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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)

2016 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	Year ended 31 December		
	2016	2015	Change
RevPAR of the hotel portfolio (in HK\$)	1,438	1,472	-2.3%
Revenue of hotel portfolio	1,553.3	1,531.4	+ 1.4%
Hotels' gross operating profit before deduction of the global marketing fees	679.6	645.4	+5.3%
Total Rental Income for the Trust Group	706.4	682.2	+3.5%
Net Property Income for the Trust Group	593.7	563.4	+5.4%
Profit attributable to Holders of Share Stapled Units	409.6	1,442.2	-71.6%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change of Investment Properties and Derivative Financial Instrument	381.4	343.2	+11.1%
Distributable Income	501.4	477.5	+5.0%
Distributions per Share Stapled Unit before Distribution Waiver	HK24.2 cents	HK23.3 cents	+3.9%
Distributions per Share Stapled Unit after Distribution Waiver	HK25.5 cents	HK24.6 cents	+3.7%
As at	31 Dec 2016	31 Dec 2015	30 Jun 2016
Gross Value of Hotel Portfolio (in HK\$ million)	18,432	18,381	18,495
Net Asset Value per Share Stapled Unit	HK\$5.65	HK\$5.72	HK\$5.70
Gearing Ratio	36.1%	36.2%	36.1%

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 2016 as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are pleased to report that the Trust Group’s hotel portfolio has finished the year with growth in revenue and operating profit in 2016. This was achieved on the back of a stabilizing hotel market in Hong Kong, as well as an addition to the number of available rooms in our portfolio in 2016 after their renovations in 2015.

As compared with the first half of 2016, a marked recovery was witnessed in overnight arrivals to Hong Kong in the second half of 2016. After a 2.1% year-on-year decline in overnight arrivals in the first half of 2016, overnight arrivals bucked the downward trend and rose by 1.0% year-on-year in the second half of 2016, resulting in a mere 0.5% year-on-year drop in overnight arrivals for the year as a whole in 2016, which was considered mild as compared with a 3.9% decline in 2015.

The recovery in overnight arrivals in the second half of 2016 was driven by an improvement in overnight arrivals from Mainland China, which is the largest market for Hong Kong and had staged good recovery, dropping by only 0.6% year-on-year in the second half of 2016 versus a decline of 6.7% year-on-year in the first half. As the trend in overnight arrivals to Hong Kong stabilizes in 2016, the decline in RevPAR of the Hong Kong hotel market was only 2.6% in 2016 versus a 13.3% drop in 2015.

As for the Trust Group’s hotels, The Langham, Hong Kong outperformed its respective hotel market in terms of changes in RevPAR, whereas Cordis, Hong Kong and Eaton, Hong Kong underperformed their respective hotel markets. RevPAR of Cordis was dragged by low occupancy during the first quarter of 2016, when violent protests broke out within close proximity to the hotel, whereas the underperformance of Eaton was due to severe room rate competition from nearby hotels. For the portfolio as a whole, RevPAR declined by 2.3% in 2016.

While the portfolio's RevPAR declined, room revenue of the hotel portfolio actually rose by 2.6% in 2016, mostly due to an increase in the number of available rooms at The Langham and Cordis following the completion of renovations in 2015. Revenue from F&B business was flat as compared to 2015, and overall hotel revenue grew by only 1.4% in 2016. The growth in gross operating profit before global marketing fee of the portfolio was much higher and recorded a growth of 5.3% in 2016, given the relatively fixed costs nature of the hotel business, coupled with the hotel managers' proactive approach to containing variable costs.

The increase in gross operating profit of the portfolio led to an increase in variable rental income received by the Trust Group and total rental income received by the Trust Group rose by 3.5% to HK\$706.4 million in 2016. Net property income rose by 5.4% to HK\$593.7 million on lowered operating expenses incurred by the Trust Group. However, net profit of the Trust Group dropped by 71.6% to HK\$409.6 million, which was mainly due to the effect of a high base in 2015, when an increase of HK\$1,099.0 million in fair value of properties was booked.

Distributable income, which primarily excluded non-cash items rose by 5.0% to HK\$501.4 million. Distribution per Share Stapled Unit after and before the impact of distribution waiver was HK25.5 cents and HK24.2 cents respectively. Distribution yield based on HK25.5 cents of distribution per Share Stapled Unit and the Trust Company's closing price of HK\$3.13 on 30 December 2016 was 8.1%.

The appraised valuation of the hotel portfolio was HK\$18,432 million as at the end of 2016, representing an increase of 0.3% as compared with HK\$18,381 million as at the end of 2015. However, as the increase in appraised market value of the hotels was insufficient to fully cover the additional asset enhancements spent on the Hotels during 2016, a shortfall or decrease in fair value amounting to HK\$3.6 million was recorded in 2016's results. Net Asset Value ("NAV") per Share Stapled Unit of the Trust Group was HK\$5.65 as at the end of 2016.

