

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

2017 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2017	2016	Change
Revenue of the hotel portfolio	1,533.0	1,553.3	-1.3%
Total Rental Income for the Trust Group	694.2	706.4	-1.7%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	341.2	381.4	-10.5%
Distributable Income	437.2	501.4	-12.8%
Distributions per Share Stapled Unit after Distribution Waiver	HK21.4 cents	HK25.5 cents	-16.1%
As at	31 Dec 2017	31 Dec 2016	30 Jun 2017
Gross Value of Hotel Portfolio (in HK\$ million)	19,373	18,432	18,763
Net Asset Value per Share Stapled Unit	HK\$5.94	HK\$5.65	HK\$5.70
Gearing Ratio	34.7%	36.1%	35.7%

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 2017 as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Given disruptions resulted from large scale renovation works which were taking place across the common and food and beverage (F&B) areas of the Eaton, Hong Kong during the second half of 2017, the Trust Group’s hotel portfolio witnessed a 1.3% decline in total revenue in 2017.

With the revival of overnight visitor arrivals from Mainland China, RevPAR for Hong Kong’s hotels turned around from a decline of 2.6% year-on-year in 2016 to an increase of 2.3% year-on-year in 2017. Despite improvements witnessed in the broad hotel market, The Langham, Hong Kong only managed to deliver a 3.3% growth in RevPAR in 2017, which fell short of our expectations as we were anticipating even better results for the Langham after the completion of its extensive renovations in prior years.

While Cordis had a 5.0% growth in RevPAR in 2017, the exceptionally robust RevPAR performance at Cordis was in part attributable to a low base effect, as demand for its rooms suffered when violent protests broke out within close proximity to the hotel in the first quarter of 2016. Meanwhile, negative impacts arising from renovation works resulted in a decline of 1.8% in RevPAR for Eaton in 2017. On a portfolio basis, there was a 3.1% growth in RevPAR in 2017. Room revenue increased 3.5% year-on-year in 2017, partly due to a slight increase in the number of available rooms in 2017. Operating profit before global marketing fee of the hotel portfolio dropped by 1.6% in 2017.

On the back of the decline in operating profit of the hotel portfolio, total gross rental income dropped by 1.7% to HK\$694.2 million in 2017. The Trust Group’s net property income dropped by 2.2% year-on-year to HK\$580.7 million in 2017.

Net profit of the Trust Group rose by 179.8% to HK\$1,146.0 million, which was mainly due to the booking of HK\$808.4 million in an increase of the fair value of investment properties (hotel portfolio). The Trust Group's 2017 results also factored in a decrease in the fair value of derivative financial instruments (interest rate swap contracts) held by the Trust Group as at the end of 2017 amounting to HK\$3.6 million. Net profit excluding the change in fair value of investment properties and derivative financial instruments was HK\$341.2 million in 2017, representing a year-on-year decline of 10.5%.

Distributable income, which primarily excluded non-cash items dropped by 12.8% to HK\$437.2 million. Distribution per Share Stapled Unit after and before the impact of distribution waiver was HK21.4 cents and HK21.0 cents respectively. Distribution yield based on HK21.4 cents of distribution per Share Stapled Unit and the Trust Company's closing price of HK\$3.42 on 29 December 2017 was 6.3%.

Appraised valuation of the hotel portfolio was HK\$19,373 million as at the end of 2017, representing an increase of 5.1% as compared with HK\$18,432 million as at the end of 2016. Net Asset Value ("NAV") per Share Stapled Unit of the Trust Group was HK\$5.94 as at the end of 2017. Gearing ratio was 34.7% at the end of 2017 compared to 36.1% at the end of December 2016. Based on the Trust and the Company's closing price of HK\$3.42 per Share Stapled Unit on 29 December 2017, this represented a discount of 42.4% to the Trust Group's NAV.

As we are at a time when central banks around the world begin to tighten their monetary policies, interest rates in Hong Kong increased in 2017, with expectation of further increase in 2018. In order to reduce the negative impact from potential hike in interest rates on net income, the Trust Group has effectively fixed the interest rate of HK\$3,500 million of our floating rate loan by entering into interest rate swap contracts from November 2016 to April 2017. As a result, interest rate on 51.5% of our HK\$6.8 billion bank loan was fixed at 1.52% as at the end of December 2017.

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\$225.0 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, Hong Kong, which are leased to independent third parties.

Given a decline in the hotels' aggregate gross operating profit before deduction of the global marketing fees, variable rental income dropped by 1.6% year-on-year to HK\$468.3 million in 2017, whereas fixed rental income was flat at HK\$225.0 million in 2017. There was also a decline in the rental income received directly from the retail shops at Eaton, Hong Kong. Although its contribution to the overall rental income is very minimal, there was still a 84.2% decline in rental income as we have repossessed the shops during 2017 to allow for renovation which started in July 2017. Total rental income received by the Trust Group was HK\$694.2 million for the reporting period, representing a year-on-year decline of 1.7%.

