the Great Eagle Group, has agreed to waive its entitlement to receive distributions payable in respect of its 150 million Share Stapled Units (representing approximately 7.4% of the issued Share Stapled Units of the Trust Group as at 31 December 2014) in 2014. The number of distribution waiver units will decrease to 100 million Share Stapled Units in 2015 and 2016, 50 million Share Stapled Units in 2017 and all of the holdings of Share Stapled Units of Great Eagle Group will be entitled to receive distribution payable from 2018 onward.

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, with the majority of the surplus additional funds raised set aside for asset enhancement works of the three hotels. For the year ended 31 December 2014, distribution per Share Stapled Unit was HK27.6 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK29.8 cents.

As at 31 December 2014, net debt was approximately HK\$6,151 million, which consisted of HK\$6,800 million in bank debt offset by cash of HK\$649 million. The bank debt, which was used to finance the acquisition of the hotel properties, will mature on 29 May 2016. At 31 December 2014, the gearing ratio of the Trust Group was 38.4% and debt service coverage was approximately 5 times.

Hotel Performance

While the financial performance in 2013 is compiled from 30 May 2013 (the “Listing Date”) to the end of December 2013, it should be noted that the following discussion on operational performance of the hotels is based on a twelve-month period from January to December of 2013. The comparisons based on a twelve-month period provided a more meaningful comparative operational performance analysis of the hotels.

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2014	2013	2014	2013	2014	2013	2014	2013
The Langham, Hong Kong	465	495	88.9%	88.9%	2,295	2,266	2,040	2,013
<i>year-on-year growth</i>			<i>+0.0ppt</i>		<i>+1.3%</i>		<i>+1.3%</i>	
Langham Place Hotel, Hong Kong	650	652	91.2%	90.7%	1,871	1,883	1,706	1,707
<i>year-on-year growth</i>			<i>+0.5ppt</i>		<i>-0.6%</i>		<i>-0.1%</i>	
Eaton, Hong Kong	465	452	96.1%	95.1%	1,213	1,208	1,166	1,149
<i>year-on-year growth</i>			<i>+1.0ppt</i>		<i>+0.4%</i>		<i>+1.5%</i>	
Hotels portfolio	1,580	1,599	92.0%	91.4%	1,789	1,800	1,646	1,644
<i>year-on-year growth</i>			<i>+0.6ppt</i>		<i>-0.6%</i>		<i>+0.1%</i>	

	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2014	2013	2014	2013	2014	2013
Hong Kong Hotel Markets						
High Tariff A	86.0%	86.0%	2,452	2,382	2,109	2,049
<i>year-on-year growth</i>	<i>+0.0ppt</i>		<i>+ 2.9%</i>		<i>+2.9%</i>	
High Tariff B	91.0%	89.0%	1,205	1,201	1,097	1,069
<i>year-on-year growth</i>	<i>+2.0ppt</i>		<i>+0.3%</i>		<i>+2.6%</i>	

RevPAR for the hotel portfolio was HK\$1,646 in 2014, which was up 0.1% from 2013 and the slowest year-on-year growth achieved since the global financial crisis in 2008/2009. However, the pull back in RevPAR growth was predominantly due to negative impact from the protest activities, which is a one-off event. In addition, there were fewer available rooms in 2014 and after taking this into account, a 1.1% year-on-year decline in room revenue resulted in 2014. Room revenue accounted for 57.2% of total revenue of the hotel portfolio in 2014.

RevPAR growth of the two High Tariff A hotels, The Langham, Hong Kong, and Langham Place Hotel, Hong Kong, as well as our High Tariff B hotel, the Eaton, Hong Kong all lagged behind their respective High Tariff A and High Tariff B hotel markets, as our hotels were more negatively impacted by the protest activities.

Revenue from Food and Beverage (F&B) increased 2.9% year-on-year in 2014 and accounted for 40.4% of total revenue of the hotel portfolio in 2014. Adjusted gross operating profit of the portfolio fell in 2014 given a reduction in room revenue.

(in HK\$ million) Revenue breakdown	The Langham, Hong Kong	Langham Place Hotel, Hong Kong	Eaton, Hong Kong	Total
Room	346.6	404.5	198.0	949.1
F&B	219.6	284.3	166.4	670.3
Others	15.0	20.3	4.0	39.3
Total revenue	581.2	709.1	368.4	1,658.7

In 2014, continued increase in arrivals from Mainland China was the key driver in supporting occupancy of the hotels. For the hotel portfolio as a whole, guests from Mainland China grew 7.3% in 2014. As for arrivals from other major contributing regions, guests from the United States managed to hold steady as compared with the same period last year, whereas guests from the other major contributing regions such as Asia excluding Mainland China, Europe and Australia all fell in 2014.

