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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)

2015 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 consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “Trust Group”) for the year ended 31 December 2015 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2015	2014	Change
Total Rental Income	682.2	751.7	- 9.2%
Net Property Income	563.4	624.0	- 9.7%
Profit attributable to Holders of Share Stapled Units	1,442.2	557.1	158.9%
Profit attributable to Holders of Share Stapled Units excluding a Change in Fair Value of Investment Properties	343.2	401.5	- 14.5%
Distributable Income	477.5	558.8	- 14.5%
Distributions per Share Stapled Unit before Distribution Waiver (2015: Interim Distribution: HK11.1 cents; Final Distribution: HK12.2 cents)	HK23.3 cents	HK27.6 cents	
Distributions per Share Stapled Unit after Distribution Waiver (2015: Interim Distribution: HK11.7 cents; Final Distribution: HK12.9 cents)	HK24.6 cents	HK29.8 cents	
	As at 31 Dec 2015	As at 30 Jun 2015	
Gross Value of Hotel Portfolio	18,381	17,000	
Net Asset Value per Share Stapled Unit	HK\$5.72	HK\$5.17	
Gearing Ratio	36.2%	38.7%	

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Hong Kong's hotel industry in 2015 was negatively impacted by the strong Hong Kong dollar, increased competition from other countries with more relaxed visa requirements and their intensified marketing initiatives targeted at Mainland China's visitors, given Hong Kong's reliance on visitors from the Mainland China. In addition, minority group of Hong Kong residents' unfriendly behavior and protests against Mainland cross-border shoppers have also dented Mainland China visitors' desire to visit Hong Kong. All-in-all, the number of overnight arrivals to Hong Kong declined by 3.9% in 2015, which marked the first time of a year-on-year decline in overnight arrivals since the global financial crisis in 2009.

Against the backdrop of decreasing visitations, Revenue per available room (RevPAR) for Hong Kong's hotels declined by 13.3% in 2015, as compared with a 2.9% growth in 2014. Nonetheless, supported by the Hotel Manager's strategic marketing and asset enhancement initiatives, the Trust Group's hotels have demonstrated their resilience in a weak demand environment, and as a whole, delivered a 10.6% decline in RevPAR, which has outperformed the 13.3% drop in RevPAR of the Hong Kong hotel market in 2015.

As for the individual hotels, RevPAR for The Langham, Hong Kong, based on an average of 457 rooms (2014: 465 rooms), decreased by 8.7% year-on-year in 2015, while the Cordis, Hong Kong (rebranded from Langham Place Hotel in August 2015) has recorded a drop in RevPAR (based on an average of 620 rooms (2014: 650 rooms)) of 8.9% in 2015. Both were more moderate than the 10.8% drop in their respective High Tariff A hotel market (considered as 5-star rated hotels). The drop in hotel room counts for The Langham, Hong Kong and Cordis, Hong Kong were due to ongoing phased renovation of the rooms.

Although the market conditions were challenging, in August 2015, the transition from the Langham Place to the Cordis brand, both managed by the same Hotel Manager, the Langham Hospitality Group, was a smooth one, as reflected in the improved occupancy and steady room rates after the rebrand. Meanwhile, as the Eaton, Hong Kong faced intense competition from the lower-priced hotels, the hotel recorded a rate-led decline in RevPAR of 16.1% in 2015, which was behind the 14.4% decline witnessed in its respective High Tariff B hotel market (considered as 4-star rated hotels).

Given the declines in RevPARs and with less available rooms in the hotel portfolio in 2015, room revenue of the portfolio dropped by 12.7% year-on-year to HK\$828.5 million. Despite some of the Food and Beverage (“F&B”) outlets, including The Place at the Cordis, Hong Kong, which were closed during part of 2015 for renovations, revenue from F&B only dropped by 0.3% year-on-year to HK\$668.1 million in 2015. The steady F&B revenue in 2015 was attributable to the strong domestic F&B consumption, as well as a low base effect, since certain restaurants were closed for renovations during 2014 which suppressed the F&B revenue for that year.

Despite the soft business in 2015, the Trust Group has seized the opportunity and completed its planned renovations in a less disruptive manner, lessening the associated negative impact on the hotels’ operations.

During 2015, the full room inventory at the Cordis, Hong Kong of over 600 rooms was successfully renovated in phases by November 2015. The last phase of the renovation of 128 rooms at The Langham, Hong Kong was completed in September 2015. As all the rooms at the Eaton, Hong Kong have already been renovated in prior years, the full room inventory of the portfolio is now essentially in newly renovated conditions.

Renovations have also been carried out on the majority of the F&B outlets and guest facilities at The Langham, Hong Kong and Cordis, Hong Kong by the end of 2015. Regarding the hotels’ F&B outlets, we are pleased that the renovated Ming Court at Cordis, Hong Kong regained its two stars in the 2016 Michelin Guide, whilst the T’ang Court at The Langham, Hong Kong was for the first time, awarded the most prestigious three star-rating from Michelin. It is worth mentioning that besides our T’ang Court, there is only one other Chinese cuisine that has attained this distinctive recognition in Hong Kong.

With such outstanding attainments, together with substantial renovations focused on improving overall guest experience, The Langham, Hong Kong and Cordis, Hong Kong are well positioned as top players in their respective markets, providing them with competitive edge against other high-end hotels and capturing more premium corporate and leisure hotel room demand.

In addition to revenue from rooms and F&B, which accounted for 97.7% of total revenue of the hotels in 2015, the hotels also generated other income of HK\$34.8 million, which include income such as revenue from spa. As a result, total revenue of the hotel portfolio amounted to HK\$1,531.4 million in 2015, representing a drop of 7.7% year-on-year, while operating profit before deduction of the global marketing fees of the hotel portfolio reduced by 13.4% year-on-year to HK\$645.4 million for the year.