Gearing ratio was 36.1% at the end of 2016 compared to 36.2% at the end of December 2015. Based on the Trust and the Company's closing price of HK\$3.13 per Share Stapled Unit on 30 December 2016, this represented a discount of 44.6% to the Trust Group's NAV.

During 2016, we have successfully completed the refinancing of a HK\$6,800 million bank loan that matured in May 2016. The new loan with maturity extended to four years effectively eliminates refinancing risks for the Trust Group in the medium term. The new loan also charges a substantially lower interest spread which was a result of oversubscription from a large number of highly reputable banks. After the refinancing, the interest spread charged on the new loan, including amortized upfront cost, is 1.23% versus 1.70% interest spread on the previous loan.

As we strive to reduce the negative impact from potential hike in interest rates on distributable income, the Trust Group has effectively fixed the interest rate of HK\$2,000 million of our bank loans by entering into interest rate swap contracts in early November 2016 and January 2017 at an average interest rate of 1.42%. In fact, there was an increase in fair value of derivative financial instrument amounting to HK\$31.8 million in 2016, which reflects the increase in the market value of the HK\$1 billion contract that was entered into in November 2016 as interest rates rose. However, as fair value changes are non-cash items they do not have an impact on distributable income.

Lastly, as the Chinese restaurant at Eaton has been awarded a Michelin one-star rating in November 2016, we are delighted that we now have Michelin Star rated restaurants across the hotels in the Trust Group's portfolio and we believe these outstanding culinary attainments will further enhance the positioning of the hotels.

OPERATIONAL REVIEW

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

Given the increase in the hotels' aggregate gross operating profit before deduction of the global marketing fees, variable rental income increased by 5.3% year-on-year to HK\$475.7 million in 2016, whereas fixed rental income was flat at HK\$225.0 million in 2016. Even though contribution from retail shops at Eaton was quite small, there was a 5.6% increase in retail rental income, due to a one-off tenant compensation. Total rental income of the Trust Group, which comprises of variable and fixed base rental income received from the Lessee, as well as retail rental income from the shops at Eaton rose 3.5% year-on-year to HK\$706.4 million in 2016.

(in HK\$ million)	2016	2015	Change
Variable rental income	475.7	451.8	+5.3%
Fixed rental income	225.0	225.0	-
Rental income from retail shops	5.7	5.4	+5.6%
Total Rental Income to the Trust Group	706.4	682.2	+3.5%

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

Service fees are comprised of: i) hotel management fee, ii) licence fee and iii) global marketing fee paid to the hotel management companies. Hotel management fee is comprised of a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee on 5% of adjusted gross operating profit. Licence fee is calculated based on 1% of total revenue of the Hotels, and global marketing fee is calculated at 2% of total room revenue of the Hotels. It should be noted that when calculating distributable income, global marketing fee is paid in cash, while hotel management fee and licence fee are paid in the form of Share Stapled Units until the end of 2017. Thereafter, the Hotel Manager can elect the hotel management and licence fees to be paid in the form of Share Stapled Units, cash or a combination of both.

Total service fees payable to the hotel management companies in 2016 rose by 3.1% to HK\$87.0 million. The increase was due to improved performance of the hotel portfolio, based on which all streams of services fees are calculated.

(in HK\$ million)	2016	2015	Change
Hotel management fee	54.5	52.5	+3.8%
Licence fee	15.5	15.3	+1.3%
Global marketing fee	17.0	16.6	+2.4%
Total service fees	87.0	84.4	+3.1%

A decline of 25.3% in Hotel properties' related expenses, to HK\$25.7 million in 2016, was attributable to the absence of rental expense incurred by Cordis. As the hotel terminated its office lease in December 2015, such saving of rental expenses led to an increase in the Trust Group's net property income, which rose by 5.4% to HK\$593.7 million in 2016.

(in HK\$ million)	2016	2015	Change
Total rental income	706.4	682.2	+ 3.5%
Hotel properties related expenses	(25.7)	(34.4)	-25.3%
Service fees (hotel management fee, licence fee and global marketing fee)	(87.0)	(84.4)	+3.1%
Net property income	593.7	563.4	+5.4%

Interest income of HK\$1.6 million was recorded in 2016, representing a year-on-year drop of 82.6%. The much lower interest income was primarily due to substantially lower deposits in 2016 which were used to pay for renovations.

Finance cost dropped by 10.3% to HK\$118.2 million in 2016, which was attributable to lower interest cost on the HK\$6,800 million new loan drawn in May 2016. The new loan carries an all-in interest rate at HIBOR plus 1.23% per annum as compared with HIBOR plus 1.70% per annum for the previous loan. Finance cost in 2016 also factored in approximately two months of higher interest rate paid on the interest rate swap with a notional value of HK\$1,000 million that was entered into since early November 2016. The 4-year interest rate swap contract was entered into to effectively convert the floating interest rate on HK\$1,000 million of our bank loan into a fixed rate.

