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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)

2019 ANNUAL RESULTS ANNOUNCEMENT

The boards of directors (the “Boards”) of LHIL Manager Limited (the “Trustee-Manager”, as the trustee-manager of Langham Hospitality Investments (the “Trust”)) and Langham Hospitality Investments Limited (the “Company”) are pleased to announce the consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “Trust Group”) for the year ended 31 December 2019 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2019	2018	Change
Revenue of hotel portfolio	1,350.9	1,629.8	-17.1%
Total rental income for the Trust Group after netting service fees	483.9	615.5	-21.4%
Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	168.6	311.6	-45.9%
Distributable Income	259.1	410.5	-36.9%
Interim Distribution per Share Stapled Unit	HK8.7 cents	HK9.0 cents	-3.3%
Final Distribution per Share Stapled Unit	HK3.4 cents	HK10.5 cents	-67.6%
Annual Distribution per Share Stapled Unit	HK12.1 cents	HK19.5 cents	-37.9%

FINANCIAL HIGHLIGHTS (continued)

As at	31 Dec 2019	30 Jun 2019	31 Dec 2018
Gross Value of Hotel Portfolio (in HK\$ million)	17,500	20,180	20,177
Net Asset Value per Share Stapled Unit	HK\$4.68	HK\$6.04	HK\$6.14
Gearing Ratio	40.6%	34.4%	34.2%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The year 2019 was exceptionally difficult for the hospitality sector in Hong Kong. As discussed and forecast in the 2019 interim report, demand for hotel rooms fell rapidly during the second half of the year as months of protests, at times violent, took their toll on the economy.

As reported monthly by the Hong Kong Tourism Board and widely in the press, the tourism sector was one of the worst affected and reflected a steep decline of 42.7% in overnight visitor arrivals in the second half of 2019. Hong Kong's overall hotel market posted a decline of 43.3% in revenue per available room ("RevPAR") in the second half of 2019 as compared with a modest decline of only 1.3% during the first half. For the year as a whole, the decline in RevPAR for Hong Kong's overall hotel market was 23.9%.

The Trust Group's three hotels were heavily impacted as they are all located within major shopping and tourist districts where intense protests were frequent. The RevPAR of our hotel portfolio declined by 55.5% in the second half of 2019, and taking into account a 5.0% decline in the first half of 2019, the RevPAR decline came to 31.1% for the year. However, based on 1,629 available rooms in 2019 (60 more than in 2018), the portfolio's room revenue dropped by 28.5% in 2019.

The Trust Group’s hotel performance in the second half of 2019:

	Average Daily				Average		RevPAR	
	Rooms		Occupancy		Room Rate		(in HK\$)	
	Available				(in HK\$)		(in HK\$)	
	2H 2019	2H 2018	2H 2019	2H 2018	2H 2019	2H 2018	2H 2019	2H 2018
The Langham, Hong Kong	497	498	60.8%	91.8%	1,644	2,399	1,000	2,202
<i>year-on-year growth</i>			<i>-31.0ppt</i>		<i>-31.5%</i>		<i>-54.6%</i>	
Cordis, Hong Kong	667	666	52.1%	94.7%	1,511	1,863	787	1,764
<i>year-on-year growth</i>			<i>-42.6ppt</i>		<i>-18.9%</i>		<i>-55.4%</i>	
Eaton HK	465	434	56.8%	84.1%	780	1,196	443	1,006
<i>year-on-year growth</i>			<i>-27.3ppt</i>		<i>-34.8%</i>		<i>-56.0%</i>	

Revenue from food and beverage (“F&B”) was more lightly impacted, as it was mostly derived from local patronage and less susceptible to decline in visitor arrivals. In particular, banqueting business in the second half of 2019 were relatively resilient, as most banquet events are arranged well in advance.

Furthermore, F&B revenue at the Eaton HK actually increased by 45.9% in 2019 as its outlets were gearing up after refurbishment in 2018. Therefore, the decline in F&B revenue for the overall portfolio was only 1.8% in 2019. The portfolio’s total revenue dropped by 17.1% and operating profit before global marketing fee of the hotel portfolio dropped by 32.4% in 2019.

As the Trust Group hotels are leased to the Master Lessee, the protest activities only affected the variable rental income which the Trust Group received from the Lessee. Variable rental income before netting of the service fees declined by 32.4% to HK\$325.4 million in 2019, but the Trust Group still received a fixed rental income of HK\$225 million in 2019 as stipulated under the Master Lease Agreements. The Trust Group’s total rental income dropped by 21.4% to HK\$483.9 million in 2019 and net property income declined by 23.6% to HK\$448.3 million for the corresponding period. Note that under the Master Lease Agreement, which included a rental review for the period from January 2020 was renewed under the same terms at the end of 2019. A further rental review will be performed for the period from January 2024 for the remaining term of the Master Lease Agreement.

While 57.4% of the Trust Group's outstanding bank loans were effectively fixed as of the beginning of 2019, its results were still affected by increased interest rates in Hong Kong during the year. As a result, the Trust Group's finance cost rose by 16.6% to HK\$220.2 million in 2019.