(in HK\$ million)	2017	2016	Change
Variable rental income	468.3	475.7	-1.6%
Fixed rental income	225.0	225.0	-
Rental income from retail shops	0.9	5.7	-84.2%
Total Rental Income to the Trust Group	694.2	706.4	-1.7%

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 fees, ii) license fee and iii) global marketing fee paid to the hotel management companies. Hotel management fees are comprised of a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee on 5% 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 fees and licence fee are paid in the form of Share Stapled Units until the end of 2017. Starting from 2018, the Hotel Manager can elect the hotel management and license 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 2017 dropped by 0.5% to HK\$86.6 million. Except for global marketing fee, which rose as room revenue of the hotel portfolio increased in 2017, other services fees have dropped in 2017, given the decline in the overall revenue and operating profit of the hotel portfolio.

(in HK\$ million)	2017	2016	Change
Hotel management fees	53.7	54.5	-1.5%
Licence fee	15.3	15.5	-1.3%
Global marketing fee	17.6	17.0	+3.5%
Total service fees	86.6	87.0	-0.5%

Hotel properties' related expenses rose by 4.7%, to HK\$26.9 million in 2017, which was driven mainly by increases in property tax incurred. Nonetheless, the increase in Hotel properties' related expenses was partly offset by lowered service fee incurred in 2017, although the Trust Group's net property income still dropped by 2.2% to HK\$580.7 million in 2017.

(in HK\$ million)	2017	2016	Change
Total rental income	694.2	706.4	-1.7%
Hotel properties related expenses	(26.9)	(25.7)	+4.7%
Service fees (hotel management fees, licence fee and global marketing fee)	(86.6)	(87.0)	-0.5%
Net property income	580.7	593.7	-2.2%

As we strive to reduce the negative impact from potential hike in interest rate on net income, the Trust Group has effectively fixed the interest rate of HK\$3,500 million of the floating rate bank loan by entering into interest rate swap contracts since early November 2016 and through early April 2017 at an average swap rate of 1.52%. Therefore, finance cost in 2017 also factored in the interest expense amounting to HK\$30.7 million paid on the swap contracts.

As the Trust Group's bank loan was refinanced in May 2016 at lower amortisation of upfront fee, the full year impact of the lower amortisation fee was reflected in 2017's results, which dropped by 26.8% to HK\$18.0 million in 2017. However, as interest rates rose throughout 2017, the Trust Group's interest expenses increased by 12.8%, resulting in a 29.8% increase in overall finance cost in 2017.

(in HK\$ million)	2017	2016	Change
Breakdown of Finance cost			
Interest expense on floating HK\$6.8 billion bank loan	(104.7)	(92.8)	+12.8%
Amortisation of loan upfront fee	(18.0)	(24.6)	-26.8%
Interest paid on fixed interest rate swaps	(30.7)	(0.8)	n.m.
Total Finance cost	(153.4)	(118.2)	+29.8%

Trust and other expenses, comprising staff and other administration expenses, dropped by 12.6% to HK\$11.1 million for 2017, which was due to the effect of a high base for comparison, given various professional fees were incurred in 2016 for the refinancing of the Trust Group's bank loan. 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 rose 179.8% to HK\$1,146.0 million in 2017, given a booking of an increase in fair value of investment properties amounting to HK\$808.4 million. Excluding the impact of fair value changes on investment properties and derivative financial instruments (interest rate swap contracts), net profit attributable to Holders of Share Stapled Units dropped by 10.5% to HK\$341.2 million in 2017.

(in HK\$ million)	2017	2016	Change
Net property income	580.7	593.7	-2.2%
Interest income	1.8	1.6	+12.5%
Other income	0.5	0.3	+66.7%
Inc/(Dec.) in fair value of investment properties	808.4	(3.6)	n.m.
(Dec.)/Inc in fair value of derivative financial instruments	(3.6)	31.8	n.m.
Finance cost	(153.4)	(118.2)	+29.8%
Trust and other expenses	(11.1)	(12.7)	-12.6%
Profit before tax	1,223.3	492.9	+148.2%
Income tax expense	(77.3)	(83.3)	-7.2%
Profit attributable to Holders of Share Stapled Units	1,146.0	409.6	+179.8%
Profit excluding Fair Value change of Investment Properties and derivative financial instruments	341.2	381.4	-10.5%

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 investment properties, 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 profit included: i) decrease in fair value of the derivative financial instruments, 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 2017's profit dropped by 34.3% to HK\$32.0 million, as tax loss carried forward has been mostly depleted by the end of 2016. Furthermore, amortisation of bank loan upfront fee added back for distribution was reduced by 26.8%, reflecting the full year impact of lower upfront fee on the bank loan which was refinanced in May 2016. These have reduced distributable income in 2017. Overall, distributable income of the Trust Group, based on a 100% distribution policy for 2017, dropped by 12.8% to HK\$437.2 million in 2017.