In hindsight, the swap contract entered into in early November turned out to be well-timed, given the rapid hike of interest rates towards the end of 2016. In fact, an increase in fair value of derivative financial instrument of HK\$31.8 million was recorded in 2016, which reflects the increase in the market value of the swap contract as interest rates rose. However, as fair value changes were non-cash items, they did not have an impact on distributable income.

Subsequent to the swap contract that was entered into in November 2016, the Trust Group has entered into other interest rate swap contracts with notional amount of HK\$1,000 million in early January 2017. As at the end of January 2017, 29.4% or HK\$2,000 million of the Trust Group's HK\$6,800 million borrowing was effectively fixed by using interest rate swaps with a fixed weighted average interest rate of 1.42% p.a..

Loan with Floating vs. Fixed interest rate as at the end of Jan 2017

HK\$4,800 million Floating rate base on HIBOR+ all-in interest spread of 1.23% p.a.

HK\$2,000 million Fixed rate at 2.65% (using interest rate swaps at 1.42% p.a.)

Total HK\$6,800 million

Trust and other expenses, comprising of staff and other administration expenses, was relatively stable at HK\$12.7 million for 2016. Note that 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.

Profit attributable to Holders of Share Stapled Units dropped 71.6% to HK\$409.6 million in 2016, given a high base effect as a result of the booking of an increase in fair value of investment properties amounted to HK\$1,099.0 million in 2015. Excluding the impact of fair value changes on investment properties and derivative financial instrument (interest rate swap contract), net profit attributable to Holders of Share Stapled Units would have increased by 11.1% to HK\$381.4 million in 2016 (2015: HK\$343.2 million).

(in HK\$ million)	2016	2015	Change
Net property income	593.7	563.4	+5.4%
Interest income	1.6	9.2	-82.6%
Other income	0.3	0.1	+200.0%
Net exchange loss	-	(8.6)	n.a.
(Decrease)/Increase in fair value of investment properties	(3.6)	1,099.0	-100.3%
Increase in fair value of derivative financial instrument	31.8	-	n.a.
Finance cost	(118.2)	(131.8)	-10.3%
Trust and other expenses	(12.7)	(12.5)	+1.6%
Profit before tax	492.9	1,518.8	-67.5%
Income tax expense	(83.3)	(76.6)	+8.7%
Profit attributable to Holders of Share Stapled Units	409.6	1,442.2	-71.6%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change of Investment Properties and derivative financial instrument	381.4	343.2	+11.1%

To derive the Trust Group's distributable income, net profit was adjusted for non-cash items. Items deducted from net profit were: i) increase in fair value of the derivative financial instrument, and ii) cash contribution to the furniture, fixtures and equipment reserve calculated based on 1.5% of total revenue of the hotels. On the other hand, non-cash items added back to net profit included: i) decrease in fair value of investment properties, ii) hotel management and licence fees paid in Share Stapled Units, iii) amortisation of upfront loan fee, and iv) deferred taxation.

The amount of deferred taxation added back to 2016's profit dropped by 22.7% to HK\$48.7 million, as tax losses carried forward available from The Langham, Hong Kong and Eaton, Hong Kong were fully utilized in 2016. A 27.6% drop in amortisation of upfront loan fee in 2016 was due to lower upfront fee on the new loan drawn in May 2016. Overall, distributable income of the Trust Group, based on a 100% distribution policy for 2016, rose by 5.0% to HK\$501.4 million in 2016.

(in HK\$ million)	2016	2015	Change
Profit attributable to Holders of Share Stapled Units	409.6	1,442.2	-71.6%
Hotel management fee and Licence fee paid in Share Stapled Units	70.0	67.8	+3.2%
Amortization of upfront loan fee, a non-cash cost	24.6	34.0	-27.6%
Deferred tax	48.7	63.0	-22.7%
Decrease/(Increase) in fair value of investment properties	3.6	(1,099.0)	+100.3%
Increase in fair value of derivative financial instrument	(31.8)	-	n.a.
Non-cash exchange difference	-	(7.5)	n.a.
Cash contribution to furniture, fixtures and equipment reserve	(23.3)	(23.0)	+1.3%
Distributable income	501.4	477.5	+5.0%

In calculating distribution per Share Stapled Unit, 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 100 million Share Stapled Units (representing approximately 4.8% of the issued Share Stapled Units of the Trust Group as at 31 December 2016) for the financial year 2016.

For 2016, distribution per Share Stapled Unit was HK24.2 cents before the impact of distribution waiver, whereas distribution per Share Stapled Unit after distribution waiver was HK25.5 cents. It should be noted that the number of distribution waiver units will be reduced to 50 million Share Stapled Units for the financial year 2017, and all of the holdings of Share Stapled Units of Great Eagle Group will be entitled to receive distribution payable from 2018 onward.