There was a HK\$2,788.4 million decrease in the fair value of the Trust Group's investment properties (hotel portfolio) in 2019, reflecting the adverse impact of social unrest on the hotel business. As a result, the Trust Group incurred a loss of HK\$2,634.7 million for the year ended 31 December 2019. There was also a decrease amounting to HK\$14.9 million in the fair value of derivative financial instruments, which related to the decline in market value of interest rate swap contracts as of the end of December 2019. Net profit excluding fair value change of investment properties and derivative financial instruments was HK\$168.6 million, representing a decline of 45.9% from 2018.

As of 31 December 2019, the hotel portfolio's valuation declined to HK\$17,500 million as compared with HK\$20,177 million at the end of December 2018. Net Asset Value ("NAV") of the Trust Group amounted to HK\$9,989.8 million or HK\$4.68 per Share Stapled Unit as at the end of December 2019. Based on the Company's closing price of HK\$2.36 per Share Stapled Unit on 31 December 2019, this represented a discount of 49.6% to the Trust Group's NAV. Gearing ratio was 40.6% as of the end of December 2019, compared with 34.2% at the end of December 2018.

Despite the very difficult operating environment for Hong Kong's hotel market in the fourth quarter of 2019, the Trust Group has secured refinancing for the loan maturing in May 2020. The new loan, which carries an all-in interest rate at HIBOR plus 0.98 percent, was down from HIBOR plus 1.23 percent for the maturing loan. The new loan was drawn in December 2019 and will mature in December 2023.

OPERATIONAL REVIEW

Given a decrease in the Hotels' aggregate gross operating profit before deduction of global marketing fee in 2019, variable rental income from the Master Lessee, calculated at 70% of the Hotels' aggregate gross operating profit before deduction of the global marketing fees, dropped by 32.4% to HK\$325.4 million in 2019. Combined with fixed rental income of HK\$225.0 million and HK\$1.7 million in retail rental income, total gross rental income received by the Trust Group before service fees was HK\$552.1 million for the reporting period. After netting off HK\$68.2 million in service fees incurred, total rental income was HK\$483.9 million, representing a year-on-year decline of 21.4%.

(in HK\$ million)	2019	2018	Change
Variable rental income	325.4	481.2	-32.4%
Fixed rental income	225.0	225.0	-
Rental income from retail shops	1.7	0.4	325.0%
Service fees	<u>(68.2)</u>	<u>(91.1)</u>	-25.1%
Total rental income for the Trust Group	483.9	615.5	-21.4%

Total service fees are comprised of: i) hotel management fees, ii) licence fee and iii) global marketing fee paid to the hotel management company. 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 of the Hotels. 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. As for hotel management fees and licence fee, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both. For 2019, the Hotel Manager has elected to be paid wholly in the form of Share Stapled Unit for the payment of hotel management fees and licence fee.

Due to the reduction in revenues, global marketing fee dropped 28.9%, licence fee dropped 17.2% and hotel management fee dropped 26.2%. In combination, overall service fees payable to the hotel management company dropped by 25.1% to HK\$68.2 million in 2019.

(in HK\$ million)	2019	2018	Change
Hotel management fees	41.2	55.8	-26.2%
Licence fee	13.5	16.3	-17.2%
Global marketing fee	13.5	19.0	-28.9%
Total service fees	68.2	91.1	-25.1%

Hotel properties' related expenses rose by 24.9% to HK\$35.6 million in 2019, mainly driven by increase in government rates. The Trust Group's net property income dropped by 23.6% to HK\$448.3 million in 2019 after accounting for the increase in properties related expense.

(in HK\$ million)	2019	2018	Change
Total rental income after service fees	483.9	615.5	-21.4%
Hotel properties related expenses	(35.6)	(28.5)	24.9%
Net property income	448.3	587.0	-23.6%

We continue to protect the Trust Group from the negative impact of interest rates hikes by fixing the interest rate of HK\$4,000 million of bank loans. These four-year interest rate swap contracts started in early November 2016 through June 2018 at weighted average swap rate of 1.65%. As a result, the Trust Group's total finance costs were reduced by HK\$7.9 million 2019, as compared with a net increase of HK\$11.4 million in 2018.

Nonetheless, as interest expense climbed during the year, interest expense on the bank loan rose by 26.7% to HK\$202.0 million in 2019. Taking into account the amortisation of loan upfront fee of HK\$26.1 million, net interest settlement income of HK\$7.9 million, total finance costs came to HK\$220.2 million in 2019, representing a year-on-year increase of 16.6%.

(in HK\$ million)	2019	2018	Change
Breakdown of Finance costs			
Interest expense including other borrowing costs	(202.0)	(159.4)	26.7%
Amortisation of loan upfront fee	(26.1)	(18.0)	45.0%
Interest income/(expense) on interest rate swaps	7.9	(11.4)	-169.3%
Total Finance costs	(220.2)	(188.8)	16.6%

There was a decrease in fair value of investment properties (Hotel portfolio) amounting to HK\$2,788.4 million in 2019's results. This non-cash item turns the Trust Group's profit to a loss attributable to Holders of Share Stapled Units of HK\$2,634.7 million in 2019. Included in 2019 results was a decrease in fair value of derivative financial instruments amounting to HK\$14.9 million, which reflects a decrease in the market value of the interest rate swap contracts.