Arrivals from Mainland China rose 10.6% year-on-year over the first three quarters of 2014. However, arrivals from this market dropped 3.3% year-on-year during the “Occupy Central” protests in the fourth quarter of 2014. While steady arrivals from Asian countries excluding Mainland China helped support demand for our hotel rooms over the first three quarters of 2014, the “Occupy Central” protests had quite a negative impact on arrivals from this market, as arrivals dropped 4.8% year-on-year in the fourth quarter. Such decline brought arrivals from Asia excluding Mainland China into negative territory for 2014.

Arrivals from Australia continued their year-on-year decline in the fourth quarter of 2014, following decline witnessed through the first three quarters. Given lower demand for hotel rooms in the fourth quarter, the hotels accommodated more guests from the lower yielding group and airline crew segment from the United States and Europe. Mainly as a result of this change in mix, guests from Europe and the United States rose on a year-on-year basis in the fourth quarter of 2014, as compared with declines witnessed in the first three quarters, when the mix from Europe and the United States mostly came from the higher yielding corporate or retail leisure segment.

After a 7.3% year-on-year growth in guests from Mainland China at our hotels, guests from this market accounted for 29.4% in 2014.

	Trust Group’s hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	+7.3%	+ 11.6%
% of overnight guests from Mainland China to total arrivals	29.4%	68.7%

Performance of the individual hotels

The Langham, Hong Kong posted a 7.0% year-on-year growth in guest arrivals from Mainland China in 2014, which helped offset reduced demand from other markets. The hotel saw year-on-year growth from Mainland China throughout the first three quarters of 2014, and arrivals from this market held up in the fourth quarter of 2014 with a 0.6% year-on-year growth. The weaker demand from other markets wasn't all due to the "Occupy Central" protests, as they had been flat or declining throughout the first three quarters. The decline in arrivals from Australia and Japan was in part due to further depreciation of their currencies in 2014. The "Occupy Central" protests exacerbated declines from some markets such as Europe, which saw larger year-on-year decline in the fourth quarter.

During 2014, the hotel achieved average occupancy of 88.9% on an average of 465 rooms (2013: 88.9% on an average of 495 rooms) and an average room rate of HK\$2,295 (2013: HK\$2,266). RevPAR was HK\$2,040 in 2014, up 1.3% from 2013.

Revenue from F&B was flat in 2014. After a slow start to the year with a 2.1% year-on-year decline in revenue from F&B in the first half of 2014, there was a pickup of revenue in F&B from the third quarter due to improved banqueting businesses. However, revenue from other F&B operations was softer in the fourth quarter of 2014, which offset higher revenue from banqueting business.

The **Langham Place Hotel, Hong Kong** enjoyed decent growth in demand for its rooms from guests of Mainland China and other Asian countries throughout the first three quarters of 2014. It was only until the fourth quarter that the hotel faced tremendous pressure on demand for its rooms, as it is situated within close proximity to the Mongkok protest site. Given concerns over safety, the hotel received cancellations for its rooms in October 2014, and the pickup in new bookings was extraordinarily slow since then. In order to mitigate the negative impact, the hotel moved swiftly to lower its room rates and accommodated more low-yielding airline crew travellers from mid-October. The increase in travellers from the lower-yielding airline crew helped alleviate the negative impact arising from the protests, and the hotel saw some recovery in occupancy in November and December, albeit at lower room rates.

For the year 2014, the hotel achieved average occupancy of 91.2% (2013: 90.7%) and an average room rate of HK\$1,871 (2013: HK\$1,883). RevPAR in 2014 was flat at HK\$1,706.

Revenue from F&B grew by 2.6% year-on-year, as the growth in revenue achieved through the first three quarters of 2014 was dragged down by decline in F&B revenue in the fourth quarter. While revenue from banqueting business held steady, as the majority was booked prior to the "Occupy Central" protest period, revenue from other F&B outlets such as Ming Court, which relies more on walk-ins, fell on a year-on-year basis in the fourth quarter of 2014.