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2016	2015	2016	2015	2016	2015	2016	2015
The Langham, Hong Kong	498	457	87.7%	84.7%	2,092	2,198	1,834	1,862
<i>year-on-year growth</i>			<i>+3.0ppt</i>		<i>-4.8%</i>		<i>-1.5%</i>	
Cordis, Hong Kong	653	620	89.8%	89.7%	1,653	1,734	1,485	1,555
<i>year-on-year growth</i>			<i>+0.1ppt</i>		<i>-4.7%</i>		<i>-4.5%</i>	
Eaton, Hong Kong	465	465	95.6%	89.5%	992	1,093	948	978
<i>year-on-year growth</i>			<i>+6.1ppt</i>		<i>-9.2%</i>		<i>-3.1%</i>	
Hotels portfolio	1,616	1,542	90.8%	88.1%	1,583	1,670	1,438	1,472
<i>year-on-year growth</i>			<i>+2.7ppt</i>		<i>-5.2%</i>		<i>-2.3%</i>	

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)		
	2016	2015	2016	2015	2016	2015	
High Tariff A		84.0%	83.0%	2,161	2,267	1,815	1,882
<i>year-on-year growth</i>		<i>+1.0ppt</i>		<i>-4.7%</i>		<i>-3.6%</i>	
High Tariff B		89.0%	88.0%	1,034	1,067	920	939
<i>year-on-year growth</i>		<i>+1.0ppt</i>		<i>-3.1%</i>		<i>-2.0%</i>	

RevPAR of the hotel portfolio was HK\$1,438 in 2016 which was 2.3% lower than RevPAR in 2015. The decline was due to a drop of 5.2% in average daily rate to HK\$1,583 in 2016, which was partly offset by a 2.7 percentage points improvement in occupancy of the portfolio. Nonetheless, given a 4.8% increase in the number of available rooms in 2016 as compared to 2015, room revenue actually rose by 2.6% to HK\$850.4 million in 2016, which accounted for 54.7% of total revenue of the hotel portfolio in 2016.

Despite the fact that The Langham and Cordis have witnessed a growth in their F&B business in 2016, the combined growth was mostly offset by the reduced F&B business at Eaton, which suffered from a decline in banqueting business in 2016. In aggregate, total F&B revenue of the portfolio only decreased by 0.1% year-on-year to HK\$667.3 million in 2016, accounting for 43.0% of total revenue for the hotel portfolio.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton, Hong Kong	Total
Rooms	334.2	354.9	161.3	850.4
Food & Beverages	225.9	291.7	149.7	667.3
Others	15.4	17.6	2.6	35.6
Total revenue	575.5	664.2	313.6	1,553.3

The hotel portfolio as a whole has witnessed growth in guests from all major geographical markets. The growth was led by arrivals from Mainland China, which rose by 17.2% year-on-year in 2016 and accounted for 31.5% of total arrivals by geographical breakdown. Other than the Mainland China market, there was respectable growth in arrivals from other Asian countries, Australia and Europe in 2016.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	+17.2%	-3.5%
% of overnight guests from Mainland China to total arrivals	31.5%	65.4%

Performance of the individual hotels

The Langham, Hong Kong, recorded a 1.5% decline in RevPAR in 2016, which was rather moderate as compared with the 3.6% drop in its respective High Tariff A hotel market (considered as 5-star rated hotels). The hotel benefitted from keen demand for its renovated rooms and was able to capture more travellers from Mainland China. There was also growth in arrivals from other geographical regions, which all contributed to an improved occupancy for the hotel. This was, however, offset by a decline of average room rate in 2016.

Revenue from F&B rose by 0.7% year-on-year in 2016, driven mainly by the stronger business growth at the T'ang Court as a result of the prestigious Michelin three-star rating awarded at the end of 2015. There was also revenue growth at the Bostonian, which witnessed improved business after its renovation in July 2016 with revamped menus. However, F&B revenue from banqueting business remained weak during 2016.

Cordis, Hong Kong, a year-on-year RevPAR decline of 4.5% was inferior to that of its respective High Tariff A market. However, it was mostly due to the temporary negative impact from the protests which broke out in Mongkok during the Chinese New Year in early 2016. RevPAR dropped by 18% year-on-year during February and March 2016 which dragged down the RevPAR for the full year in 2016. Nevertheless, demand picked up after the protests and growth in arrivals across most major markets was seen in the remainder of the year.

Revenue from F&B increased 4.1% year-on-year in 2016 which was mainly attributable to the improved revenue of The Place, which underwent renovation during the first quarter of 2015. Alibi also recorded a pick-up in business in 2016, offsetting an absence of income from the Tokoro Restaurant which was converted to back office since the beginning of 2016.

Eaton, Hong Kong, recorded a 3.1% decline in RevPAR in 2016, which was more than the 2.0% decline witnessed in its respective High Tariff B hotel market (considered as 4-star rated hotel). The underperformance was due to severe room rate competition from nearby hotels. However, with flexible room rates, the hotel witnessed growth in arrivals from all major geographical regions in 2016 with an increase of 6.1 percentage points in the occupancy of the hotel in 2016, which helped to offset the 9.2% decline in the average room rate.