Excluding the impact of the above two non-cash items, profit attributable to Holders of Share Stapled Units was HK\$168.6 million in 2019, representing a drop of 45.9% year-on-year.

(in HK\$ million)	2019	2018	Change
Net property income	448.3	587.0	-23.6%
Interest and other income	2.4	0.2	n.m.
(Decrease)/increase in fair value of investment properties (Hotel portfolio)	(2,788.4)	594.2	-569.3%
Fair value change on derivative financial instruments (interest rate swaps)	(14.9)	(10.2)	46.1%
Finance costs	(220.2)	(188.8)	16.6%
Trust and other expenses	(13.4)	(12.0)	11.7%
(Loss)/Profit before tax	(2,586.2)	970.4	-366.5%
Income tax expense	(48.5)	(74.8)	-35.2%
(Loss)/Profit attributable to Holders of Share Stapled Units	(2,634.7)	895.6	-394.2%

To derive the Trust Groups distributable income, net loss is adjusted for the following two non-cash items namely; decrease in fair value of investment properties and decrease in fair value on the derivative financial instruments. Furthermore, we adjust for the Hotel Management fees and Licence fee being paid in Share Stapled Units, the amortization of the upfront loan fee and deferred tax. Lastly, we deduct the contribution to Furniture, Fixtures and Equipment reserve.

Distributable income of the Trust Group, based on a 100% distribution payout for 2019, dropped by 36.9% to HK\$259.1 million.

(in HK\$ million)	2019	2018	Change
(Loss)/Profit attributable to Holders of Share			
Stapled Units	(2,634.7)	895.6	-394.2%
Add:			
Hotel management fees and Licence fee paid in Share Stapled Units	54.7	72.1	-24.1%
Change in fair value of investment properties	2,788.4	(594.2)	-569.3%
Amortization of upfront loan fee, a non-cash cost	26.1	18.0	45.0%
Deferred tax	30.0	33.2	-9.6%
Decrease in fair value on derivative financial instruments	14.9	10.2	46.1%
Less:			
Furniture, fixtures and equipment reserve	<u>(20.3)</u>	<u>(24.4)</u>	-16.8%
Distributable income	259.1	410.5	-36.9%

In 2019, distribution per Share Stapled Unit was HK12.1 cents (based on share stapled units outstanding as at end of 2019), representing a year-on-year decline of 37.9% when compared with a distribution per Share Stapled Unit of HK19.5 cents achieved for 2018.

Hotel Performance

	Average Daily				Average		RevPAR	
	Rooms		Occupancy		Room Rate		(in HK\$)	
	Available				(in HK\$)		(in HK\$)	
	2019	2018	2019	2018	2019	2018	2019	2018
The Langham, Hong Kong	497	498	75.3%	91.2%	1,955	2,336	1,472	2,130
<i>year-on-year growth</i>			<i>-15.9ppt</i>		<i>-16.3%</i>		<i>-30.9%</i>	
Cordis, Hong Kong	667	666	73.1%	95.0%	1,656	1,806	1,210	1,715
<i>year-on-year growth</i>			<i>-21.9ppt</i>		<i>-8.3%</i>		<i>-29.4%</i>	
Eaton HK	465	405	71.6%	87.0%	950	1,114	679	969
<i>year-on-year growth</i>			<i>-15.4ppt</i>		<i>-14.7%</i>		<i>-29.9%</i>	
Hotel Portfolio	1,629	1,569	73.3%	91.7%	1,553	1,804	1,139	1,654
<i>year-on-year growth</i>			<i>-18.4ppt</i>		<i>-13.9%</i>		<i>-31.1%</i>	

Hong Kong Hotel Markets	Occupancy		Average		RevPAR	
			Room Rate		(in HK\$)	
	2019	2018	2019	2018	2019	2018
High Tariff A	74.0%	89.0%	1,982	2,154	1,467	1,917
<i>year-on-year growth</i>	<i>-15.0ppt</i>		<i>-8.0%</i>		<i>-23.5%</i>	
High Tariff B	79.0%	91.0%	992	1,177	784	1,071
<i>year-on-year growth</i>	<i>-12.0ppt</i>		<i>-15.7%</i>		<i>-26.8%</i>	

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	267.4	294.6	115.3	677.3
Food & Beverages	214.9	286.7	128.5	630.1
Others	10.5	18.8	14.2	43.5
Total revenue	492.8	600.1	258.0	1,350.9

For the hotel portfolio as a whole, the number of guest nights from Mainland China dropped by 19.4% in 2019 and this market accounted for 35.9% of total room nights.