(in HK\$ million)	2017	2016	Change
Profit attributable to Holders of Share Stapled Units	1,146.0	409.6	+179.8%
Hotel management fees and Licence fee paid in Share Stapled Units	69.0	70.0	-1.4%
Amortization of upfront loan fee, a non-cash cost	18.0	24.6	-26.8%
Deferred tax	32.0	48.7	-34.3%
(Inc)/Dec in fair value of investment properties	(808.4)	3.6	n.m.
Dec/(Inc) in fair value of derivative financial instruments	3.6	(31.8)	n.m.
Furniture, fixtures and equipment reserve	(23.0)	(23.3)	-1.3%
Distributable income	437.2	501.4	-12.8%

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 50 million Share Stapled Units (representing approximately 2.4% of the issued Share Stapled Units of the Trust Group as at 31 December 2017) for the financial year 2017, which was down from 100 million Share Stapled Units in 2016.

Distribution per Share Stapled Unit before the impact of distribution waiver dropped by 13.2% to HK21.0 cents. However, as the number of Share Stapled Units waived its entitlement to receive distributions in 2017 dropped by 50%, distribution per Share Stapled Unit after distribution waiver dropped by 16.1% to HK21.4 cents in 2017. It should be noted that 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\$)	
	2017	2016	2017	2016	2017	2016	2017	2016
	The Langham, Hong Kong	498	498	88.8%	87.7%	2,135	2,092	1,895
<i>year-on-year growth</i>			<i>+1.1ppt</i>		<i>+2.1%</i>		<i>+3.3%</i>	
Cordis, Hong Kong	663	653	93.9%	89.8%	1,660	1,653	1,559	1,485
<i>year-on-year growth</i>			<i>+4.1ppt</i>		<i>+0.4%</i>		<i>+5.0%</i>	
Eaton, Hong Kong	465	465	94.4%	95.6%	986	992	931	948
<i>year-on-year growth</i>			<i>-1.2ppt</i>		<i>-0.6%</i>		<i>-1.8%</i>	
Hotels portfolio	1,626	1,616	92.5%	90.8%	1,603	1,583	1,483	1,438
<i>year-on-year growth</i>			<i>+1.7ppt</i>		<i>+1.3%</i>		<i>+3.1%</i>	

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2017	2016	2017	2016	2017	2016
High Tariff A	86.0%	84.0%	2,068	2,161	1,778	1,815
<i>year-on-year growth</i>	<i>+2.0ppt</i>		<i>-4.3%</i>		<i>-2.0%</i>	
High Tariff B	90.0%	89.0%	1,068	1,034	961	920
<i>year-on-year growth</i>	<i>+1.0ppt</i>		<i>+3.3%</i>		<i>+4.5%</i>	

RevPAR of the hotel portfolio was HK\$1,483 in 2017 which was 3.1% higher than RevPAR in 2016. The increase was made up of a 1.3% in average daily rate to HK\$1,603 in 2017 and a 1.7 percentage points improvement in occupancy rate of the portfolio. In addition, given a 0.6% increase in the number of available rooms in 2017 as compared to 2016, room revenue rose by 3.5% to HK\$879.8 million in 2017, which accounted for 57.4% of total revenue of the hotel portfolio in 2017.

While The Langham and Cordis have witnessed growth in their F&B business in 2017, the combined growth was not enough to offset a decline in F&B business at Eaton, which carried out a major renovation in majority of its F&B outlets during the second half of 2017. In aggregate, total F&B revenue of the portfolio dropped by 7.9% year-on-year to HK\$614.4 million in 2017, accounting for 40.1% of total revenue for the hotel portfolio.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton, Hong Kong	Total
Rooms	344.4	377.5	157.9	879.8
Food & Beverages	235.0	299.8	79.6	614.4
Others	19.0	17.4	2.4	38.8
Total revenue	598.4	694.7	239.9	1,533.0

For the hotel portfolio as a whole, the number of guests from Mainland China rose by 11.8% year-on-year in 2017, which more than offset the decline of 3.9% year-on-year in arrivals from other Asian countries and a 4.4% drop in arrivals from Australia and New Zealand. Meanwhile, there was a steady arrival from other key markets including the U.S. and Europe in 2017. With the growth of visitors from Mainland China, this market accounted for 34.2% of total arrivals by geographical breakdown.

	Trust Group's hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	+11.8%	+6.7%
% of overnight guests from Mainland China to total arrivals	34.2%	66.4%

Performance of the individual hotels

The Langham, Hong Kong, witnessed a growth of 13.5% in arrivals from Mainland China, as well as keen demand in arrivals from Australia and New Zealand in 2017. However, arrivals from other major geographical regions were relatively weak in 2017. Therefore, there was only a 1.1 percentage points improvement in occupancy for the hotel. As average room rate increased by 2.1%, there was a 3.3% increase in RevPAR for the Hotel in 2017.