Revenue from F&B dropped by 8.6% year-on-year in 2016, which was mainly attributable to substantially lower banqueting revenue. However, it is worth noting that its Chinese restaurant, Yat Tung Heen, received the Michelin one-star rating in November 2016, after which there was a strong pick-up in business in December 2016.

OUTLOOK

While RevPARs for Hong Kong's hotels have largely stabilized in 2016, worrying signs are emerging once again in 2017 which may affect demand for hotel rooms. Although Hong Kong's hotels are offering very competitive room rates, the recent strength of the Hong Kong dollar, being pegged to the U.S. dollar, has made Hong Kong relatively more expensive to international travellers. Furthermore, potential negative impact on the global economy arising from intensifying geopolitical and economic uncertainties may weigh on corporate and leisure travel in 2017.

At the same time, the completion of new hotels in Hong Kong is expected to accelerate to over 4.0% in 2017 versus 1.4% in 2016, which constrains growth of RevPAR in 2017. As for our hotels, the phased refurbishment of the ballroom and dining area at the Eaton, Hong Kong from mid-2017 will result in lower F&B and probably room revenue due to construction works disruption in 2017. In addition, higher interest expense and cash tax payment due to gradual use-ups of tax loss carry forward for the Trust Group will affect distributable income for the Trust Group in 2017.

Despite potential headwinds for the Hong Kong's hotel market in the short term, we are still optimistic about the long term potential and strength of the hotel industry in Hong Kong. We believe the completion of new tourism and infrastructure projects such as the expansion of the major theme parks, Hong Kong-Zhuhai-Macau bridge and extension of Mainland China's high-speed rail network to Hong Kong will all serve to support tourist visitations to Hong Kong in the medium to long run. In the near term, the expected completion of the first phase of the West Kowloon Cultural District Development in 2018 should help to attract more tourist visitations to Hong Kong.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the year ended 31 December 2016 was HK\$501,387,000 (2015: HK\$477,534,000). It is the present policy of the Trust Group to distribute not less than 90% of total distributable income in respect of each financial year thereafter.

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

Distribution per Share Stapled Unit for the six months ended 31 December 2016 based on 100% payout was HK13.8 cents (after adjustment for waiver of distribution entitlement given by LHIL Assets Holdings Limited of 100,000,000 Share Stapled Units (2015: 100,000,000 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 HK25.5 cents, assuming 100% payout. Based on the closing Share Stapled Unit price of HK\$3.13 as at 30 December 2016, Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 8.15%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$11,676.5 million or HK\$5.65 per Share Stapled Unit as at 31 December 2016 (2015: HK\$11,682.0 million or HK\$5.72 per Share Stapled Unit) which represents a 80.5% premium to the closing Share Stapled Unit price of HK\$3.13 as at 30 December 2016.

Debt Profile

On 30 May 2016, the Trust Group, through its subsidiary, entered into a four-year term and revolving loan facility of HK\$7,200 million to fully refinance the outstanding principal of HK\$6,800 million term loan granted to the Trust Group in 2013. The new loan bears interest at a floating rate of HIBOR plus 0.98% per annum. Total outstanding borrowings of the Trust Group as at 31 December 2016 were HK\$6,800 million (2015: HK\$6,800 million). The secured term loan is on a floating-rate interest basis and repayable in full on 29 May 2020.

In order to mitigate the interest rate exposure, the Trust Group entered into an interest rate swap transaction of HK\$1,000 million during the year. Subsequently, the Trust Group further entered into two interest rate swap transactions totaling HK\$1,000 million in early 2017. In aggregate, HK\$2,000 million or 29.4% of the outstanding term loan was fixed at a weighted average swap rate of 1.42% p.a.

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

As at 31 December 2016, total gross assets of the Trust Group were HK\$18,823.5 million (2015: HK\$18,803.0 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 36.1% (2015: 36.2%).

Cash Position

As at 31 December 2016, the Trust Group had a cash balance of HK\$238.5 million (2015: HK\$304.2 million) to satisfy asset enhancement of Eaton, Hong Kong, as well as its working capital and operating requirements. In addition, the Trust Group had unused revolving loan amounting to HK\$400 million as of 31 December 2016.

Pledge of Assets

As at 31 December 2016, investment properties of the Trust Group with a fair value of HK\$18,432 million (2015: HK\$18,381 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure a HK\$7,200 million term and revolving loan facility granted to the Trust Group.

Commitments

At 31 December 2016, the Trust Group had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$167,526,000 (2015: HK\$126,407,000), of which HK\$29,755,000 (2015: HK\$16,182,000) 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 HK13.8 cents per Share Stapled Unit (2015: HK12.9 cents) for the year ended 31 December 2016 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 8 May 2017, 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 2017 Annual General Meeting (“2017 AGM”), the payment of the final distribution will be made on 19 May 2017. Taken together with the interim distribution of HK11.7 cents per Share Stapled Unit paid in October 2016, the total distribution per Share Stapled Unit for the year 2016 is HK25.5 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 2017 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2017 AGM, the Registers will be closed from Wednesday, 19 April 2017 to Tuesday, 25 April 2017, both days inclusive.