	Trust Group's hotel portfolio	Hong Kong
Year-on-year growth in room nights/overnight arrivals from Mainland China	-19.4%	-18.5%
% of room nights/overnight arrivals from Mainland China	35.9%	68.3%

Performance of the individual hotels

At **The Langham, Hong Kong** although already reporting a first half decline in RevPAR of 5.1%, this reduction quickened in the 2nd half due to the social unrest and finished with a full year decline in RevPAR of 30.9%. Significant drops in room rate were required in the second half to match the market and hold onto occupancy that finished at 60.8% in the second half and 75.3% for the full year. The full year occupancy is 75.3%, compared to the Hong Kong High Tariff A Hotels of 74.0%.

As our food and beverage operation is focused on the local Hong Kong market it fared better than accommodation through the protests, although it still recorded a 10.7% decline on previous year. Maintaining 3-Michelin Stars for T'ang Court in 2020 will help support the hotels' reputation for exceptional Chinese cuisine.

Cordis, Hong Kong was performing in line with last year in the first half although it was severely impacted in the second half. The social unrest made the transport systems unreliable and as a result the hotels' airline crew business repositioned to airport hotels. Coupled with decline from other market segments the hotel recorded an occupancy of 52.1% in the second half well down from over 90% the year before. The full year occupancy is 73.1%, compared to the Hong Kong High Tariff A Hotels of 74.0%. RevPAR declined 29.4% for the full year.

As our food and beverage operation is focused on the local Hong Kong market it fared better than accommodation through the protests, although it still recorded a 8.5% decline on previous year. Maintaining 1-Michelin Stars for Ming Court in 2020 will help support the hotels' reputation for excellent Chinese cuisine.

Eaton HK was refurbished in 2018 and repositioned as a 'life-style' hotel focusing more on individual travellers and Millennial market segment. It has gained a great deal of publicity in 2019 for its efforts to support the community and its cultural programming.

Like other Hotels in the portfolio, Eaton was severely affected by the protests and recorded an occupancy of 56.8% in the second half down from over 84.1% the year before. The full year occupancy is 71.6%, compared to the Hong Kong High Tariff B Hotels of 79.0% although the change in room rate in Eaton at -14.7% fared better than the market at -15.7%. RevPAR for the year declined 29.9% but room revenue only declined 19.6% due to the increased inventory in 2019 (refurbishment in 2018).

Food and beverage for the full year increased by 45.9% over last year as the new outlets developed a strong following. Particularly successful has been The Astor (all-day dining venue) and the Foodhall. Maintaining 1-Michelin Stars for Yat Tung Heen in 2020 will help support the hotels' reputation for excellent Chinese cuisine.

In summary, the civil unrest started in June 2019 and quickly worsened and continued through year ended 2019. Therefore, the whole year 2019 combined 3 hotels' drop in RevPAR of about 31.1% does not reflect the second half 2019 combined 3 hotels' drop in RevPAR of about 55.5%.

OUTLOOK

While the Hotel market is still affected by travel advisories in place due to the social unrest, the outbreak of the novel coronavirus (nCoV) in Mainland China is exacerbating the poor trading conditions. The recent announcement from the World Health Organization to declare China's nCoV outbreak a "public health emergency of international concern" has further dramatically slowed down travel to Hong Kong and is severely affecting both accommodation and food and beverage business. As a result, the Hotel Manager is continuing to deploy expense savings strategies to protect the hotels bottom line although the first half performance is expected to be substantially behind that in 2019.

The Trust Group renewed the Master Lease with the Great Eagle Group in November 2019, it will continue to receive a fixed rental income of HK\$225 million per annum and a variable rental income based of 70% of adjusted gross operating income of the hotels. Therefore, unless expenses (including finance costs) increase substantially from last year's level, the fixed rental income will help the Trust Group's overall performance.

After discussion, the board has decided to increase cash reserves of the business by reducing the payout ratio from the previous 100% of distributable income to not less than 90% from 2020 onwards, ninety per cent is the minimum payout ratio as stipulated by the governing trust deed. The resulting increase in cash available to the trust will help it deal with the poor trading environment and for ongoing asset enhancement activity.

As the Trust Group successfully refinanced the bank loan maturing in May 2020 at the end of 2019, the Group does not face refinancing risk until 2023. The new loan is also sustainability-linked, which will reward the Trust Group with very small reductions in interest rates when targets on energy savings and waste reductions are met. This is in line with one of the Group's objective in striving for environmental sustainability.

As demand for Hong Kong's hotel rooms is expected to remain very weak in the short term, the hotel continues to target short lead-time travellers with motivating promotional packages, as well as implementing stringent measures, on a continuous basis, to contain operating cost in the hotels.

We remain confident in Hong Kong's resilience and appeal in the long term as a world-class business and leisure travel destination although we believe the present situation including a continued background of social unrest and the nCoV outbreak will take some time to play out and to recover. Moreover, these adverse market issues presently faced will have a compound negative affect on earnings throughout 2020 and beyond.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the year ended 31 December 2019 was HK\$259,064,000, which represents 100% of total distributable income (2018: HK\$410,491,000, which represents 100% of total distributable income).