Eaton, Hong Kong saw the least impact from the protest activities amongst the three hotels in the portfolio and delivered the smallest year-on-year decline in RevPAR in the fourth quarter of 2014. However, the hotel also faced pressure on demand for its rooms during the “Occupy Central” protests in the fourth quarter. As such, the hotel lowered its room rates to accommodate more group travellers and maintain its high occupancy over the fourth quarter of 2014. Although the hotel saw lower demand from Asia and the United States in the fourth quarter, the hotel managed to increase travellers from some of the European countries, as well as travellers from Australia.

For the year 2014, the hotel achieved average occupancy of 96.1% on an average of 465 rooms (2013: 95.1% on an average of 452 rooms) and an average room rate of HK\$1,213 (2013: HK\$1,208). RevPAR of HK\$1,166 in 2014 increased 1.5%.

As banqueting business was concentrated mostly in the second half of 2014, revenue from F&B at the Eaton, Hong Kong, rose 7.3% year-on-year in 2014, compared with a modest 2.6% year-on-year growth achieved in the first half of 2014. In addition to increased banqueting business, majority of the restaurants showed better pickup with increased guests.

OUTLOOK

Not only did the “Occupy Central” protests have a negative impact on the performance of the Trust Group’s hotels in 2014, the lag effect of the protests also impacted business extending into 2015, as some of the forward bookings that were made in the fourth quarter of 2014 have been diverted to hotels which are located away from the protest sites. This is particularly the case for meeting, incentives, conferences, and exhibitions (MICE) market travellers, who tend to book their hotel rooms well in advance of their arrival dates. Against such a backdrop, the Hotel Manager has put in intense effort to try recoup the lost room bookings.

With increased focus in targeting travellers with shorter lead time, the Hotel Manager was able to replace some of the lost business, and decline in RevPARs for the hotels continued to narrow in January 2015. In January 2015, RevPAR declined by 0.7% year-on-year for The Langham, Hong Kong, 1% for the Eaton, Hong Kong and 4.9% for the Langham Place Hotel, Hong Kong.

While the impact of the protests will dissipate as we move forward, there are increased global market volatilities as we enter 2015. Amidst potential interest rate hike in the United States commencing in the second half of 2015, risk of deflation in the Euro Zone and slowing economic growth in Mainland China, the operating environment for the hotel market will be quite challenging this year. However, a much slower growth of hotel rooms in Hong Kong is expected between 2015 to 2017. With a relatively low base last year, unless we see rapid deterioration in the global economies, we still expect a modest growth in RevPAR for our hotel portfolio in 2015. It should also be noted that of the new hotels to be opened this year, almost all have less than 200 rooms and do not compete directly with our hotels.

Despite challenging operating conditions in the short term, we are optimistic about the outlook of our hotels, which are an impressive portfolio of distinctive and innovative hotels located in the most attractive locations in Hong Kong. Additional renovations planned in the next 2 years will further enhance the quality of the hotel portfolio, allowing the hotels to command higher room rates. Our hotels will definitely benefit from expansion of the Hong Kong Disneyland theme park, completion of major infrastructure projects such as the Hong Kong-Zhuhai-Macau bridge and extension of Mainland China's high-speed rail network to Hong Kong, as all these investments will serve to support additional tourist arrivals to Hong Kong.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the year ended 31 December 2014 was HK\$558,825,000. It is the intention of the Board to distribute 100% of total distributable income in respect of the period from the Listing Date to 31 December 2013 and each financial year ending 31 December 2014 and 2015 and not less than 90% of total distributable income in respect of each financial year thereafter.

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 for the period from the Listing Date to 31 December 2013 and each of the years ending 31 December 2014, 2015, 2016 and 2017.

The Distribution per Share Stapled Unit for the six months ended 31 December 2014 was HK15.2 cents (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 150,000,000 Share Stapled Units). With an interim Distribution per Share Stapled Unit of HK14.6 cents, the Total Distribution per Share Stapled Unit for the year amounted to HK29.8 cents. Based on the closing Share Stapled Unit price of HK\$3.36 as at 31 December 2014, the Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 8.87%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$10,683 million or HK\$5.28 per Share Stapled Unit as at 31 December 2014 which represents a 57.1% premium to the closing Share Stapled Unit price of HK\$3.36 as at 31 December 2014.

Debt Profile

Total outstanding borrowings of the Trust Group as at 31 December 2014 were HK\$6,800 million (2013: HK\$6,800 million). 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 bank debt.

As at 31 December 2014, total gross assets of the Trust Group were HK\$17,705 million (2013: HK\$17,583 million). The gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 38.4% (2013: 38.7%).