In order to be eligible to attend and vote at the 2017 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 Tuesday, 18 April 2017.

(ii) To qualify for the proposed 2016 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2016 final distribution, the Registers will be closed from Thursday, 4 May 2017 to Monday, 8 May 2017, both days inclusive.

In order to qualify for the proposed 2016 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 Tuesday, 2 May 2017.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2017 AGM of the Trust and the Company will be held on Tuesday, 25 April 2017, for the purpose of, among other things, approving the payment of a final distribution of HK13.8 cents per Share Stapled Units. The notice of 2017 AGM together with the 2016 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 2017.

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 2016, 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 2016.

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 2016, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

ISSUED SHARE STAPLED UNITS

As at 31 December 2016, the total number of issued Share Stapled Units of the Trust and the Company was 2,067,226,456. As compared with the position as at 31 December 2015, a total of 24,320,519 new Share Stapled Units were issued during the year as follows:-

Date	Particulars	No. of Share Stapled Units
31 December 2015	Number of issued Share Stapled Units	2,042,905,937
4 March 2016	Issue of new Share Stapled Units at the price of HK\$2.51 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\$35,758,000 for the second half of 2015	14,246,352
30 August 2016	Issue of new Share Stapled Units at the price of HK\$3.15 per Share Stapled Unit as payment of the Hotel Manager’s Fees to Hotel Manager of approximately HK\$31,734,000 for the first half of 2016	10,074,167
31 December 2016	Number of issued Share Stapled Units	2,067,226,456

PUBLIC FLOAT

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

AUDIT COMMITTEES

The final results of the Trust Group for the year ended 31 December 2016 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 2016 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 2016 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 2016 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 at the date of this announcement, the Non-executive Directors are Dr. LO Ka Shui (*Chairman*) and Mr. LO Chun Him, Alexander; the Executive Director is Mr. IP Yuk Keung, Albert (*Chief Executive Officer*); and the Independent Non-executive Directors are 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, 14 February 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>NOTES</u>	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Revenue	5	706,379	682,194
Property related expenses		(25,639)	(34,438)
Service fees		<u>(87,028)</u>	<u>(84,383)</u>
Net property income		593,712	563,373
Other income	7	1,917	9,323
(Decrease) increase in fair value of investment properties		(3,613)	1,099,032
Fair value change on derivative financial instrument		31,795	-
Trust and other expenses		(12,778)	(21,105)
Finance costs	8	<u>(118,164)</u>	<u>(131,783)</u>
Profit before tax		492,869	1,518,840
Income tax expense	9	<u>(83,260)</u>	<u>(76,649)</u>
Profit and total comprehensive income for the year attributable to holders of Share Stapled Units	12	<u><u>409,609</u></u>	<u><u>1,442,191</u></u>
Basic and diluted earnings per Share Stapled Unit	13	<u><u>HK\$0.1987</u></u>	<u><u>HK\$0.7077</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND OF THE COMPANY
AT 31 DECEMBER 2016

	<u>NOTES</u>	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Non-current assets			
Property, plant and equipment		21	19
Investment properties		18,432,000	18,381,000
Derivative financial instrument		31,795	-
		<u>18,463,816</u>	<u>18,381,019</u>
Current assets			
Debtors, deposits and prepayments	14	121,195	116,153
Tax recoverable		61	1,666
Restricted cash		-	60,064
Bank balances		238,473	244,133
		<u>359,729</u>	<u>422,016</u>
Current liabilities			
Creditors, deposits and accruals	15	78,358	86,355
Secured bank loans due within one year		-	6,786,016
Tax payable		32,818	91
		<u>111,176</u>	<u>6,872,462</u>
Net current assets (liabilities)		<u>248,553</u>	<u>(6,450,446)</u>
Total assets less current liabilities		<u>18,712,369</u>	<u>11,930,573</u>
Non-current liabilities			
Secured bank loans due after one year		6,738,597	-
Deferred tax liabilities		297,229	248,576
		<u>7,035,826</u>	<u>248,576</u>
NET ASSETS		<u>11,676,543</u>	<u>11,681,997</u>
Capital and reserves			
Issued capital		2,067	2,043
Reserves		11,674,476	11,679,954
TOTAL EQUITY		<u>11,676,543</u>	<u>11,681,997</u>

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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"). 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 2016 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 2016 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 2016 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.

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

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

Amendments to HKFRSs that are mandatory effective for the current year

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 HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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.

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
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 15	Clarification to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017.

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

³ Effective for annual periods beginning on or after 1 January 2019.

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

The Directors anticipate that the application of new and amendments to 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.

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

5. REVENUE

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Rental income from GE (LHIL) Lessee Limited ("Master Lessee")		
Base rent	225,000	225,000
Variable rent	<u>475,705</u>	<u>451,769</u>
	700,705	676,769
Rental income from retail shops in Eaton, Hong Kong	<u>5,674</u>	<u>5,425</u>
Total rental income	<u><u>706,379</u></u>	<u><u>682,194</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 Segments".