However, it is important to highlight that the weaker performance of the hotel portfolio only affected the variable rental income received by the Trust Group, as the hotels are leased to GE (LHIL) Lessee Limited (the “Lessee”), and the Trust Group primarily receives rental income from the Lessee. Overall rental income received by the Trust Group in 2015 was supported by the fixed rental income paid by the Lessee, as well as steady rental income from the shops at the Eaton, Hong Kong. As a whole, the total rental income of the Trust Group amounted to HK\$682.2 million in 2015 (2014: HK\$751.7 million), representing a decline of 9.2% year-on-year.

After deducting operating expenses incurred by the Trust Group, net property income of the Trust Group was down by 9.7% year-on-year to HK\$563.4 million in 2015 (2014: HK\$624.0 million). Other income, which the majority are interest income for the Trust Group dropped by 52.6% year-on-year to HK\$9.3 million in 2015, as the Trust Group’s cash holdings decreased after payments for the renovation work, as well as less deposit interest was earned since the Trust Group had converted all of its remaining Renminbi deposits into Hong Kong dollars by the end of August 2015. In hindsight, the conversion had turned out to be well timed, given the Renminbi had depreciated rapidly towards the end of 2015. However, the conversion had still resulted in realized exchange losses and reduced the distributable income by a total of HK\$16.1 million in 2015. Nevertheless, it should be noted that such losses were almost twice covered by the accumulated interest income earned on the Renminbi deposits in prior years of HK\$29.1 million (total accumulated realized exchange losses were HK\$16.3 million, as HK\$0.2 million was included in 2014’s results).

Included in the results for 2015 was an increase in fair value of investment properties amounting to HK\$1,099.0 million. Although it is a non-cash item and has no impact on distribution, it has resulted in a significant uplift on the net profit for the Trust Group in 2015. Finance cost was steady at HK\$131.8 million during 2015. After adjusting for other expenses and deducting taxes, net profit was up by 158.9% year-on-year to HK\$1,442.2 million in 2015 (2014: HK\$557.1 million). Excluding the impact of fair value change of investment properties, net profit would have been down by 14.5% to HK\$343.2 million in 2015 (2014: HK\$401.5 million).

Distributable income, which was mainly adjusted for non-cash items, especially the fair value gain on investment properties, was HK\$477.5 million in 2015 (2014: HK\$558.8 million), representing a decline of 14.5% year-on-year. In 2015, distribution per Share Stapled Unit for the full year before distribution waived by the Great Eagle Group was HK23.3 cents (2014: HK27.6 cents) and HK24.6 cents (2014: HK29.8 cents) after the impact of distribution waiver was reflected.

Despite the sluggish hotel market in Hong Kong, valuation of the Trust Group's hotel property portfolio was supported by recent hotel sales transactions. Valuation of the hotel portfolio was valued at HK\$18,381 million as at 31 December 2015, 8.1% higher than that as at the end of June 2015.

The Trust Group had bank loans of HK\$6,800 million and the Net Asset Value of the Trust Group amounted to HK\$11,682 million or HK\$5.72 per Share Stapled Unit as at the end of December 2015 (30 June 2015: HK\$10,516 million or HK\$5.17 per Share Stapled Unit). Gearing ratio dropped to 36.2% as at the end of December 2015 from 38.7% as at the end of June 2015.

As the existing bank loan will mature in May 2016, the Trust Group has taken advantage of the favourably high liquidity conditions of the financial markets in the fourth quarter of 2015 and secured refinancing for the loan. The all-in interest rate for the new loan, is at HIBOR plus 1.23 percent, and down from HIBOR plus 1.7 percent for the existing one. Furthermore, the maturity of the Trust Group's debt profile has also been extended. The new term loan facility will mature four years from the date of drawdown as compared with three years for the existing loan.

OPERATIONAL REVIEW

As the hotels of the Trust Group are leased to the Lessee, an indirect wholly-owned subsidiary of Great Eagle Holdings Limited, the Trust Group receives rent in the form of a pre-determined fixed base rent (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 through the sharing of the hotels' profit under the variable rent component. In addition to the fixed base and variable rental income from the Lessee, the Trust Group also receives rental income directly from the retail shops located at Eaton, Hong Kong that are leased to independent third parties.

Total rental income of the Trust Group, which comprise of a variable and base rental income received from the Lessee, as well as retail rental income from the shops at the Eaton, Hong Kong dropped by 9.2% year-on-year to HK\$682.2 million in 2015. Reflecting the drop in the hotels' aggregate gross operating profit before deduction of the global marketing fees, variable rental income decreased by 13.4% year-on-year to HK\$451.8 million in 2015, while there was a slight increase in rental income received from the retail shops at Eaton, Hong Kong, which rose by 3.8% year-on-year to HK\$5.4 million in 2015. Base rental income from the Lessee was flat at HK\$225 million.

	(in HK\$ million)		
	2015	2014	Change
Variable rental income (70% of the hotels' aggregate gross operating profit before deduction of global marketing fees)	451.8	521.5	- 13.4%
Base rental income (based on HK\$225 million per annum)	225.0	225.0	-
Rental income from the retail shops at Eaton, Hong Kong	5.4	5.2	3.8%
Total rental income to the Trust Group	682.2	751.7	- 9.2%

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

Service fees include hotel management fee, licence fee and global marketing fee. Hotel management fee, which is pegged to the hotels' operating performance, was reduced by 11.2% to HK\$52.5 million in 2015 and was the largest share of service fees. Global marketing fee, which was based only on the room revenue of the hotels, dropped by 12.6% to HK\$16.6 million. License fee, calculated at 1% of the total revenue of the hotels, decreased by 7.8% year-on-year to HK\$15.3 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)		
	2015	2014	Change
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)	52.5	59.1	- 11.2%
Global marketing fee (2% of total room revenue of the hotels)	16.6	19.0	- 12.6%
Licence fee (1% of total revenue of the hotels)	15.3	16.6	- 7.8%
Service fees	84.4	94.7	- 10.9%

Hotel properties' related expenses are comprised of building management fee, insurance and property taxes and rates. Property taxes and rates represented almost two-third of total hotel properties' related expenses and had increased by 3.0% year-on-year in 2015. The increase in property taxes and rates was due to higher reassessed rateable values of the hotel properties valued by the government. Including building management fee, insurance and other hotel properties' related expenses, total hotel properties' related expenses borne by the Trust Group rose by 4.2% year-on-year to HK\$34.4 million for the year ended 31 December 2015.