Distribution per Share Stapled Unit for the six months ended 31 December 2019 based on 100% payout ratio was HK3.4 cents (six months ended 31 December 2018: HK10.5 cents). With an interim Distribution per Share Stapled Unit of HK8.7 cents (2018: HK9.0 cents), Total Distribution per Share Stapled Unit for the year amounted to HK12.1 cents (2018: HK19.5 cents). Based on the closing Share Stapled Unit price of HK\$2.36 as at 31 December 2019, Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 5.1%. As approved by the Board, in order to increase cash reserves of the business, the payout ratio will be reduced from the previous 100% of distributable income to not less than 90% from the financial year 2020 onwards.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$9,989.8 million or HK\$4.68 per Share Stapled Unit as at 31 December 2019 (2018: HK\$12,958.6 million or HK\$6.14 per Share Stapled Unit) which represents a 98.3% premium to the closing Share Stapled Unit price of HK\$2.36 as at 31 December 2019.

Debt Profile

Total outstanding borrowings of the Trust Group as at 31 December 2019 were HK\$7,152 million (2018: HK\$6,965 million). Secured term loans of HK\$6,800 million (2018: HK\$6,800 million) were on a floating-rate interest basis and repayable in full in 2023 (2018: in 2020). Revolving loans of HK\$352 million (2018: HK\$165 million) were also on a floating-rate interest basis and repayable in early 2020, which may be redrawn in the revolver until maturity of the term loans.

In order to mitigate the interest rate exposure, the Trust Group entered into several four-year interest rate swap transactions during 2016 to 2018. Total HK\$4,000 million or 55.9% (2018: 57.4%) of the outstanding borrowings are fixed.

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 2019, total gross assets of the Trust Group were HK\$17,610.7 million (2018: HK\$20,366.2 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of gross assets, was 40.6% (2018: 34.2%).

Cash Position

As at 31 December 2019, the Trust Group had a cash balance of HK\$75.7 million (2018: HK\$86.9 million) to satisfy a portion of asset enhancement of Eaton HK, as well as its working capital and operating requirements. In addition, the Trust Group had unused revolving loans amounting to HK\$348 million as of 31 December 2019 (2018: HK\$235 million).

Pledge of Assets

As at 31 December 2019 investment properties of the Trust Group with a fair value of HK\$17,500 million (2018: HK\$20,177 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\$7,500 million term and revolving loan facilities granted to the Trust Group.

Commitments

As at 31 December 2019, the Trust Group had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$4,330,000 (2018: HK\$49,293,000), of which HK\$2,495,000 (2018: HK\$42,195,000) were contracted for.

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

FINAL DISTRIBUTION

The Trustee-Manager Board has recommended the payment of a final distribution of HK3.4 cents per Share Stapled Unit (2018: HK10.5 cents) for the year ended 31 December 2019, representing a payout ratio of 100%, to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 22 May 2020. Subject to the approval of the Holders of Share Stapled Units at the 2020 Annual General Meeting (“2020 AGM”), the payment of the final distribution will be made on 29 May 2020. Taken together with the interim distribution of HK8.7 cents per Share Stapled Unit paid in September 2019, the total distribution per Share Stapled Unit for the year 2019 is HK12.1 cents. Based on the closing Share Stapled Unit price of HK\$2.36 as at 31 December 2019, Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 5.1%.

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 2020 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2020 AGM, the Registers will be closed from Wednesday, 6 May 2020 to Tuesday, 12 May 2020, both days inclusive.

In order to be eligible to attend and vote at the 2020 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 at 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, 5 May 2020.

(ii) To qualify for the proposed 2019 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2019 final distribution, the Registers will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, both days inclusive.

In order to qualify for the proposed 2019 final distribution, 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 at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 18 May 2020.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2020 AGM of the Trust and the Company will be held on Tuesday, 12 May 2020, for the purpose of, among other things, approving the payment of a final distribution of HK3.4 cents per Share Stapled Units. The notice of 2020 AGM together with the 2019 Annual Report and all other relevant documents will be despatched to Holders of Share Stapled Units and published on the Company's website at www.langhamhospitality.com and the website "HKExnews" at www.hkexnews.hk in March 2020.

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 2019, 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 2019.

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 2019, 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 2019, the total number of issued Share Stapled Units of the Trust and the Company was 2,135,606,495. As compared with the position as at 31 December 2018, a total of 25,890,556 new Share Stapled Units were issued during the year, representing 1.21% of the total number of issued Share Stapled Units as at 31 December 2019.

Date	Particulars	No. of Share Stapled Units
31 December 2018	Total number of issued Share Stapled Units	2,109,715,939
1 March 2019	Issue of new Share Stapled Units at the price of HK\$3.250 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fee (collectively the "Hotel Manager's Fees") to the Hotel Manager of approximately HK\$39,150,000 for the second half of 2018	12,046,202
22 August 2019	Issue of new Share Stapled Units at the price of HK\$2.530 per Share Stapled Unit as payment of the Hotel Manager's Fees to Hotel Manager of approximately HK\$35,026,000 for the first half of 2019	13,844,354
31 December 2019	Total number of Issued Share Stapled Units	2,135,606,495

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 2019 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 2019 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 2019 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 2019 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. Brett Stephen BUTCHER (*Chief Executive Officer*); and the Independent Non-executive Directors are Professor Chan Ka Keung, Ceajer, Professor LIN Syaru, Shirley and Mr. WONG Kwai Lam.