Cash Position

As at 31 December 2014, the Trust Group had a cash balance of HK\$649 million (2013: HK\$752 million) to satisfy the asset enhancement, working capital and operating requirements of the 3 hotels.

Pledge of Assets

As at 31 December 2014, investment properties with a fair value of HK\$17,000 million (2013: 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 a HK\$6,800 million syndicated bank facility granted to the Trust Group.

Commitments

At 31 December 2014, the Trust Group had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$209,157,000 (2013: HK\$20,028,000) of which HK\$56,276,000 (2013: HK\$8,169,000) were contracted for.

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

FINAL DISTRIBUTION

The Boards have recommended the payment of a final distribution of HK15.2 cents per Share Stapled Unit (2013:HK18.8 cents per Share Stapled Unit) for the year ended 31 December 2014 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 30 April 2015, 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 2015 Annual General Meeting (“AGM”), the payment of the final distribution will be made on or about 14 May 2015.

The Trustee-Manager Board 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 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 (collectively, the “Registers”) 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 to attend and vote at the 2015 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2015 AGM, the Registers will be closed from Tuesday, 14 April 2015 to Monday, 20 April 2015, both days inclusive.

In order to be eligible to attend and vote at the 2015 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 for registration not later than 4:30 p.m. on Monday, 13 April 2015.

(ii) For ascertaining the entitlement to the proposed 2014 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2014 final distribution, the Registers will be closed from Monday, 27 April 2015 to Thursday, 30 April 2015, both days inclusive.

In order to qualify for the proposed 2014 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 Friday, 24 April 2015.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2015 AGM of the Trust and the Company will be held on Monday, 20 April 2015, for the purpose of, among other things, approving the payment of a final distribution of HK15.2 cents per Share Stapled Units. The notice of 2015 AGM together with the 2014 Annual Report and all other relevant documents (collectively the “Documents”) will be despatched to the Holders of Share Stapled Units on or about 16 March 2015. The Documents will also be published on the corporate website at www.LanghamHospitality.com and the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at www.hkexnews.hk.

CORPORATE SOCIAL RESPONSIBILITY

The Hotel Manager has in place the corporate social responsibility programme CONNECT in the hotels of the Trust Group (“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. The Langham, Hong Kong and Eaton Hotel, Hong Kong are certified to the EarthCheck Silver level. Langham Place Hotel, Hong Kong is certified to EarthCheck Gold level and 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 2014, the Hotels’ colleagues served a total of approximately 2,200 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 33.6 hours in 2014.

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.

HOTEL MANAGER AND 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 in providing services to the Hotels. The total number of employees of the Hotels remains stable at 1,398 comparing with that of 31 December 2013.

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 2014:

Hotel	Number of Employees
The Langham, Hong Kong	474
Langham Place Hotel, Hong Kong	573
Eaton, Hong Kong	351
Total	1,398

Function	Number of Employees
Rooms	506
Food and beverage	578
Sales and marketing	94
Others	220
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 (subject to the cap as stipulated under the applicable laws) to the Mandatory Provident Fund Scheme as mandatory contribution.

The Company has employed a team of four professional staff members to maintain an effective operation of the Trust Group. Great Eagle Group provides certain administrative and non-management services to the Trust Group, which include, 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. All staff members are signed up with the Mandatory Provident Fund Scheme in accordance with the applicable laws and regulations.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Boards play a central support and supervisory role in the respective corporate governance duties of the Trust and the Company. The Boards are responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report prepared on a combined basis.

Pursuant to the Trust Deed, the Trustee-Manager shall be responsible for compliance by the Trust with the applicable Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and other relevant rules and regulations.

For the year ended 31 December 2014, the Trust (via the Trustee-Manager) and the Company had complied with all the applicable code provisions and, where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code. The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employees.

COMPLIANCE WITH THE MODEL CODE

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

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions for the year ended 31 December 2014.

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

Except for the buy-back 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 buying back 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 SFC from time to time and only with the agreement of the Company and in circumstances where the Company buys back or redeems the Ordinary Shares and the Preference Shares included in any Share Stapled Units to be bought back or redeemed.