	(in HK\$ million)		
	2015	2014	change
Total rental income	682.2	751.7	- 9.2%
Service fees (hotel management fee, licence fee and global marketing fee)	(84.4)	(94.7)	- 10.9%
Hotel properties' related expenses	(34.4)	(33.0)	4.2%
Net property income	563.4	624.0	- 9.7%

After deducting the service fee and hotel properties' related expenses from the total rental income, net property income for the Trust Group was HK\$563.4 million in 2015, representing a decline of 9.7% year-on-year.

Other income of the Trust Group, of which the majority is interest income, dropped by 52.6% year-on-year to HK\$9.3 million in 2015, as the Trust Group's cash holdings decreased after payments for the renovation work. In addition, since the unexpected depreciation of Renminbi witnessed on 11 August 2015, the Trust Group took advantage of a short rebound in the Renminbi occurred in the following days, and converted all of its remaining Renminbi deposits into Hong Kong dollars by August 2015. In hindsight, the conversion had turned out to be well timed, given the Renminbi had depreciated much more rapidly towards the end of 2015. Although the realization of the exchange losses on the Renminbi had lowered the Trust Group's distributable income in 2015 by HK\$16.1 million (total accumulated realized exchange losses were HK\$16.3 million, as HK\$0.2 million was included in 2014's results), such exchange losses had been more than offset by the accumulated interest income earned on the Renminbi deposits in prior years of HK\$29.1 million.

Meanwhile, finance cost was steady in 2015 at HK\$131.8 million as compared with HK\$130.8 million in 2014. Finance cost incurred for the year consisted of: i) amortization of upfront loan fee, which is a non-cash item, and ii) interest expense for the year. Interest expense was calculated based on a spread of 120 basis points over one-month HIBOR for 2015.

Trust and other expenses, comprising of staff and other administration expenses, increased by 2.5% year-on-year to HK\$12.5 million for the year ended 31 December 2015. As the Trust Group is internally managed, no asset management fee is paid to external asset manager, but its own management team is remunerated instead.

Included in the 2015's final results was a gain arising from an increase in fair value of investment properties amounting to HK\$1,099.0 million, which represented a substantial increase compared with the HK\$155.6 million increase in fair value of investment properties booked in 2014. However, such gain is a non-cash item, and will be deducted from the calculation of distributable income.

Given the lower operating profit of the Trust Group, income tax expense incurred by the Trust Group dropped by 12.0% year-on-year to HK\$76.6 million in 2015 (2014: HK\$87.0 million), while profit attributable to Holders of Share Stapled Units rose by 158.9% year-on-year to HK\$1,442.2 million in 2015 (2014: HK\$557.1 million). Excluding the impact of fair value change on investment properties, net profit attributable to Holders of Share Stapled Units was down 14.5% to HK\$343.2 million in 2015 (2014: HK\$401.5 million).

	(in HK\$ million)		
	2015	2014	Change
Net property income	563.4	624.0	- 9.7%
Other income (majority are interest income)	9.3	19.6	- 52.6%
Finance cost	(131.8)	(130.8)	0.8%
Increase in fair value of investment properties	1,099.0	155.6	606.3%
Net exchange loss	(8.6)	(12.1)	- 28.9%
Trust and other expenses	(12.5)	(12.2)	2.5%
Profit before tax	1,518.8	644.1	135.8%
Income tax expense	(76.6)	(87.0)	-12.0%
Profit attributable to Holders of Share Stapled Units	1,442.2	557.1	158.9%
Profit attributable to Holders of Share Stapled Units excluding a change in fair value of investment properties	343.2	401.5	- 14.5%

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 and deferred taxation. However, there are deduction adjustments relating to: i) increase in fair value of investment properties; ii) cash contribution to the furniture, fixtures and equipment reserve, which is based on 1.5% of total revenue of the hotels; and iii) reversal of exchange losses recorded in prior years. Overall, distributable income of the Trust Group dropped by 14.5% year-on-year to HK\$477.5 million in 2015.

	(in HK\$ million)		
	2015	2014	Change
Profit attributable to Holders of Share Stapled Units	1,442.2	557.1	158.9%
Adjustments:			
Add:			
Hotel management fee (base and incentive fees paid in Share Stapled Units)	52.5	59.1	- 11.2%
Licence fee	15.3	16.6	- 7.8%
Amortization of upfront loan fee, a non-cash cost	34.0	34.0	-
Deferred tax	63.0	60.5	4.1%
Non-cash exchange difference	-	12.0	n.a.
Less:			
Increase in fair value of investment properties	(1,099.0)	(155.6)	606.3%
Non-cash exchange difference (i.e. reversal of unrealized exchange losses in prior years)	(7.5)	-	n.a.
Cash contribution to furniture, fixtures and equipment reserve	(23.0)	(24.9)	- 7.6%
Distributable income	477.5	558.8	- 14.5%

Pursuant to the Distribution Entitlement Waiver Deed, the holding company of the Trust Group, the Great Eagle Group has waived its entitlement to receive distributions payable in respect of its 100 million Share Stapled Units (representing approximately 4.9% of the issued Share Stapled Units of the Trust Group as at 31 December 2015) for the financial year of 2015, which was down from 150 million Share Stapled Units in 2014. Going forward, the number of distribution waiver units will remain at 100 million Share Stapled Units for the financial year of 2016, and reduce to 50 million Share Stapled Units for the financial year of 2017, and all of the holdings of Share Stapled Units of the Great Eagle Group will be entitled to receive distribution payable from 2018 onward.