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

Hong Kong, 11 February 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<u>NOTES</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Revenue	5	483,883	615,500
Property related expenses		(35,584)	(28,498)
Net property income		448,299	587,002
Other income	7	2,438	210
(Decrease) increase in fair value of investment properties		(2,788,441)	594,217
Fair value change on derivative financial instruments		(14,891)	(10,190)
Trust and other expenses		(13,410)	(12,017)
Finance costs	8	(220,233)	(188,821)
(Loss) profit before tax		(2,586,238)	970,401
Income tax expense	9	(48,473)	(74,761)
(Loss) profit and total comprehensive (expense) income for the year attributable to holders of Share Stapled Units	12	<u>(2,634,711)</u>	<u>895,640</u>
(Loss) earnings per Share Stapled Unit			
Basic and diluted	13	<u>(HK124 cents)</u>	<u>HK43 cents</u>

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

AT 31 DECEMBER 2019

	<u>NOTES</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Non-current assets			
Property, plant and equipment		1,383	18
Investment properties		17,500,000	20,177,000
Derivative financial instruments		4,645	26,923
		<u>17,506,028</u>	<u>20,203,941</u>
Current assets			
Debtors, deposits and prepayments	14	22,144	75,351
Tax recoverable		-	32
Derivative financial instrument		8,142	-
Bank balances		75,732	86,881
		<u>106,018</u>	<u>162,264</u>
Current liabilities			
Creditors, deposits and accruals	15	56,843	60,642
Secured bank loans due within one year		352,000	165,000
Lease liabilities due within one year		536	-
Tax payable		54,375	36,086
		<u>463,754</u>	<u>261,728</u>
Net current liabilities		<u>(357,736)</u>	<u>(99,464)</u>
Total assets less current liabilities		<u>17,148,292</u>	<u>20,104,477</u>
Non-current liabilities			
Secured bank loans due after one year		6,755,666	6,774,597
Lease liabilities due after one year		840	-
Deferred tax liabilities		392,355	362,375
Derivative financial instrument		9,644	8,889
		<u>7,158,505</u>	<u>7,145,861</u>
NET ASSETS		<u>9,989,787</u>	<u>12,958,616</u>
Capital and reserves			
Issued capital/units		2,136	2,110
Reserves		9,987,651	12,956,506
TOTAL EQUITY		<u>9,989,787</u>	<u>12,958,616</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2019

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 in the Trust 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 in the Trust. 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 the 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 2019 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 2019 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the year ended 31 December 2019 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 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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, significant accounting policies and the related explanatory information are identical to the Trust Group and the Group.

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

The Trust and the Company's consolidated financial statements have been prepared on a going concern basis because the Trustee-Manager and the Directors of the Company are of the opinion that the Groups will have adequate sources of funding to meet in full its financial obligations, after taking into account the continuous cash flows generated from operating activities, and the availability of undrawn revolving loan facilities amounting to HK\$348,000,000.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and 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.

HKFRS 16 "Leases"

The Groups have applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations. The Groups have elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Groups have not reassessed contracts which already existed prior to the date of initial application.

The application of HKFRS 16 has had no material impact on the Groups' financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business 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 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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 2020.

The Trustee-Manager and the Directors anticipate that the application of all other new and amendments to HKFRSs 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>2019</u> HK\$'000	<u>2018</u> HK\$'000
Rental income from Master Lessee		
Base rent	225,000	225,000
Variable rent	<u>257,224</u>	<u>390,125</u>
	482,224	615,125
Rental income from retail shops in Eaton HK	<u>1,659</u>	<u>375</u>
	<u><u>483,883</u></u>	<u><u>615,500</u></u>

Service fees income of HK\$68,196,000 (2018: HK\$91,083,000) has been netted with the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee). Details are set out in note 6.

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 HK (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".

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.

2019

	<u>The Langham, Hong Kong</u> HK\$'000	<u>Cordis, Hong Kong</u> HK\$'000	<u>Eaton HK</u> HK\$'000	<u>Segment total</u> HK\$'000	<u>Reconciliation</u> HK\$'000 (note)	<u>Consolidated</u> HK\$'000
Segment revenue	<u>198,484</u>	<u>256,622</u>	<u>96,973</u>	<u>552,079</u>	<u>(68,196)</u>	<u>483,883</u>
Segment results	<u>161,712</u>	<u>209,711</u>	<u>76,876</u>	<u>448,299</u>	<u>-</u>	448,299
Other income						2,438
Decrease in fair value of investment properties						(2,788,441)
Fair value change on derivative financial instruments						(14,891)
Trust and other expenses						(13,410)
Finance costs						<u>(220,233)</u>
Loss before tax						(2,586,238)
Income tax expense						<u>(48,473)</u>
Loss for the year attributable to holders of Share Stapled Units						<u><u>(2,634,711)</u></u>