Revenue from F&B rose by 4.0% year-on-year in 2017, driven mainly by stronger business growth at T'ang Court, which has received the prestigious Michelin three-star rating for the second consecutive year in 2017. There was also revenue growth at the Bostonian, which reflected the full year impact of its renovation in July 2016. However, F&B revenue from banqueting business remained weak during 2017.

At **Cordis, Hong Kong**, other than growth in arrivals from China, the Hotel also witnessed growth from arrivals across majority of other key markets including Europe, and the U.S. The aggregate growth in arrivals was in part due to a low base effect last year, when occupancy was negatively impacted by nearby protests during the Chinese New Year in 2016. Despite the increase in occupancy, room rates remained suppressed but there was a slight increase in average room rate in 2017, and the hotel recorded a 5.0% increase in RevPAR in 2017.

Revenue from F&B increased 2.8% year-on-year in 2017 which was mainly attributable to improvements made at the all-day dining restaurant, The Place, after its renovation in 2015, and the improved business at Ming Court. While business from wedding banquets remained weak in 2017, there was an increase in banqueting business from the corporate segment.

The **Eaton, Hong Kong's** performance was negatively impacted by a relatively large scale renovation taking place at the hotel throughout the second half of 2017. While the hotel managed to accommodate a 10.7% increase in arrivals from Mainland China, arrivals from most of the other major geographical countries witnessed a decline in 2017. As the renovations negatively affected room demand, there was a 1.2 percentage points drop in occupancy in 2017, while average room rate dropped by 0.6% resulting in a 1.8% decline in RevPAR in 2017.

Revenue from F&B at the Eaton, Hong Kong, dropped by 46.8% year-on-year in 2017, which was attributable to the closure of the majority of its F&B outlets in the second half of 2017, as they were carrying out a major renovation. However, it is worth noting that its Chinese restaurant, Yat Tung Heen, has delivered a strong performance up to the date of the closure of its restaurant for renovation. The pick-up in business was helped by high quality and popularity of the restaurant, being awarded with Michelin one-star rating for 2017.

OUTLOOK

Although geopolitical risks remain high and other major central banks besides the U.S. may start withdrawing their monetary stimulus in 2018, they have yet to deter the upswing of global economic activities which are expected to strengthen further this year. The expected global economic growth will serve to support both corporate and leisure travel in 2018. At the same time, the appreciation of Renminbi against Hong Kong dollar has made Hong Kong relatively more affordable to visitors from Mainland China. As China is the largest tourism market for Hong Kong, this bodes well for the increase in the demand for our hotel rooms.

Nonetheless, although demand is expected to increase, new supply of rooms in Hong Kong is also projected to grow at a faster rate of 6.2% (or 5,000 rooms) in 2018, which is above its five-year historical average rate of 3.5% and this may possibly rein in the pace of RevPAR growth this year.

After the completion of significant renovations at The Langham and Cordis in prior years, the majority of the renovation work of the Eaton, Hong Kong is expected to complete in the second quarter of 2018 and by then, our strategy to upgrade and reposition the three hotels has largely been accomplished. In fact, the completion of renovations timed well with the bottoming of Hong Kong's hotel market, given RevPAR in Hong Kong's hotel market seems to have finally resumed on an upward trend. The focus of management for the next few years will be to strengthen the hotels' positioning in their respective markets and in time, to deliver improvements in RevPAR and F&B business.

However, as the food and beverage outlets and banqueting ballrooms at Eaton will still be under renovation for several months in the first half of 2018, we expect F&B revenue will still be lower in the first half of 2018 as compared with that over the same period a year ago. At the same time, there will also be soft refurbishment on some of the rooms during the second and third quarter of 2018, this will have a negative impact on room revenue in 2018. However, this will enable Eaton, Hong Kong to better capture its targeted travellers and allow the hotel to command better room rates afterward.

Going forward, the completion of large scale tourism and infrastructure projects including the expansion of major theme parks, phase I of the West Kowloon development, the Hong Kong-Zhuhai-Macau Bridge and the extension of Mainland China's high-speed rail network to Hong Kong, both of which will be operational in the fourth quarter of 2018, will all serve to support tourist visitations to Hong Kong. Hence, demand for Hong Kong's hotel rooms is expected to grow over the long term and we expect our hotels will be in a superior position to capitalise on such growth trajectory given their recent asset enhancement works.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the year ended 31 December 2017 was HK\$437,200,000, which represents 100% of total distributable income (2016: HK\$501,387,000, which represents 100% of total distributable income). It is the present policy of the Trust Group to distribute between 90% to 100% of total distributable income to its Share Stapled Unitholders.