The distribution waiver is meant to minimise 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 being set aside for asset enhancement works of the three hotels. In 2015, distribution per Share Stapled Unit for the full year was HK23.3 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK24.6 cents.

As at 31 December 2015, net debt was approximately HK\$6,496 million, which consisted of HK\$6,800 million of bank debt offset by cash of HK\$304 million. As the bank debt will mature in May 2016, the Trust Group has taken advantage of the high liquidity of the financial markets in the fourth quarter of 2015 and secured favourable refinancing for the loan. The all-in interest rate for the new term loan facility is calculated at HIBOR plus 1.23 percent (based on a spread of 0.98% plus an upfront fee of 1% amortized over 4 years), which was down from HIBOR plus 1.7 percent (based on a spread of 1.2% plus an upfront fee of 1.5% amortized over 3 years) for the existing one. Furthermore, the maturity of the Trust Group's debt profile has been extended, and the new term loan facility will mature four years from the date of drawdown as compared with three years for the existing term loan.

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2015	2014	2015	2014	2015	2014	2015	2014
The Langham, Hong Kong	457	465	84.7%	88.9%	2,198	2,295	1,862	2,040
<i>year-on-year growth</i>			<i>-4.2ppt</i>		<i>-4.2%</i>		<i>-8.7%</i>	
Cordis, Hong Kong	620	650	89.7%	91.2%	1,734	1,871	1,555	1,706
<i>year-on-year growth</i>			<i>-1.5ppt</i>		<i>-7.3%</i>		<i>-8.9%</i>	
Eaton, Hong Kong	465	465	89.5%	96.1%	1,093	1,213	978	1,166
<i>year-on-year growth</i>			<i>-6.6ppt</i>		<i>-9.9%</i>		<i>-16.1%</i>	
Hotels portfolio	1,542	1,580	88.1%	92.0%	1,670	1,789	1,472	1,646
<i>year-on-year growth</i>			<i>-3.9ppt</i>		<i>-6.7%</i>		<i>-10.6%</i>	

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2015	2014	2015	2014	2015	2014
High Tariff A	83.0%	86.0%	2,267	2,452	1,882	2,109
<i>year-on-year growth</i>	<i>-3.0ppt</i>		<i>-7.5%</i>		<i>-10.8%</i>	
High Tariff B	88.0%	91.0%	1,067	1,205	939	1,097
<i>year-on-year growth</i>	<i>-3.0ppt</i>		<i>-11.5%</i>		<i>-14.4%</i>	

RevPAR for the hotel portfolio dropped by 10.6% year-on-year to HK\$1,472 in 2015, which was a result of 6.7% drop in average room rate and a 3.9 percentage point decline in occupancy. In addition, number of available rooms was reduced in 2015, resulting in a 12.7% drop of room revenue as compared to 2014. Room revenue accounted for 54.1% of total revenue of the hotel portfolio in 2015.

RevPAR growth of the two High Tariff A hotels, The Langham, Hong Kong and Cordis, Hong Kong, outperformed their respective High Tariff A hotel market. However, RevPAR growth of the Eaton, Hong Kong lagged behind its respective High Tariff B hotel market in 2015, as certain players in the High Tariff B market, especially those lower-priced hotels that derived almost all of their room revenue from the Mainland China market, have aggressively slashed their room rates when the number of tours from Mainland China started to drop in the second quarter of 2015.

Revenue from F&B dropped by 0.3% year-on-year to HK\$668.1 million in 2015 and accounted for 43.6% of total revenue of the hotel portfolio in 2015. Adjusted gross operating profit of the portfolio fell by 13.4% year-on-year in 2015, given a 12.7% reduction in room revenue.

(in HK\$ million) Revenue breakdown	The Langham, Hong Kong	Cordis, Hong Kong	Eaton, Hong Kong	Total
Room	310.8	351.7	166.0	828.5
F&B	224.3	280.1	163.7	668.1
Others	13.2	18.3	3.3	34.8
Total revenue	548.3	650.1	333.0	1,531.4

In 2015, demand for our rooms from overnight tourists of the Mainland China declined by 8.1% year-on-year. Furthermore, arrivals to our hotels from other key markets, including other Asian countries, Australia, U.S. and Europe, have all dropped in 2015, as compared with that in 2014. Despite the decline in visitors from the Mainland China, this market still accounted for 29.4% of total arrivals by geographical breakdown, stable as compared with 2014.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year change in guests from Mainland China	-8.1%	-5.7%
% of overnight guests from Mainland China to total arrivals	29.4%	67.4%

Performance of the individual hotels

The Langham, Hong Kong managed to increase its share of arrivals from the Mainland China slightly in 2015 as compared with that in 2014, while arrivals from the U.S., which is another key market for the hotel, remained flat in 2015 as compared to 2014. However, arrivals fell for almost all of the other key markets, including Australia, Europe and other Asian countries. In particular, the rates of decline for arrivals from Australia and Europe were more severe, attributable to the depreciation of their currencies in 2015.

During 2015, the hotel achieved average occupancy of 84.7% on an average of 457 rooms (2014: 88.9% on an average of 465 rooms) and an average room rate of HK\$2,198 (2014: HK\$2,295). RevPAR was HK\$1,862 in 2015, down 8.7% from 2014.