6. SEGMENT INFORMATION - continued

2018

	The Langham, Hong Kong HK\$'000	Cordis, Hong Kong HK\$'000	Eaton HK HK\$'000	Segment total HK\$'000	Reconciliation HK\$'000 (note)	Consolidated HK\$'000
Segment revenue	<u>279,594</u>	<u>338,145</u>	<u>88,844</u>	<u>706,583</u>	<u>(91,083)</u>	<u>615,500</u>
Segment results	<u>232,413</u>	<u>280,921</u>	<u>73,668</u>	<u>587,002</u>	<u>-</u>	<u>587,002</u>
Other income						210
Increase in fair value of investment properties						594,217
Fair value change on derivative financial instruments						(10,190)
Trust and other expenses						(12,017)
Finance costs						<u>(188,821)</u>
Profit before tax						970,401
Income tax expense						<u>(74,761)</u>
Profit for the year attributable to holders of Share Stapled Units						<u>895,640</u>

Note: Reconciliation represents netting of service fees income of HK\$68,196,000 (2018: HK\$91,083,000) with the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee) that has been adjusted from segment revenue.

Segment assets and liabilities

For the purpose of performance assessment, other than the fair values of investment properties, no other segment assets 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 HK were HK\$6,475,000,000, HK\$7,595,000,000 and HK\$3,430,000,000, respectively (2018: HK\$7,550,000,000, HK\$8,515,000,000 and HK\$4,112,000,000, 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\$482,224,000 (2018: HK\$615,125,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2019.

7.	OTHER INCOME		
		<u>2019</u>	<u>2018</u>
		HK\$'000	HK\$'000
	Interest income on bank deposits	86	182
	Compensation from insurance company	1,378	-
	Sundry income	974	28
		<u>2,438</u>	<u>210</u>
8.	FINANCE COSTS		
		<u>2019</u>	<u>2018</u>
		HK\$'000	HK\$'000
	Interest on bank borrowings	198,317	158,615
	Net interest on interest rate swaps	(7,924)	11,360
	Loan front-end fee amortisation	26,069	18,000
	Other borrowing costs	3,771	846
		<u>220,233</u>	<u>188,821</u>
9.	INCOME TAX EXPENSE		
		<u>2019</u>	<u>2018</u>
		HK\$'000	HK\$'000
	Current tax:		
	Hong Kong Profits Tax:		
	Current year	18,573	42,002
	Overprovision in prior years	(80)	(424)
		<u>18,493</u>	<u>41,578</u>
	Deferred tax:		
	Current year	29,980	32,879
	Underprovision in prior years	-	304
		<u>29,980</u>	<u>33,183</u>
		<u>48,473</u>	<u>74,761</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 (loss) 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>2019</u> HK\$'000	<u>2018</u> HK\$'000
(Loss) profit for the year attributable to holders of Share Stapled Units	(2,634,711)	895,640
Adjustments:		
Add:		
Depreciation	6	10
Deferred tax	29,980	33,183
Non-cash finance costs	26,069	18,000
Hotel management fees and licence fee payable in form of Share Stapled Units	54,651	72,132
Decrease in fair value of investment properties	2,788,441	-
Decrease in fair value of derivative financial instruments	14,891	10,190
Less:		
Increase in fair value of investment properties	-	(594,217)
Reserve for furniture, fixtures and equipment	(20,263)	(24,447)
Total distributable income	<u>259,064</u>	<u>410,491</u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June		184,569	188,985
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for interim distribution period		<u>184,569</u>	<u>188,985</u>
Interim distribution (note c)		<u>184,569</u>	<u>188,985</u>
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December	10	259,064	410,491
Less: distributable income paid for interim distribution period (note d)		<u>(185,798)</u>	<u>(189,875)</u>
Distributable income available for final distribution period		73,266	220,616
Percentage of distributable income for distribution (note b)		<u>100%</u>	<u>100%</u>
Distributable income for final distribution period		<u>73,266</u>	<u>220,616</u>
Final distribution (note c)		<u>73,266</u>	<u>220,616</u>
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June (note d)		<u>HK8.7 cents</u>	<u>HK9.0 cents</u>
Final distribution per Share Stapled Unit in respect of the six months ended 31 December (note d)		<u>HK3.4 cents</u>	<u>HK10.5 cents</u>

Notes:

- (a) The interim distribution in 2019 was based on total distributable income for the six months ended 30 June 2019.

The final distribution in 2019 is based on total distributable income for the year ended 31 December 2019.

The final distribution in 2018 was based on total distributable income for the year ended 31 December 2018.

11. DISTRIBUTION STATEMENT - continued

Notes: - continued

- (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. It has been decided to distribute 100% of the total distributable income for the relevant periods.
- (c) The interim distribution after 30 June 2019 has not been recognised as a liability as at 30 June 2019.

The final distribution after 31 December 2019 has not been recognised as a liability as at 31 December 2019.

The final distribution after 31 December 2018 has not been recognised as a liability as at 31 December 2018.