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.

2016

	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	256,946	305,426	144,007	706,379
Segment results*	215,375	255,735	122,602	593,712
Other income				1,917
Decrease in fair value of investment properties				(3,613)
Fair value change on derivative financial instrument				31,795
Trust and other expenses				(12,778)
Finance costs				(118,164)
Profit before tax				492,869
Income tax expense				(83,260)
Profit for the year attributable to holders of Share Stapled Units				409,609

6. SEGMENT INFORMATION - continued

Segment revenue and results - continued

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				1,442,191

* 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

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\$7,000,000,000, HK\$7,775,000,000 and HK\$3,657,000,000 (2015: HK\$6,845,000,000, HK\$7,770,000,000 and HK\$3,766,000,000), 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\$700,705,000 (2015: HK\$676,769,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2016.

7.	OTHER INCOME		
		<u>2016</u>	<u>2015</u>
		HK\$'000	HK\$'000
	Interest on bank deposits	1,587	9,194
	Sundry income	<u>330</u>	<u>129</u>
		<u>1,917</u>	<u>9,323</u>
8.	FINANCE COSTS		
		<u>2016</u>	<u>2015</u>
		HK\$'000	HK\$'000
	Interest on bank borrowings wholly repayable within five years	92,107	97,493
	Interest on interest rate swap	832	-
	Loan front-end fee amortisation	24,581	34,000
	Other borrowing costs	<u>644</u>	<u>290</u>
		<u>118,164</u>	<u>131,783</u>
9.	INCOME TAX EXPENSE		
		<u>2016</u>	<u>2015</u>
		HK\$'000	HK\$'000
	Current tax:		
	Hong Kong Profits Tax:		
	Current year	34,413	13,676
	Under(over)provision in prior years	<u>194</u>	<u>(54)</u>
		<u>34,607</u>	<u>13,622</u>
	Deferred tax:		
	Current year	48,885	63,027
	Overprovision in prior years	<u>(232)</u>	<u>-</u>
		<u>48,653</u>	<u>63,027</u>
		<u>83,260</u>	<u>76,649</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>2016</u> HK\$'000	<u>2015</u> HK\$'000
Profit for the year attributable to holders of Share Stapled Units	409,609	1,442,191
Adjustments:		
Add:		
Depreciation	6	6
Deferred tax	48,653	63,027
Non-cash finance costs	24,581	34,000
Hotel management fees and licence fee payable in form of Share Stapled Units	70,019	67,813
Decrease in fair value of investment properties	3,613	-
Less:		
Increase in fair value of investment properties	-	(1,099,032)
Increase in fair value of derivative financial instrument	(31,795)	-
Non-cash exchange difference	-	(7,499)
Reserve for furniture, fixtures and equipment	(23,299)	(22,972)
Total distributable income	<u>501,387</u>	<u>477,534</u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June 2016 (2015: in respect of the six months ended 30 June 2015)		228,054	226,433
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for interim distribution period		<u>228,054</u>	<u>226,433</u>
Interim distribution (note c)		<u>228,054</u>	<u>226,433</u>
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December 2016 (2015: in respect of the financial year ended 31 December 2015)	10	501,387	477,534
Less: distributable income paid for interim distribution period (note e)		<u>(230,165)</u>	<u>(227,320)</u>
Distributable income available for final distribution period		271,222	250,214
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for final distribution period		<u>271,222</u>	<u>250,214</u>
Final distribution (note c)		<u>271,222</u>	<u>250,214</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\$0.111</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.117</u>	<u>HK\$0.117</u>
Final distribution per Share Stapled Unit to be paid			
- Before taking into account the effect of the Distribution Waiver (note d)		<u>HK\$0.131</u>	<u>HK\$0.122</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.138</u>	<u>HK\$0.129</u>

11. DISTRIBUTION STATEMENT - continued

Notes:

- (a) The final distribution in 2016 is based on total distributable income for the year ended 31 December 2016.

The interim distribution in 2016 was based on total distributable income for the six months ended 30 June 2016.

The final distribution in 2015 was based on total distributable income for the year ended 31 December 2015.

- (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 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 2016 has not been recognised as a liability as at 31 December 2016.

The interim distribution after 30 June 2016 has not been recognised as a liability as at 30 June 2016.

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

- (d) The final distribution per Share Stapled Unit of HK\$0.131 (2015: HK\$0.122) for the final distribution period in 2016 is calculated based on the final distribution to be paid of HK\$271,222,000 (2015: HK\$250,214,000) for the period and 2,067,226,456 (2015: 2,042,905,937) Share Stapled Units as at 31 December 2016.

The interim distribution per Share Stapled Unit of HK\$0.111 (2015: HK\$0.111) for the interim distribution period in 2016 is calculated based on the interim distribution to be paid of HK\$228,054,000 (2015: HK\$226,433,000) for the period and 2,057,152,289 (2015: 2,032,888,934) Share Stapled Units as at 30 June 2016.