Revenue from F&B rose by 2.1% year-on-year in 2015, which was due to stronger banqueting business, as well as pick-up in business from the Chinese restaurant, which achieved a three star-rating from Michelin in November 2015. This will help to enhance revenue growth of F&B in 2016.

Cordis, Hong Kong (rebranded from Langham Place Hotel in August 2015) also accommodated more arrivals from the Mainland China, while arrivals from most of the other key markets had dropped in 2015 as compared with that in 2014. However, the Cordis, Hong Kong witnessed a low single-digit year-on-year improvement in RevPAR during the fourth quarter of 2015. The increase was in part attributable to the low base effect, as the hotel suffered from an extremely weak demand during the Occupy Central protest in Mongkok over the fourth quarter of 2014. As for the renovation for its rooms, they have all been completed by the end of November 2015 which will help the hotel attract guests going forward.

For the year 2015, the hotel achieved average occupancy of 89.7% (2014: 91.2%) and an average room rate of HK\$1,734 (2014: HK\$1,871). RevPAR in 2015 dropped 8.9% year-on-year to HK\$1,555.

Revenue from F&B decreased by 1.5% year-on-year in 2015. The decrease was attributable to a drop in revenue at The Place restaurant, which underwent renovation during the first quarter of 2015. There was also a lack of F&B revenue contribution from the Tokoro Japanese restaurant since October 2015, which was closed for conversion into additional office space for the hotel. As the Tokoro was situated on the third floor of the hotel with limited visibility and was not as easily accessible as the other F&B outlets, its patronage had been relatively low. On the other hand, the conversion will help to reduce the hotel's rental expenses in 2016 and beyond, as the additional office space will suffice for its own use.

Eaton, Hong Kong suffered more from weaker overnight tourist visitations from the Mainland China, as compared with the other two hotels of the portfolio. The Eaton, Hong Kong witnessed a 34.7% year-on-year drop in arrivals from the Mainland China market in 2015, as it faced intense competition from other lower-priced hotels. Even though Eaton's lowered room rates have attracted more budget travellers from other key markets like Australia, U.S., U.K. and other Asian countries, such increase was unable to offset the large decline in arrivals from the Mainland China.

For the year 2015, the hotel achieved average occupancy of 89.5% (2014: 96.1%) and an average room rate of HK\$1,093 (2014: HK\$1,213). RevPAR dropped 16.1% to HK\$978 in 2015.

Revenue from F&B at the Eaton, Hong Kong, dropped by 1.7% year-on-year in 2015 due to lower banqueting revenue, whereas most of the other restaurants showed better pickup with increased number of customers.

OUTLOOK

In addition to concerns lingered since 2015, including further slowdown in China's economic growth, negative impact on the global economy arising from potentially more rate increases in the U.S. and intensifying geopolitical and economic uncertainties, the start of 2016 was marked with significant financial market volatilities. Furthermore, the strong Hong Kong dollar being linked to US dollar, coupled with depreciation of the yen, euro and surrounding nations' currencies have made Hong Kong relatively more expensive to international travellers, especially Mainland China tourists. These conditions could affect near term corporate travel spending and leisure tourists' short term enthusiasm to travel.

Therefore, even though Hong Kong's hotels are currently more competitive due to the lowered room rates, at this juncture, we believe a significant rebound in RevPAR for Hong Kong's hotels is unlikely during the first quarter of 2016.

Nonetheless, we expect RevPAR for the full year in 2016 to be largely stable, as new supply of hotel rooms in Hong Kong in 2016 is manageable, whilst demand appears to be recovering from the large declines witnessed in the second and third quarter of 2015. On the supply side, new supply of rooms in Hong Kong is projected to grow at 3.4% (or 2,558 rooms) in 2016, which is below its five-year historical average rate of almost 4%. On the demand side, after the continuous decrease in Hong Kong's RevPAR over the past 15 months, the pace of RevPAR decline in recent months has already narrowed to mid-single digits from the high teen's percentage recorded in the third quarter of 2015.

As for our portfolio, we witnessed a RevPAR drop of 4.4% year-on-year in January 2016, but moving forward, we believe there is room for the Hotel Manager to further maximize revenue potential of the renovated hotels. Furthermore, the availability of all the room inventory of the portfolio throughout 2016 should contribute additional room revenue this year. At the same time, stringent measures will be implemented on a continuous basis to contain operating cost of the hotels to optimize profitability.

On asset enhancement initiatives, the remaining major renovation work will be at the Eaton, Hong Kong. The plan is to refurbish all the public areas of the hotel, so as to enhance its attractiveness and create a more engaging lifestyle experience for our targeted guests. However, as the design has yet to be finalised, the renovation work is expected to take place in 2017. On the financing side, the one-month Hong Kong dollar HIBOR could remain elevated for a certain time, but the impact will be partially offset by the lower interest rate spread we have achieved for the new loan facility.

While operating environment will remain challenging in the short term, we are still optimistic about the potential and strength of the hotel market, as Hong Kong maintains its position as one of the sought-after travel destinations in the world. Furthermore, as more tourism and infrastructure developments will be completed in the coming years, these will serve to support additional tourist visitations to Hong Kong over the long term.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the year ended 31 December 2015 was HK\$477,534,000 (2014: HK\$558,825,000). It is the stated intention of the Boards to distribute 100% of total distributable income in respect of 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 waived 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 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 2015 was HK12.9 cents (after the adjustment for the waiver of distribution entitlement given by LHIL Assets Holdings Limited of 100,000,000 Share Stapled Units (2014: 150,000,000 Share Stapled Units)). With an interim Distribution per Share Stapled Unit of HK11.7 cents, Total Distribution per Share Stapled Unit for the year amounted to HK24.6 cents. Based on the closing Share Stapled Unit price of HK\$2.84 as at 31 December 2015, Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 8.66%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$11,682 million or HK\$5.72 per Share Stapled Unit as at 31 December 2015 which represents a 101.4% premium to the closing Share Stapled Unit price of HK\$2.84 as at 31 December 2015.