(d) **Interim distribution**

Interim distribution per Share Stapled Unit of HK8.7 cents in 2019 is calculated based on interim distribution of HK\$184,569,000 for the period and 2,121,762,141 Share Stapled Units as at 30 June 2019. In consideration of 13,844,354 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 30 June 2019 on 22 August 2019, the number of Share Stapled Units entitled for the interim distribution in 2019 has been adjusted to 2,135,606,495. Total distribution of HK\$185,798,000 in respect of 2019 interim distribution period was paid on 27 September 2019.

Interim distribution per Share Stapled Unit of HK9.0 cents in 2018 is calculated based on interim distribution of HK\$188,985,000 for the period and 2,099,083,438 Share Stapled Units as at 30 June 2018. In consideration of 10,632,501 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 30 June 2018 on 23 August 2018, the number of Share Stapled Units entitled for the interim distribution in 2018 has been adjusted to be 2,109,715,939. Total distribution of HK\$189,875,000 in respect of 2018 interim distribution period was paid on 28 September 2018.

Final distribution

Final distribution per Share Stapled Unit of HK3.4 cents in 2019 is calculated based on distributable income available for final distribution period of HK\$73,266,000 and 2,135,606,495 Share Stapled Units as at 31 December 2019. Final distribution will be paid to holders of Share Stapled Units on or before 29 May 2020.

Final distribution per Share Stapled Unit of HK10.5 cents in 2018 is calculated based on distributable income available for final distribution period of HK\$220,616,000 and 2,109,715,939 Share Stapled Units as at 31 December 2018. In consideration of 12,046,202 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2018 on 1 March 2019, the number of Share Stapled Units entitled for final distribution in 2018 had been adjusted to be 2,121,762,141. Total distribution of HK\$222,785,000 in respect of 2018 final distribution period was paid on 5 June 2019.

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

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
(Loss) profit and total comprehensive (expense) income for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	5,435	5,815
Share-based payment expenses (including directors' emoluments) (note a)	<u>289</u>	<u>292</u>
	5,724	6,107
Depreciation	6	10
Auditor's remuneration	1,398	1,330
Operating lease payments on rented premises	1,228	2,363
Net exchange loss (included in trust and other expenses)	<u>-</u>	<u>2</u>

Note:

- (a) The Groups recognised total expenses of HK\$289,000 (2018: HK\$292,000) for the year ended 31 December 2019 in relation to share options granted by the ultimate holding company under its share option scheme.

13. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE STAPLED UNIT

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

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Earnings		
(Loss) profit for the year for the purposes of basic and diluted (loss) earnings per Share Stapled Unit	<u>(2,634,711)</u>	<u>895,640</u>
	<u>2019</u> '000	<u>2018</u> '000
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purpose of basic and diluted (loss) earnings per Share Stapled Unit	<u>2,126,918</u>	<u>2,104,813</u>

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Receivable from Master Lessee	14,046	63,797
Lease receivable	15	-
Deferred rent receivable	223	122
Other debtor	69	117
Deposits and prepayments	<u>7,791</u>	<u>11,315</u>
	<u>22,144</u>	<u>75,351</u>

Receivable from Master Lessee and lease receivable are payable on presentation of invoices.

Aging analysis of receivables from Master Lessee and lease receivable based on the invoice date at the end of the reporting period is as follows:

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Within 3 months	<u>14,061</u>	<u>63,797</u>

Receivable from Master Lessee represents an amount due from a fellow subsidiary of HK\$14,046,000 (2018: HK\$63,797,000) which is unsecured, interest-free and payable on presentation of invoices.

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

Other debtor represents an amount due from a fellow subsidiary of HK\$69,000 (2018: HK\$117,000) which is unsecured, interest-free and payable on presentation of invoices.

15. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Trade creditors	20,212	41,109
Deposits received	684	654
Construction fee payables	18,697	9,004
Accruals and other payables	17,250	9,875
	<u>56,843</u>	<u>60,642</u>

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

	<u>2019</u> HK\$'000	<u>2018</u> HK\$'000
Within 3 months	10,481	25,536
More than 3 months and within 6 months	9,731	15,573
	<u>20,212</u>	<u>41,109</u>

Trade creditors are amounts due to fellow subsidiaries of HK\$20,212,000 (2018: HK\$41,109,000) which are unsecured, interest-free and payable on presentation of invoices.

Included in other construction fee payables are amounts due to fellow subsidiaries of HK\$177,000 (2018: HK\$245,000) which are unsecured, interest-free and payable on presentation of invoices.

Included in accruals and other payables are amounts due to fellow subsidiaries of HK\$21,000 (2018: nil) which are unsecured, interest-free and payable on presentation of invoices.

16. EVENTS AFTER THE REPORTING PERIOD

After the year ended 31 December 2019, the Groups entered into new lease agreements with a fellow subsidiary for the use of leased property for 3 years.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2019

	<u>NOTES</u>	<u>2019</u> HK\$	<u>2018</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>	<u><u>-</u></u>

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 31 DECEMBER 2019

	<u>2019</u> HK\$	<u>2018</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 2019**

1. GENERAL

LHIL Manager Limited (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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

The application of new and 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.

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:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business 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 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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 2020.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

4. PROFIT OR LOSS BEFORE TAX

	<u>2019</u> HK\$	<u>2018</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.