During the year ended 31 December 2014, 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 SHARES STAPLED UNITS

As at 31 December 2014, the total number of issued Units of the Trust and the Company was 2,022,390,859. As compared with the position of 31 December 2013, a total of 21,000,927 new Share Stapled Units were issued during the year as follows:-

Date	Particulars	No. of Share Stapled Units
31 December 2013	Number of issued Share Stapled Units	2,001,389,932
5 March 2014	Issue of new Share Stapled Units at the price of HK\$3.79 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees (collectively the "Hotel Manager's Fees") to the Hotel Manager of approximately HK\$41,628,000 for the second half of 2013	10,983,756
22 August 2014	Issue of new Share Stapled Units at the price of HK\$3.70 per Share Stapled Unit as payment of the Hotel Manager's Fees to Hotel Manager of approximately HK\$37,064,000 for the first half of 2014	10,017,171
31 December 2014	Number of Issued Share Stapled Units	2,022,390,859

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 2014 have been reviewed by the Audit Committees of the Trustee-Manager and the Company and the final results of the Trustee-Manager for the year ended 31 December 2014 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 2014 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 year ended 31 December 2014 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 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.

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 Mr. IP Yuk Keung, Albert (*Chief Executive Officer*); and the Independent Non-executive Directors are Dr. LIN Syaru, Shirley, Mr. SO Yiu Wah, Eric and Mr. WONG Kwai Lam.

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

Hong Kong, 16 February 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2014

	<u>NOTES</u>	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Continuing operation			
Revenue	5	751,738	471,764
Property related expenses		(32,975)	(18,670)
Service fees		(94,679)	(58,702)
Net property income		624,084	394,392
Other income	7	19,585	9,606
Increase in fair value of investment properties		155,558	25,554
Trust and other expenses		(24,317)	(42,839)
Finance costs	8	(130,822)	(76,755)
Profit before tax		644,088	309,958
Income tax expense	9	(87,025)	(37,571)
Profit for the year attributable to holders of Share Stapled Units		557,063	272,387
Discontinued operation			
Profit for the year from discontinued operation	12	-	172,888
Profit for the year	13	557,063	445,275
Basic and diluted earnings per Share Stapled Unit			
From continuing and discontinued operations	14	HK\$0.2762	HK\$0.2690
From continuing operation		HK\$0.2762	HK\$0.1645

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Profit for the year	<u>557,063</u>	<u>445,275</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
Item that may be reclassified subsequently to profit or loss:		
Reclassified upon disposal of available-for-sale investments	-	<u>(23,555)</u>
Other comprehensive income for the year	<u>-</u>	<u>12,574,602</u>
Total comprehensive income for the year	<u><u>557,063</u></u>	<u><u>13,019,877</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND OF THE COMPANY
AT 31 DECEMBER 2014

	<u>NOTES</u>	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Non-current assets			
Property, plant and equipment		25	9
Investment properties		<u>17,000,000</u>	<u>16,696,000</u>
		<u>17,000,025</u>	<u>16,696,009</u>
Current assets			
Debtors, deposits and prepayments	15	55,024	132,591
Tax recoverable		283	2,217
Restricted cash		60,000	-
Bank balances and cash		<u>589,248</u>	<u>751,932</u>
		<u>704,555</u>	<u>886,740</u>
Current liabilities			
Creditors, deposits and accruals	16	84,448	69,450
Tax payable		61	35
		<u>84,509</u>	<u>69,485</u>
Net current assets		<u>620,046</u>	<u>817,255</u>
Total assets less current liabilities		<u>17,620,071</u>	<u>17,513,264</u>
Non-current liabilities			
Secured bank loans due after one year		6,752,016	6,718,016
Deferred tax liabilities		<u>185,549</u>	<u>125,002</u>
		<u>6,937,565</u>	<u>6,843,018</u>
NET ASSETS		<u>10,682,506</u>	<u>10,670,246</u>
Capital and reserves			
Issued capital		2,022	2,001
Reserves		<u>10,680,484</u>	<u>10,668,245</u>
TOTAL EQUITY		<u>10,682,506</u>	<u>10,670,246</u>

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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 Trust 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 2014 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's consolidated financial statements for the year ended 31 December 2014 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The Trust controls the Company and the sole activity of the Trust during the year ended 31 December 2014 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 Trust Group and the 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 the Company's 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 year ended 31 December 2013 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 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) - Int 21	Levies

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

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

Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 622).

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

5. REVENUE

	<u>2014</u>	<u>2013</u>
	HK\$'000	HK\$'000
Continuing operation		
Rental income from GE (LHIL) Lessee Limited ("Master Lessee")		
Base rent	225,000	133,151
Variable rent	<u>521,534</u>	<u>335,649</u>
	746,534	468,800
Rental income from retail shops in Eaton, Hong Kong	<u>5,204</u>	<u>2,964</u>
Total rental income	<u><u>751,738</u></u>	<u><u>471,764</u></u>

6. 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".