Debt Profile

Total outstanding borrowings of the Trust Group as at 31 December 2015 were HK\$6,800 million (2014: HK\$6,800 million). The secured term loan is on a floating-rate interest basis and repayable in full on 29 May 2016. As previously mentioned, a favorable refinancing had been secured to repay the existing term loan. The Trust Group will closely monitor interest rate movements and may, depending on market conditions, consider hedging the interest rate exposure on part or all of the bank debt.

As at 31 December 2015, total gross assets of the Trust Group were HK\$18,803 million (2014: HK\$17,705 million). The gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 36.2% (2014: 38.4%).

Cash Position

As at 31 December 2015, the Trust Group had a cash balance of HK\$304 million (2014: HK\$649 million) to satisfy the asset enhancement of the 3 hotels, primarily Eaton, Hong Kong, as well as the working capital and operating requirements.

Pledge of Assets

As at 31 December 2015, investment properties of the Trust Group with a fair value of HK\$18,381 million (2014: HK\$17,000 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure a HK\$6,800 million syndicated bank facility granted to the Trust Group.

Commitments

At 31 December 2015, the Trust Group had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$126,407,000 (2014: HK\$209,157,000), of which HK\$16,182,000 (2014: HK\$56,276,000) were contracted for.

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

FINAL DISTRIBUTION

The Trustee-Manager Board has recommended the payment of a final distribution of HK12.9 cents per Share Stapled Unit (2014: HK15.2 cents) for the year ended 31 December 2015 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 3 May 2016, 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 2016 Annual General Meeting (“2016 AGM”), the payment of the final distribution will be made on 16 May 2016. Taken together with the interim distribution of HK11.7 cents per Share Stapled Unit paid in October 2015, the total distribution per Share Stapled Unit for the year 2015 is HK24.6 cents.

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

CLOSURE OF REGISTERS

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed (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) To attend and vote at the 2016 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2016 AGM, the Registers will be closed from Monday, 18 April 2016 to Friday, 22 April 2016, both days inclusive.

In order to be eligible to attend and vote at the 2016 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 Friday, 15 April 2016.

(ii) To qualify for the proposed 2015 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2015 final distribution, the Registers will be closed from Thursday, 28 April 2016 to Tuesday, 3 May 2016, both days inclusive.

In order to qualify for the proposed 2015 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 Wednesday, 27 April 2016.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2016 AGM of the Trust and the Company will be held on Friday, 22 April 2016, for the purpose of, among other things, approving the payment of a final distribution of HK12.9 cents per Share Stapled Units. The notice of 2016 AGM together with the 2015 Annual Report and all other relevant documents will be despatched to Holders of Share Stapled Units and published on the corporate website at www.LanghamHospitality.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk in March 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to the Trust Deed, each of the Trustee-Manager and the Company must co-operate with each other to ensure that each party complies with the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other relevant rules and regulations.

For the year ended 31 December 2015, 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 2015.

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

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

During the year ended 31 December 2015, 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 2015, the total number of issued Share Stapled Units of the Trust and the Company was 2,042,905,937. As compared with the position of 31 December 2014, a total of 20,515,078 new Share Stapled Units were issued during the year as follows:-

Date	Particulars	No. of Share Stapled Units
31 December 2014	Number of issued Share Stapled Units	2,022,390,859
3 March 2015	Issue of new Share Stapled Units at the price of HK\$3.68 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\$38,633,000 for the second half of 2014	10,498,075
21 August 2015	Issue of new Share Stapled Units at the price of HK\$3.20 per Share Stapled Unit as payment of the Hotel Manager’s Fees to Hotel Manager of approximately HK\$32,054,000 for the first half of 2015	10,017,003
31 December 2015	Number of issued Share Stapled Units	2,042,905,937

PUBLIC FLOAT

As at the date of this announcement, based on information that is publicly available and within the knowledge of the Directors of the Trustee-Manager and the Company, the Trust 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 2015 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 2015 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 and other comprehensive income and the related notes thereto for the year ended 31 December 2015 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 2015 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 (Mr. LO Chun Him, Alexander as her alternate); the Executive Director is Mr. IP Yuk Keung, Albert (*Chief Executive Officer*); and the Independent Non-executive Directors are Dr. LIN Syaru, Shirley, Mr. SO Yiu Wah, Eric and Mr. WONG Kwai Lam.

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

Hong Kong, 18 February 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<u>NOTES</u>	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Revenue	5	682,194	751,738
Property related expenses		(34,438)	(32,975)
Service fees		<u>(84,383)</u>	<u>(94,679)</u>
Net property income		563,373	624,084
Other income	7	9,323	19,585
Increase in fair value of investment properties		1,099,032	155,558
Trust and other expenses		(21,105)	(24,317)
Finance costs	8	<u>(131,783)</u>	<u>(130,822)</u>
Profit before tax		1,518,840	644,088
Income tax expense	9	<u>(76,649)</u>	<u>(87,025)</u>
Profit and total comprehensive income for the year attributable to holders of Share Stapled Units	12	<u><u>1,442,191</u></u>	<u><u>557,063</u></u>
Basic and diluted earnings per Share Stapled Unit	13	<u><u>HK\$0.7077</u></u>	<u><u>HK\$0.2762</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND OF THE COMPANY