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 2017 based on 100% payout was HK11.1 cents (after adjustment for waiver of distribution entitlement given by LHIL Assets Holdings Limited of 50,000,000 Share Stapled Units (2016: 100,000,000 Share Stapled Units)). With an interim Distribution per Share Stapled Unit of HK10.3 cents, Total Distribution per Share Stapled Unit for the year amounted to HK21.4 cents. Based on the closing Share Stapled Unit price of HK\$3.42 as at 29 December 2017, Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 6.26%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$12,411.1 million or HK\$5.94 per Share Stapled Unit as at 31 December 2017 (2016: HK\$11,676.5 million or HK\$5.65 per Share Stapled Unit) which represents a 73.7% premium to the closing Share Stapled Unit price of HK\$3.42 as at 29 December 2017.

Debt Profile

Total outstanding borrowings of the Trust Group as at 31 December 2017 and 31 December 2016 were HK\$6,800 million. The secured term loan is on a floating-rate interest basis and repayable in full in May 2020.

In order to mitigate the interest rate exposure, the Trust Group entered into interest rate swap transactions of HK\$2,500 million in aggregate during the year. In addition to the HK\$1,000 million interest rate swap transaction entered in November 2016, total HK\$3,500 million or 51.5% of the outstanding term loan was fixed at a weighted average swap rate of 1.52% 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 2017, total gross assets of the Trust Group were HK\$19,617.9 million (2016: HK\$18,823.5 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 34.7% (2016: 36.1%).

Cash Position

As at 31 December 2017, the Trust Group had a cash balance of HK\$101.1 million (2016: HK\$238.5 million) to satisfy a portion of 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 2017.

Pledge of Assets

As at 31 December 2017, investment properties of the Trust Group with a fair value of HK\$19,373 million (2016: HK\$18,432 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 2017, the Trust Group had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$170,582,000 (2016: HK\$167,526,000), of which HK\$123,838,000 (2016: HK\$29,755,000) 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 HK11.1 cents per Share Stapled Unit (2016: HK13.8 cents) for the year ended 31 December 2017 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 30 April 2018, 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 2018 Annual General Meeting (“2018 AGM”), the payment of the final distribution will be made on 16 May 2018. Taken together with the interim distribution of HK10.3 cents per Share Stapled Unit paid in September 2017, the total distribution per Share Stapled Unit for the year 2017 is HK21.4 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 2018 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2018 AGM, the Registers will be closed from Thursday, 12 April 2018 to Wednesday, 18 April 2018, both days inclusive.

In order to be eligible to attend and vote at the 2018 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 Wednesday, 11 April 2018.

(ii) To qualify for the proposed 2017 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2017 final distribution, the Registers will be closed from Thursday, 26 April 2018 to Monday, 30 April 2018, both days inclusive.

In order to qualify for the proposed 2017 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, 25 April 2018.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2018 AGM of the Trust and the Company will be held on Wednesday, 18 April 2018, for the purpose of, among other things, approving the payment of a final distribution of HK11.1 cents per Share Stapled Units. The notice of 2018 AGM together with the 2017 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 2018.

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 2017, 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 2017.

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 2017, 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 2017, the total number of issued Share Stapled Units of the Trust and the Company was 2,088,423,083. As compared with the position as at 31 December 2016, a total of 21,196,627 new Share Stapled Units were issued during the year as follows:-

Date	Particulars	No. of Share Stapled Units
31 December 2016	Number of issued Share Stapled Units	2,067,226,456
1 March 2017	Issue of new Share Stapled Units at the price of HK\$3.309 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\$38,285,000 for the second half of 2016	11,569,883
24 August 2017	Issue of new Share Stapled Units at the price of HK\$3.43 per Share Stapled Unit as payment of the Hotel Manager's Fees to Hotel Manager of approximately HK\$33,020,000 for the first half of 2017	9,626,744
31 December 2017	Number of issued Share Stapled Units	2,088,423,083

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 2017 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 2017 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 2017 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 2017 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, 6 February 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>NOTES</u>	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Revenue	5	694,145	706,379
Property related expenses		(26,865)	(25,639)
Service fees		(86,572)	(87,028)
Net property income		580,708	593,712
Other income	7	2,337	1,917
Increase (decrease) in fair value of investment properties		808,384	(3,613)
Fair value change on derivative financial instruments		(3,571)	31,795
Trust and other expenses		(11,081)	(12,778)
Finance costs	8	(153,409)	(118,164)
Profit before tax		1,223,368	492,869
Income tax expense	9	(77,309)	(83,260)
Profit and total comprehensive income for the year attributable to holders of Share Stapled Units	12	<u>1,146,059</u>	<u>409,609</u>
Earnings per Share Stapled Unit			
Basic and diluted	13	<u>HK55cents</u>	<u>HK20cents</u>