6. SEGMENT INFORMATION - continued

Segment revenue and results

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

2014

	<u>The Langham, Hong Kong HK\$'000</u>	<u>Langham Place Hotel, Hong Kong HK\$'000</u>	<u>Eaton, Hong Kong HK\$'000</u>	<u>Consolidated HK\$'000</u>
Continuing operation				
Segment revenue	263,226	325,315	163,197	751,738
Segment results*	220,293	265,620	138,171	624,084
Other income				19,585
Increase in fair value of investment properties				155,558
Trust and other expenses				(24,317)
Finance costs				(130,822)
Profit before tax				644,088
Income tax expense				(87,025)
Profit for the year attributable to holders of Share Stapled Units				557,063

6. SEGMENT INFORMATION - continued

Segment revenue and results - continued

2013

	The Langham, <u>Hong Kong</u> HK\$'000	Langham Place Hotel, <u>Hong Kong</u> HK\$'000	Eaton, <u>Hong Kong</u> HK\$'000	<u>Consolidated</u> HK\$'000
Continuing operation				
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				<u>272,387</u>

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

Segment assets and liabilities

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\$6,130,000,000, HK\$7,120,000,000 and HK\$3,750,000,000 (2013: 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 the Master Lessee is HK\$746,534,000 (2013: HK\$468,800,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2014.

7.	OTHER INCOME	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
	Continuing operation		
	Interest on bank deposits	19,313	5,154
	Net exchange gain	-	4,452
	Gain on disposals of investment properties	<u>272</u>	<u>-</u>
		<u>19,585</u>	<u>9,606</u>
8.	FINANCE COSTS	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
	Continuing operation		
	Interest on bank borrowings wholly repayable within five years	96,532	56,739
	Loan front-end fee amortisation	34,000	20,016
	Other borrowing costs	<u>290</u>	<u>-</u>
		<u>130,822</u>	<u>76,755</u>
9.	INCOME TAX EXPENSE	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
	Continuing operation		
	Current tax:		
	Hong Kong Profits Tax:		
	Current year	26,521	18,035
	(Over)underprovision in prior years	<u>(43)</u>	<u>53</u>
		<u>26,478</u>	<u>18,088</u>
	Deferred tax:		
	Current year	60,606	19,536
	Overprovision in prior years	<u>(59)</u>	<u>(53)</u>
		<u>60,547</u>	<u>19,483</u>
		<u>87,025</u>	<u>37,571</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:

	<u>2014</u> HK\$'000	Listing Date to 31 December <u>2013</u> HK\$'000
Profit for the year attributable to holders of Share Stapled Units	557,063	272,387
Adjustments:		
Add:		
Listing expenses charged to profit or loss	-	34,748
Depreciation	4	1
Deferred tax	60,547	19,483
Non-cash finance costs	34,000	20,016
Hotel management fees and licence fee payable in form of Share Stapled Units	75,697	47,090
Non-cash net exchange loss	11,952	-
Less:		
Increase in fair value of investment properties	(155,558)	(25,554)
Non-cash net exchange gain	-	(4,452)
Reserve for furniture, fixtures and equipment	<u>(24,880)</u>	<u>(14,966)</u>
Total distributable income	<u>558,825</u>	<u>348,753</u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2014</u> HK\$'000	Listing Date to 31 December <u>2013</u> HK\$'000
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June 2014		272,603	-
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>-</u>
Distributable income for interim distribution period		<u>272,603</u>	<u>-</u>
Interim distribution (note c)		<u>272,603</u>	<u>-</u>
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December 2014 (2013: in respect of the period from the Listing Date to 31 December 2013)	10	558,825	348,753
Less: distributable income paid for interim distribution period (note e)		<u>(273,369)</u>	<u>-</u>
Distributable income available for final distribution period		285,456	348,753
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for final distribution period		<u>285,456</u>	<u>348,753</u>
Final distribution (note c)		<u>285,456</u>	<u>348,753</u>
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit paid			
- Before taking into account the effect of the Distribution Waiver (note d)		<u>HK\$0.135</u>	<u>-</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.146</u>	<u>-</u>
Final distribution per Share Stapled Unit to be paid			
- Before taking into account the effect of the Distribution Waiver (note d)		<u>HK\$0.141</u>	<u>HK\$0.174</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.152</u>	<u>HK\$0.188</u>

11. DISTRIBUTION STATEMENT - continued

Notes:

- (a) The final distribution in 2014 is based on total distributable income for the year ended 31 December 2014.