AT 31 DECEMBER 2015

	<u>NOTES</u>	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Non-current assets			
Property, plant and equipment		19	25
Investment properties		18,381,000	17,000,000
		<u>18,381,019</u>	<u>17,000,025</u>
Current assets			
Debtors, deposits and prepayments	14	116,153	55,024
Tax recoverable		1,666	283
Restricted cash		60,064	60,000
Bank balances		244,133	589,248
		<u>422,016</u>	<u>704,555</u>
Current liabilities			
Creditors, deposits and accruals	15	86,355	84,448
Secured bank loans due within one year		6,786,016	-
Tax payable		91	61
		<u>6,872,462</u>	<u>84,509</u>
Net current (liabilities) assets		<u>(6,450,446)</u>	<u>620,046</u>
Total assets less current liabilities		<u>11,930,573</u>	<u>17,620,071</u>
Non-current liabilities			
Secured bank loans due after one year		-	6,752,016
Deferred tax liabilities		248,576	185,549
		<u>248,576</u>	<u>6,937,565</u>
NET ASSETS		<u>11,681,997</u>	<u>10,682,506</u>
Capital and reserves			
Issued capital		2,043	2,022
Reserves		11,679,954	10,680,484
TOTAL EQUITY		<u>11,681,997</u>	<u>10,682,506</u>

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 addresses of the registered offices of the Trustee-Manager and of the Company and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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 2015 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 2015 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 2015 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".

The 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.

2. BASIS OF PRESENTATION AND PREPARATION - continued

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

The Trust and the Company's consolidated financial statements have been prepared on a going concern basis because the Trustee-Manager and the Directors of the Company are of the opinion that an underwritten mandate letter has been signed to secure the refinancing of the bank loan(see note 16).

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

The Groups have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the amendments to 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.

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

Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
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 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of new and revised standards or amendments 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.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Trust and the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the new Hong Kong Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

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>2015</u> HK\$'000	<u>2014</u> HK\$'000
Rental income from GE (LHIL) Lessee Limited ("Master Lessee")		
Base rent	225,000	225,000
Variable rent	<u>451,769</u>	<u>521,534</u>
	676,769	746,534
Rental income from retail shops in Eaton, Hong Kong	<u>5,425</u>	<u>5,204</u>
Total rental income	<u><u>682,194</u></u>	<u><u>751,738</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.

The Groups' results 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 "Operating 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 years under review.

2015

	The Langham, <u>Hong Kong</u> HK\$'000	Cordis, <u>Hong Kong**</u> HK\$'000	Eaton, <u>Hong Kong</u> HK\$'000	<u>Consolidated</u> HK\$'000
Segment revenue	244,183	292,712	145,299	682,194
Segment results*	203,852	236,657	122,864	563,373
Other income				9,323
Increase in fair value of investment properties				1,099,032
Trust and other expenses				(21,105)
Finance costs				(131,783)
Profit before tax				1,518,840
Income tax expense				(76,649)
Profit for the year attributable to holders of Share Stapled Units				<u>1,442,191</u>

2014

	The Langham, <u>Hong Kong</u> HK\$'000	Cordis, <u>Hong Kong**</u> HK\$'000	Eaton, <u>Hong Kong</u> HK\$'000	<u>Consolidated</u> HK\$'000
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				<u>557,063</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.

** Cordis, Hong Kong was formerly known as Langham Place Hotel, Hong Kong.

6. SEGMENT INFORMATION - continued

Segment assets and liabilities

For the purpose of performance assessment, the fair values of investment properties are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong were HK\$6,845,000,000, HK\$7,770,000,000 and HK\$3,766,000,000 (2014: HK\$6,130,000,000, HK\$7,120,000,000 and HK\$3,750,000,000), 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\$676,769,000 (2014: HK\$746,534,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2015.

7. OTHER INCOME

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Interest on bank deposits	9,194	19,313
Sundry income	129	272
	<u>9,323</u>	<u>19,585</u>

8. FINANCE COSTS

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Interest on bank borrowings	97,493	96,532
Loan front-end fee amortisation	34,000	34,000
Other borrowing costs	290	290
	<u>131,783</u>	<u>130,822</u>

9. INCOME TAX EXPENSE

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	13,676	26,521
Overprovision in prior years	<u>(54)</u>	<u>(43)</u>
	<u>13,622</u>	<u>26,478</u>
Deferred tax:		
Current year	63,027	60,606
Overprovision in prior years	<u>-</u>	<u>(59)</u>
	<u>63,027</u>	<u>60,547</u>
	<u><u>76,649</u></u>	<u><u>87,025</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 and other comprehensive income for the relevant period. The adjustments to arrive at the total distributable income for the current year are set out below:

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Profit for the year attributable to holders of Share Stapled Units	1,442,191	557,063
Adjustments:		
Add:		
Depreciation	6	4
Deferred tax	63,027	60,547
Non-cash finance costs	34,000	34,000
Hotel management fees and licence fee payable in form of Share Stapled Units	67,813	75,697
Non-cash exchange difference	-	11,952
Less:		
Increase in fair value of investment properties	(1,099,032)	(155,558)
Non-cash exchange difference	(7,499)	-
Reserve for furniture, fixtures and equipment	<u>(22,972)</u>	<u>(24,880)</u>
Total distributable income	<u><u>477,534</u></u>	<u><u>558,825</u></u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June 2015 (2014: in respect of the six months ended 30 June 2014)		226,433	272,603
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for interim distribution period		<u>226,433</u>	<u>272,603</u>
Interim distribution (note c)		<u>226,433</u>	<u>272,603</u>
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December 2015 (2014: in respect of the financial year ended 31 December 2014)	10	477,534	558,825
Less: distributable income paid for interim distribution period (note e)		<u>(227,320)</u>	<u>(273,369)</u>
Distributable income available for final distribution period		250,214	285,456
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for final distribution period		<u>250,214</u>	<u>285,456</u>
Final distribution (note c)		<u>250,214</u>	<u>285,456</u>
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\$0.111</u>	<u>HK\$0.135</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.117</u>	<u>HK\$0.146</u>
Final distribution per Share Stapled Unit to be paid			
- Before taking into account the effect of the Distribution Waiver (note d)		<u>HK\$0.122</u>	<u>HK\$0.141</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.129</u>	<u>HK\$0.152</u>

11. DISTRIBUTION STATEMENT - continued

Notes:

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

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

The final distribution in 2014 was based on total distributable income for the year ended 31 December 2014.