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

AT 31 DECEMBER 2017

	<u>NOTES</u>	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Non-current assets			
Property, plant and equipment		28	21
Investment properties		19,373,000	18,432,000
Derivative financial instruments		28,300	31,795
		<u>19,401,328</u>	<u>18,463,816</u>
Current assets			
Debtors, deposits and prepayments	14	115,491	121,195
Tax recoverable		-	61
Bank balances		101,076	238,473
		<u>216,567</u>	<u>359,729</u>
Current liabilities			
Creditors, deposits and accruals	15	97,362	78,358
Tax payable		23,600	32,818
		<u>120,962</u>	<u>111,176</u>
Net current assets		<u>95,605</u>	<u>248,553</u>
Total assets less current liabilities		<u>19,496,933</u>	<u>18,712,369</u>
Non-current liabilities			
Secured bank loans due after one year		6,756,597	6,738,597
Deferred tax liabilities		329,192	297,229
Derivative financial instrument		76	-
		<u>7,085,865</u>	<u>7,035,826</u>
NET ASSETS		<u>12,411,068</u>	<u>11,676,543</u>
Capital and reserves			
Issued capital		2,089	2,067
Reserves		12,408,979	11,674,476
TOTAL EQUITY		<u>12,411,068</u>	<u>11,676,543</u>

NOTES TO THE TRUST AND THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

Langham Hospitality Investments (the "Trust") is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the "Trust Deed"), entered into between LHIL Manager Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the Trust) and Langham Hospitality Investments Limited (the "Company"). The Company is a company incorporated in the Cayman Islands with limited liability. The share stapled units ("Share Stapled Units") structure comprises: (a) a unit in the Trust; (b) a beneficial interest in a specifically identified ordinary share in the Company which is linked to the unit and held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust; and (c) a specifically identified preference share in the Company which is "stapled" to the unit. The Share Stapled Units are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 May 2013. The Company's parent company is LHIL Assets Holdings Limited, a limited liability company incorporated in the British Virgin Islands. The Trustee-Manager and the Directors of the Company (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 dollar, 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 2017 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 2017 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust has beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the year ended 31 December 2017 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust Group are identical to the consolidated financial statements of the Group with the only differences being disclosures of capital. The Trustee-Manager and the Directors believe therefore that it is clearer to present the consolidated financial statements of the Trust Group and the Group together. The consolidated financial statements of the Trust Group and the consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Consolidated Financial Statements".

2. BASIS OF PRESENTATION AND PREPARATION - continued

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

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 Group and the Group.

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

Amendments to HKFRSs that are mandatorily 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

Except as described below, 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.

Amendments to HKAS 7 Disclosure Initiative

The Groups have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of these amendments has had no impact on the Trust and the Company's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Groups are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 "Financial Instruments" - continued

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Groups' financial instruments and risk management policies as at 31 December 2017, the Trustee-Manager and the Directors anticipate that following potential impact on initial application of HKFRS 9:

Impairment

In general, the Trustee-Manager and the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Groups' financial assets measured at amortised costs and other items that are subject to the impairment provisions upon the application of HKFRS 9 by the Groups.

Except for the expected credit loss model that may result in early provision of credit losses which are not yet incurred in relation to the Groups' financial assets measured at amortised cost, the Trustee-Manager and Directors expect all financial assets and financial liabilities will continue to be classified and measured on the same bases as are currently measured under HKAS 39 based on an analysis of the Groups' existing business model.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Groups have non-cancellable operating lease commitments of HK\$2,158,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Groups will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

As at 31 December 2017, the Groups currently consider refundable rental deposits paid of HK\$86,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

The Trustee-Manager and the Directors anticipate that the application of other new and revised HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 instruments that are measured at fair values at the end of each reporting period.

5. REVENUE

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Rental income from GE (LHIL) Lessee Limited ("Master Lessee")		
Base rent	225,000	225,000
Variable rent	<u>468,259</u>	<u>475,705</u>
	693,259	700,705
Rental income from retail shops in Eaton, Hong Kong	<u>886</u>	<u>5,674</u>
	<u>694,145</u>	<u>706,379</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 Company, for the purpose of resource allocation and performance assessment are more specifically focused on the operating results from leasing of the three hotels, namely The Langham, Hong Kong, Cordis, Hong Kong and Eaton, Hong Kong ("the Hotels").

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

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.

2017

	<u>The Langham, Hong Kong HK\$'000</u>	<u>Cordis, Hong Kong HK\$'000</u>	<u>Eaton, Hong Kong HK\$'000</u>	<u>Consolidated HK\$'000</u>
Segment revenue	264,785	313,796	115,564	694,145
Segment results*	221,390	260,953	98,365	580,708
Other income				2,337
Increase in fair value of investment properties				808,384
Fair value change on derivative financial instruments				(3,571)
Trust and other expenses				(11,081)
Finance costs				(153,409)
Profit before tax				1,223,368
Income tax expense				(77,309)
Profit for the year attributable to holders of Share Stapled Units				1,146,059

2016

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

* 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.