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 ended 31 December 2016	100,000
Year ending 31 December 2017	<u>50,000</u>

The final distribution per Share Stapled Unit of HK\$0.138 (2015: HK\$0.129) for the final distribution period in 2016 is calculated based on 1,967,226,456 (2015: 1,942,905,937) Share Stapled Units after taking into account of the 100,000,000 (2015: 100,000,000) units waived by LHIL Assets Holdings Limited. The final distribution for the final distribution period in 2016 will be paid to holders of Share Stapled Units on or before 19 May 2017.

After the issue of 14,246,352 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 31 December 2015 on 4 March 2016, the number of Share Stapled Units entitled for the final distribution in 2015 should be 1,957,152,289. The final distribution for the final distribution period in 2015 of HK\$252,473,000 was paid to holders of Share Stapled Units on 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.

The interim distribution per Share Stapled Unit of HK\$0.117 (2015: HK\$0.117) for the interim distribution period in 2016 is calculated based on 1,957,152,289 (2015: 1,932,888,934) Share Stapled Units after taking into account of the 100,000,000 (2015: 100,000,000) units waived by LHIL Assets Holdings Limited.

After the issue of 10,074,167 Share Stapled Units as payment of hotel management fees and licence fee for the six months ended 30 June 2016 on 30 August 2016, the number of Share Stapled units entitled for the interim distribution in 2016 should be 1,967,226,456. The interim distribution of HK\$230,165,000 was paid to holders of Share Stapled Units on 5 October 2016.

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.

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

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Profit and total comprehensive income for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	5,240	5,011
Share-based payment expenses (including directors' emoluments) (note a)	<u>83</u>	<u>131</u>
	5,323	5,142
Depreciation	6	6
Auditor's remuneration	1,230	1,180
Operation lease payments on rented premises	2,086	6,403
Net exchange loss (included in trust and other expenses)	<u>-</u>	<u>8,647</u>

Note:

- (a) The Groups recognised the total expenses of HK\$83,000 (2015: HK\$131,000) for the year ended 31 December 2016 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>2016</u> HK\$'000	<u>2015</u> HK\$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	<u>409,609</u>	<u>1,442,191</u>
	<u>2016</u> '000	<u>2015</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>2,061,188</u>	<u>2,037,959</u>

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Trade debtors	116,365	109,332
Interest receivable	136	702
Deposits and prepayments	<u>4,694</u>	<u>6,119</u>
	<u>121,195</u>	<u>116,153</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>2016</u> HK\$'000	<u>2015</u> HK\$'000
0 - 3 months	<u>116,365</u>	<u>109,332</u>

No trade debtor is past due as at 31 December 2015 and 2016.

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

Included in trade debtors is an amount due from a fellow subsidiary of HK\$116,365,000 (2015: HK\$109,136,000) which is unsecured, interest-free and payable on presentation of invoices. At 31 December 2015, included in deposits and prepayments was an amount due from a fellow subsidiary of HK\$1,351,000 which was unsecured, interest-free and payable within 30 days after the expiration of respective lease agreement.

15. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Trade creditors	40,073	37,432
Deposits received	1,394	1,394
Other creditors	7,002	13,755
Accruals and other payables	<u>29,889</u>	<u>33,774</u>
	<u>78,358</u>	<u>86,355</u>

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

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
0 - 3 months	24,673	23,607
3 - 6 months	<u>15,400</u>	<u>13,825</u>
	<u>40,073</u>	<u>37,432</u>

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

Trade creditors are amounts due to fellow subsidiaries of HK\$40,073,000 (2015: HK\$37,432,000) which are unsecured, interest-free and payable on presentation of invoices. Included in other creditors are amounts due to fellow subsidiaries of HK\$501,000 (2015: HK\$188,000) which are unsecured, interest-free and payable on presentation of invoices. At 31 December 2015, included in accruals and other payables was an amount due to a fellow subsidiary of HK\$1,759,000 which was unsecured, interest-free and payable on presentation of invoices.

16. EVENT AFTER THE END OF THE REPORTING PERIOD

The Groups entered two 4-year interest rate swap contracts of total notional amount of HK\$1 billion with The Hongkong and Shanghai Banking Corporation Limited on 10 January 2017 to manage the exposure to the interest rate risk on the Groups' floating-rate borrowings by swapping a proportion of those borrowings from floating rate to fixed rate.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>NOTES</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Revenue		-	-
Administrative expenses		(23,955)	(23,955)
Less: Amount borne by a fellow subsidiary		<u>23,955</u>	<u>23,955</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 2016

	<u>2016</u> HK\$	<u>2015</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 2016**

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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 HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
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 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017.

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

³ Effective for annual periods beginning on or after 1 January 2019.

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

The Directors anticipate that the application of new and amendments to 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 Hong Kong Companies Ordinance.

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

4. PROFIT OR LOSS BEFORE TAX

	<u>2016</u> HK\$	<u>2015</u> 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.