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

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

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

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

- (d) The final distribution per Share Stapled Unit of HK\$0.122 (2014: HK\$0.141) for the final distribution period in 2015 is calculated based on the final distribution to be paid of HK\$250,214,000 (2014: HK\$285,456,000) for the period and 2,042,905,937 (2014: 2,022,390,859) Share Stapled Units as at 31 December 2015.

The interim distribution per Share Stapled Unit of HK\$0.111 (2014: HK\$0.135) for the interim distribution period in 2015 is calculated based on the interim distribution to be paid of HK\$226,433,000 (2014: HK\$272,603,000) for the period and 2,032,888,934 (2014: 2,012,373,688) Share Stapled Units as at 30 June 2015.

11. DISTRIBUTION STATEMENT - continued

Notes: - continued

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

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

The final distribution per Share Stapled Unit of HK\$0.129 (2014: HK\$0.152) for the final distribution period in 2015 is calculated based on 1,942,905,937 (2014: 1,872,390,859) Share Stapled Units after taking into account of the 100,000,000 (2014: 150,000,000) units waived by LHIL Assets Holdings Limited. The final distribution for the final distribution period in 2015 will be paid to holders of Share Stapled Units on or before 16 May 2016.

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

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\$0.117 (2014: HK\$0.146) for the interim distribution period in 2015 is calculated based on 1,932,888,934 (2014: 1,862,373,688) Share Stapled Units after taking into account of the 100,000,000 (2014: 150,000,000) units waived by LHIL Assets Holdings Limited.

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

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

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Profit and total comprehensive income for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	5,011	6,093
Share-based payment expenses (including directors' emoluments) (note a)	<u>131</u>	<u>-</u>
	5,142	6,093
Depreciation	6	4
Auditor's remuneration	1,180	1,180
Operation lease payments on rented premises	6,403	6,363
Net exchange loss (included in trust and other expenses)	<u>8,647</u>	<u>12,137</u>

Note:

- (a) The Groups recognised the total expenses of HK\$131,000 for the year ended 31 December 2015 in relation to share options granted by the ultimate holding company under their share option scheme.

13. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT

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

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	<u>1,442,191</u>	<u>557,063</u>
	<u>2015</u> '000	<u>2014</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>2,037,959</u>	<u>2,016,999</u>

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Trade debtors	109,332	43,035
Interest receivable	702	1,025
Deposits and prepayments	<u>6,119</u>	<u>10,964</u>
	<u>116,153</u>	<u>55,024</u>

Rentals receivable from Master Lessee and other tenants 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>2015</u> HK\$'000	<u>2014</u> HK\$'000
0 - 3 months	<u>109,332</u>	<u>43,035</u>

No trade debtor is past due as at 31 December 2014 and 2015.

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\$109,136,000 (2014: HK\$43,035,000) 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 (2014: HK\$1,351,000) which is unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

15. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
Trade creditors	37,432	40,355
Deposits received	1,394	1,394
Other creditors	13,755	5,889
Accruals and other payables	<u>33,774</u>	<u>36,810</u>
	<u>86,355</u>	<u>84,448</u>

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

	<u>2015</u> HK\$'000	<u>2014</u> HK\$'000
0 - 3 months	23,607	23,527
3 - 6 months	<u>13,825</u>	<u>16,828</u>
	<u>37,432</u>	<u>40,355</u>

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

Included in trade creditors are amounts due to fellow subsidiaries of HK\$37,432,000 (2014: HK\$40,355,000) which are unsecured, interest-free and payable on presentation of invoices. Included in other creditors are amounts due to fellow subsidiaries of HK\$188,000 (2014: HK\$66,000) which are unsecured, interest-free and payable on presentation of invoices. At 31 December 2015, included in accruals and other payables is an amount due to a fellow subsidiary of HK\$1,759,000 (2014: HK\$Nil) which is unsecured, interest-free and payable on presentation of invoices.

16. EVENT AFTER THE END OF THE REPORTING PERIOD

The Groups entered an underwritten mandate letter in relation to a credit facility, comprising of HK\$7,200,000,000 secured term loan and revolving loan (the "Facility"), with two banks who would act as mandated lead arrangers and bookrunners of the Facility and underwrite the Facility up to a maximum aggregate amount of HK\$7,200,000,000.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>NOTES</u>	<u>2015</u> HK\$	<u>2014</u> HK\$
Revenue		-	-
Administrative expenses		(23,955)	(22,355)
Less: Amount borne by a fellow subsidiary		<u>23,955</u>	<u>22,355</u>
Profit or loss before tax	4	-	-
Income tax	5	<u>-</u>	<u>-</u>
Profit or loss and total comprehensive income/expense for the year		<u>-</u>	<u>-</u>

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 31 DECEMBER 2015

	<u>2015</u> HK\$	<u>2014</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 2015

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 for both years, 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.

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

The Company has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

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

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

Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
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 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of new and revised standards or amendments 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 Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Accordingly, the presentation and disclosure of information in the financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance but not under the new Hong Kong Companies Ordinance are not disclosed in these financial statements.

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

4.	PROFIT OR LOSS BEFORE TAX		
		<u>2015</u>	<u>2014</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 for both years.