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\$7,380,000,000, HK\$8,205,000,000 and HK\$3,788,000,000 (2016: HK\$7,000,000,000, HK\$7,775,000,000 and HK\$3,657,000,000), 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\$693,259,000 (2016: HK\$700,705,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2017.

7. OTHER INCOME

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Interest on bank deposits	1,838	1,587
Sundry income	499	330
	<u>2,337</u>	<u>1,917</u>

8. FINANCE COSTS

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Interest on bank borrowings	103,607	92,107
Net interest on interest rate swap	30,714	832
Loan front-end fee amortisation	18,000	24,581
Other borrowing costs	1,088	644
	<u>153,409</u>	<u>118,164</u>

9. INCOME TAX EXPENSE

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	45,341	34,413
Underprovision in prior years	<u>5</u>	<u>194</u>
	<u>45,346</u>	<u>34,607</u>
Deferred tax:		
Current year	32,042	48,885
Overprovision in prior years	<u>(79)</u>	<u>(232)</u>
	<u>31,963</u>	<u>48,653</u>
	<u><u>77,309</u></u>	<u><u>83,260</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>2017</u> HK\$'000	<u>2016</u> HK\$'000
Profit for the year attributable to holders of Share Stapled Units	1,146,059	409,609
Adjustments:		
Add:		
Depreciation	10	6
Deferred tax	31,963	48,653
Non-cash finance costs	18,000	24,581
Hotel management fees and licence fee payable in form of Share Stapled Units	68,977	70,019
Decrease in fair value of investment properties	-	3,613
Decrease in fair value of derivative financial instruments	3,571	-
Less:		
Increase in fair value of investment properties	(808,384)	-
Increase in fair value of derivative financial instrument	-	(31,795)
Reserve for furniture, fixtures and equipment	<u>(22,996)</u>	<u>(23,299)</u>
Total distributable income	<u><u>437,200</u></u>	<u><u>501,387</u></u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June 2017 (2016: in respect of the six months ended 30 June 2016)		209,576	228,054
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for interim distribution period		<u>209,576</u>	<u>228,054</u>
Interim distribution (note c)		<u>209,576</u>	<u>228,054</u>
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December 2017 (2016: in respect of the financial year ended 31 December 2016)	10	437,200	501,387
Less: distributable income paid for interim distribution period (note e)		<u>(209,958)</u>	<u>(230,165)</u>
Distributable income available for final distribution period		227,242	271,222
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for final distribution period		<u>227,242</u>	<u>271,222</u>
Final distribution (note c)		<u>227,242</u>	<u>271,222</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\$0.101</u>	<u>HK\$0.111</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.103</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\$0.109</u>	<u>HK\$0.131</u>
- After taking into account the effect of the Distribution Waiver (note e)		<u>HK\$0.111</u>	<u>HK\$0.138</u>

11. DISTRIBUTION STATEMENT - continued

Notes:

- (a) The final distribution in 2017 is based on total distributable income for the year ended 31 December 2017.

The interim distribution in 2017 was based on total distributable income for the six months ended 30 June 2017.

The final distribution in 2016 was based on total distributable income for the year ended 31 December 2016.

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

- (c) The final distribution after 31 December 2017 has not been recognised as a liability as at 31 December 2017.

The interim distribution after 30 June 2017 has not been recognised as a liability as at 30 June 2017.

The final distribution after 31 December 2016 has not been recognised as a liability as at 31 December 2016.

- (d) The final distribution per Share Stapled Unit of HK\$0.109 in 2017 is calculated based on the final distribution of HK\$227,242,000 for the period and 2,088,423,083 Share Stapled Units as at 31 December 2017.

The final distribution per Share Stapled Unit of HK\$0.131 in 2016 is calculated based on the final distribution of HK\$271,222,000 for the period and 2,067,226,456 Share Stapled Units as at 31 December 2016.

The interim distribution per Share Stapled Unit of HK\$0.101 for the interim distribution period in 2017 is calculated based on the interim distribution of HK\$209,576,000 for the period and 2,078,796,339 Share Stapled Units as at 30 June 2017.

The interim distribution per Share Stapled Unit of HK\$0.111 for the interim distribution period in 2016 is calculated based on the interim distribution of HK\$228,054,000 for the period and 2,057,152,289 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, 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> '000
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 ended 31 December 2017	<u>50,000</u>

The final distribution

The final distribution per Share Stapled Unit of HK\$0.111 in 2017 is calculated based on the distributable income available for final distribution period of HK\$227,242,000 and 2,038,423,083 Share Stapled Units after taking into account of the 50,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 31 December 2017. The final distribution will be paid to holders of Share Stapled Units on or before 16 May 2018.