The interim distribution in 2014 was based on total distributable income for the six months ended 30 June 2014.

The final distribution in 2013 was 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, financial year ended 31 December 2014 and financial year ending 31 December 2015, and (ii) not less than 90% of the total distributable income in respect of each financial year thereafter.

- (c) The final distribution after 31 December 2014 has not been recognised as a liability as at 31 December 2014.

The interim distribution after 30 June 2014 has not been recognised as a liability as at 30 June 2014.

The final distribution after 31 December 2013 has not been recognised as a liability as at 31 December 2013.

- (d) The final distribution per Share Stapled Unit of HK\$0.141 (2013: HK\$0.174) for the final distribution period in 2014 is calculated based on the final distribution to be paid of HK\$285,456,000 (2013: HK\$348,753,000) for the period and 2,022,390,859 (2013: 2,001,389,932) Share Stapled Units as at 31 December 2014.

The interim distribution per Share Stapled Unit of HK\$0.135 for the interim distribution period in 2014 is calculated based on the interim distribution to be paid of HK\$272,603,000 for the period and 2,012,373,688 Share Stapled Units as at 30 June 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. DISTRIBUTION STATEMENT - continued

Notes: - continued

(e)	Number of Share Stapled <u>Units</u> '000
Listing Date to 31 December 2013	150,000
Year ended 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>

The final distribution per Share Stapled Unit of HK\$0.152 (2013: HK\$0.188) for the final distribution period in 2014 is calculated based on 1,872,390,859 (2013: 1,851,389,932) Share Stapled Units after taking into account of the 150,000,000 (2013: 150,000,000) units held by LHIL Assets Holdings Limited. The final distribution for the final distribution period in 2014 will be paid to holders of Share Stapled Units on or before 14 May 2015.

After the issue of 10,983,756 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 31 December 2013 on 5 March 2014, the number of Share Stapled Units entitled for the final distribution in 2013 should be 1,862,373,688. The final distribution for the final distribution period in 2013 of HK\$350,126,000 was paid to holders of Share Stapled Units on 29 May 2014.

The interim distribution per Share Stapled Unit of HK\$0.146 for the interim distribution period in 2014 is calculated based on 1,862,373,688 Share Stapled Units after taking into account of the 150,000,000 units held by LHIL Assets Holdings Limited.

After the issue of 10,017,171 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 30 June 2014 on 22 August 2014, the number of Share Stapled Units entitled for the interim distribution in 2014 should be 1,872,390,859. The interim distribution of HK\$273,369,000 was paid to holders of Share Stapled Units on 7 October 2014.

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 from the discontinued operation for the current and prior years are set out as follows:

Profit for the year from discontinued operation

	<u>2014</u> HK\$'000	1 January 2013 to Listing Date HK\$'000
Revenue	-	657,356
Operating expenses	-	(394,926)
	<hr/>	<hr/>
Operating profit before depreciation and amortisation	-	262,430
Depreciation and amortisation	-	(62,106)
	<hr/>	<hr/>
Operating profit	-	200,324
Other income	-	4,477
Gain on disposal of available-for-sale investments	-	23,555
Administrative expenses	-	(136)
Finance costs	-	(21,903)
	<hr/>	<hr/>
Profit before tax	-	206,317
Income tax expense	-	(33,429)
	<hr/>	<hr/>
Profit for the year from discontinued operation	-	172,888
	<hr/> <hr/>	<hr/> <hr/>

13. PROFIT FOR THE YEAR

	<u>2014</u> Continuing <u>operation</u> HK\$'000	Listing Date to 31 December <u>2013</u> Continuing <u>operation</u> HK\$'000	1 January 2013 to Listing <u>Date</u> Discontinued <u>operation</u> HK\$'000	<u>2013</u> <u>Total</u> HK\$'000
Profit for the year has been arrived at after charging (crediting):				
Staff costs (including directors' emoluments)	6,093	3,621	179,921	183,542
Depreciation	4	1	62,106	62,107
Auditor's remuneration	1,180	1,180	404	1,584
Allowance for doubtful debts	-	-	21	21
Operation lease payments on rented premises	6,363	3,518	1,752	5,270
Listing expenses	-	34,748	-	34,748
Cost of inventories recognised as an expense	-	-	67,641	67,641
Net unrealised exchange loss (included in trust and other expenses)	12,137	-	-	-
Gain on disposals of investment properties	(272)	-	-	-
Net unrealised exchange gain (included in other income)	<u>-</u>	<u>(4,452)</u>	<u>(415)</u>	<u>(4,867)</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>2014</u> HK\$'000	<u>2013</u> HK\$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	<u>557,063</u>	<u>445,275</u>
	<u>2014</u> '000	<u>2013</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>2,016,999</u>	<u>1,655,419</u>

For the year ended 31 December 2013, 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 2013.

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>2014</u> HK\$'000	<u>2013</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>557,063</u>	<u>272,387</u>

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

From discontinued operation

For the year ended 31 December 2013, basic and diluted earnings per Share Stapled Unit from discontinued operation attributable to holders of Share Stapled Units is HK\$0.1045, based on the profit for the year from discontinued operation of HK\$172,888,000 and the denominators detailed above for both basic and diluted earnings per Share Stapled Unit.

15. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Trade debtors	43,035	128,527
Interest receivable	1,025	451
Deposits and prepayments	<u>10,964</u>	<u>3,613</u>
	<u>55,024</u>	<u>132,591</u>

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

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

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
0 - 3 months	<u>43,035</u>	<u>128,527</u>

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

Included in trade debtors is an amount due from a fellow subsidiary of HK\$43,035,000 (2013: HK\$128,527,000) which is unsecured, interest-free and payable on presentation of invoices. Included in deposits and prepayments is an amount due from a fellow subsidiary of HK\$1,351,000 (2013: HK\$1,336,000) which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

16. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Trade creditors	40,355	45,737
Deposits received	1,394	1,334
Other creditors	5,889	2,710
Accruals and other payables	<u>36,810</u>	<u>19,669</u>
	<u>84,448</u>	<u>69,450</u>

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

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
0 - 3 months	23,527	28,532
3 - 6 months	<u>16,828</u>	<u>17,205</u>
	<u>40,355</u>	<u>45,737</u>

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

Included in trade creditors is amounts due to fellow subsidiaries of HK\$40,355,000 (2013: HK\$45,737,000) which is unsecured, interest-free and payable on presentation of invoices. Included in other creditors is an amounts due to fellow subsidiaries of HK\$66,000 (2013: HK\$15,000) which is unsecured, interest-free and payable on presentation of invoices. At 31 December 2013, included in accruals and other payables was an amount due to a fellow subsidiary of HK\$3,609,000 which was unsecured, interest-free and payable on presentation of invoices.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2014

	<u>NOTES</u>	1 January 2014 to 31 December 2014 HK\$	25 January 2013 to 31 December 2013 HK\$
Revenue		-	-
Administrative expenses		(22,355)	(23,030)
Less: Amount borne by a fellow subsidiary		<u>22,355</u>	<u>23,030</u>
Profit or loss before tax	4	-	-
Income tax	5	<u>-</u>	<u>-</u>
Profit or loss and other comprehensive income/expense for the year/period		<u><u>-</u></u>	<u><u>-</u></u>

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 31 DECEMBER 2014

	<u>2014</u> HK\$	<u>2013</u> HK\$
Current asset		
Cash on hand	<u>1</u>	<u>1</u>
NET ASSET	<u><u>1</u></u>	<u><u>1</u></u>
Capital		
Share capital	<u>1</u>	<u>1</u>
TOTAL EQUITY	<u><u>1</u></u>	<u><u>1</u></u>

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014

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 year/period, thus the distribution statement is not presented.

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

The financial statements for the last period cover an approximately eleven-month period from 25 January 2013 to 31 December 2013. The current period amounts shown for the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and related notes cover a twelve-month period ended 31 December 2014 and therefore may not be comparable with amounts shown for last period. The period covered by the last period financial statement was less than twelve months because the Company was incorporated on 25 January 2013.

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

The Company have applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Company's financial statements for the first time in the current year:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) - Int 21	Levies

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

The application of the new and revised HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current year and prior period and/or on the disclosures set out in these financial statements.

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

Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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 (Cap.622).

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

4. PROFIT OR LOSS BEFORE TAX

	1 January 2014 to <u>31 December 2014</u>	25 January 2013 to <u>31 December 2013</u>
	HK\$	HK\$
Profit or loss before tax has been arrived at after charging:		
Auditor's remuneration	<u>20,000</u>	<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 year/period.