The final distribution per Share Stapled Unit of HK\$0.138 in 2016 is calculated based on the distributable income available for final distribution period of HK\$271,222,000 and 1,967,226,456 Share Stapled Units after taking into account of the 100,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 31 December 2016. In consideration of the issue of 11,569,883 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2016 on 1 March 2017, the number of Share Stapled Units entitled for the final distribution in 2016 had been adjusted to be 1,978,796,339. Total distribution of HK\$273,074,000 in respect of 2016 final distribution period was paid to holders of Share Stapled Units on 19 May 2017.

The interim distribution

The interim distribution per Share Stapled Unit of HK\$0.103 in 2017 is calculated based on the interim distribution of HK\$209,576,000 for the period and 2,028,796,339 Share Stapled Units after taking into account of the 50,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 30 June 2017. In consideration of 9,626,744 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 30 June 2017 on 24 August 2017, the number of Share Stapled Units entitled for the interim distribution in 2017 had been adjusted to be 2,038,423,083. Total distribution of HK\$209,958,000 in respect of 2017 interim distribution period was paid to holders of Share Stapled Units on 29 September 2017.

11. DISTRIBUTION STATEMENT - continued

Notes: - continued

(e) - continued

The interim distribution - continued

The interim distribution per Share Stapled Unit of HK\$0.117 in 2016 is calculated based on the interim distribution of HK\$228,054,000 for the period and 1,957,152,289 Share Stapled Units after taking into account of the 100,000,000 Share Stapled Units waived by LHIL Assets Holdings Limited as at 30 June 2016. In consideration of 10,074,167 Share Stapled Units issued 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 had been adjusted to be 1,967,226,456. Total distribution of HK\$230,165,000 in respect of 2016 interim distribution period was paid to holders of Share Stapled Units on 5 October 2016.

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

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)	5,492	5,240
Share-based payment expenses (including directors' emoluments) (note a)	<u>193</u>	<u>83</u>
	5,685	5,323
Depreciation	10	6
Auditor's remuneration	1,260	1,230
Operation lease payments on rented premises	2,298	2,086
Net exchange gain (included in trust and other expenses)	<u>(2)</u>	<u>-</u>

Note:

- (a) The Groups recognised the total expenses of HK\$193,000 (2016: HK\$83,000) for the year ended 31 December 2017 in relation to share options granted by the ultimate holding company under its 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>2017</u> HK\$'000	<u>2016</u> HK\$'000
Earnings		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	<u>1,146,059</u>	<u>409,609</u>
	<u>2017</u> '000	<u>2016</u> '000
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purpose of basic and diluted earnings per Share Stapled Unit	<u>2,083,005</u>	<u>2,061,188</u>

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Trade debtors	106,168	116,365
Other debtors	152	-
Interest receivable	-	136
Deposits and prepayments	<u>9,171</u>	<u>4,694</u>
	<u>115,491</u>	<u>121,195</u>

Rentals receivable from Master Lessee is 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>2017</u> HK\$'000	<u>2016</u> HK\$'000
0 - 3 months	<u>106,168</u>	<u>116,365</u>

No trade debtor is past due as at 31 December 2016 and 2017.

14. DEBTORS, DEPOSITS AND PREPAYMENTS - continued

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

Trade debtors is an amount due from a fellow subsidiary of HK\$106,168,000 (2016: HK\$116,365,000) which is unsecured, interest-free and payable on presentation of invoices. Other debtors is an amount due from a fellow subsidiary of HK\$152,000 which is unsecured, interest-free and payable on presentation of invoices.

15. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
Trade creditors	37,800	40,073
Deposits received	-	1,394
Other creditors	16,065	7,002
Construction fee payable	34,277	25,706
Accruals and other payables	<u>9,220</u>	<u>4,183</u>
	<u>97,362</u>	<u>78,358</u>

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

	<u>2017</u> HK\$'000	<u>2016</u> HK\$'000
0 - 3 months	23,590	24,673
3 - 6 months	<u>14,210</u>	<u>15,400</u>
	<u>37,800</u>	<u>40,073</u>

Other creditors and accruals and other payables mainly consist of retention money payable and interest payable.

Trade creditors are amounts due to fellow subsidiaries of HK\$37,800,000 (2016: HK\$40,073,000) which are unsecured, interest-free and payable on presentation of invoices. Included in other creditors are amounts due to fellow subsidiaries of HK\$6,082,000 (2016: HK\$501,000) which are unsecured, interest-free and payable on presentation of invoices.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Revenue		-	-
Administrative expenses		(22,355)	(23,955)
Less: Amount borne by a fellow subsidiary		<u>22,355</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 2017

	<u>2017</u> HK\$	<u>2016</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 2017

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 dollar, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

The Directors anticipate that the application of new and revised HKFRSs will have no material impact on the financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance.

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

4. PROFIT OR LOSS BEFORE TAX

	<u>2017</u> HK\$	<u>2016</u> HK\$
Profit or loss before tax has been arrived at after charging:		
Auditor's remuneration	20,000	20,000
Directors' remuneration	-	-
	<u> </u>	<u> </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.