
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Share Stapled Units (as defined herein) in **Langham Hospitality Investments and Langham Hospitality Investments Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSED ISSUE OF SHARE STAPLED UNITS UNDER SPECIFIC MANDATE FOR FEE PAYMENT OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Holders of Share Stapled Units**

BALLAS
C A P I T A L

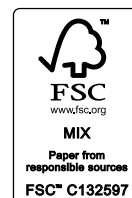
A letter from the Trustee-Manager Board and the Company Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee containing its advice and recommendation is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units is set out on pages 21 to 34 of this circular.

A notice convening the EGM (as defined herein) of Langham Hospitality Investments and Langham Hospitality Investments Limited to be held at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 12 May 2021 at 11:15 a.m. (or immediately after the conclusion or adjournment of the forthcoming 2021 annual general meeting of Langham Hospitality Investments and Langham Hospitality Investments Limited to be held at the same venue and on the same day) is set out on pages N1 to N4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit it to the Principal Place of Business in Hong Kong of the Company at Suite 3001, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

SPECIAL ARRANGEMENTS FOR EGM

To protect the attending Holders of Share Stapled Units, staff and stakeholders from the risk of infection of COVID-19, the Trust and the Company will implement certain precautionary and control measures at the EGM against the pandemic. Please refer to the section "Special Arrangements for EGM" of this Circular.

12 March 2021



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SPECIAL ARRANGEMENTS FOR EGM

Maintaining social distancing is key to control the spread of COVID-19 in Hong Kong. The Trust and the Company strongly encourage Holders of Share Stapled Units to participate by voting by proxy in advance of the EGM.

The resolution proposed at the EGM will be decided on a poll. Holders of Share Stapled Units are encouraged to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy to vote on the proposed resolution at the EGM instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising rights of Holders of Share Stapled Units.

Completion and return of the form of proxy will not preclude Holders of Share Stapled Units from attending and voting in person at the EGM or any adjournment thereof should they so wish.

Non-registered Holders of Share Stapled Units whose Shares are held through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.

Holders of Share Stapled Units are strongly encouraged to cast their votes by submitting a proxy form appointing the Chairman of the EGM as their proxy.

To protect the attending Holders of Share Stapled Units, staff and stakeholders from the risk of infection of COVID-19, the Trust and the Company will implement the following precautionary and control measures at the EGM against the pandemic:

- (i) Compulsory body temperature check
- (ii) Compulsory wearing of surgical facial masks
- (iii) Mandatory health declaration
- (iv) Maintaining a safe distance between seats
- (v) No provision of refreshments or beverages
- (vi) No distribution of coupons for subsequent consumption

Should anyone seeking to attend the EGM decline to submit to these requirements or be found to be suffering from a fever (i.e. having a body temperature of over 37.5 degrees Celsius) or otherwise unwell, the Trust and the Company reserve the right to refuse such person's admission to the EGM.

SPECIAL ARRANGEMENTS FOR EGM

Subject to the development of COVID-19, the Trust and the Company may change the EGM arrangements at short notice and may issue further announcement as appropriate. Holders of Share Stapled Units should check website of the Trust and the Company (www.langhamhospitality.com) for updates on the latest arrangement of the EGM.

The Trust and the Company believe that these measures are necessary and appropriate in light of the current pandemic. If any Holder of Share Stapled Unit has any question relating to the EGM, please contact the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Online enquiry: https://www.computershare.com/hk/en/online_feedback).

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“associate(s)”, “close associate(s)”, “connected person(s)”, “core connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Company”	Langham Hospitality Investments Limited (朗廷酒店投資有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2013
“Company Board”	the board of directors of the Company
“Company’s Articles”	the amended and restated articles of association of the Company adopted on 22 April 2016 as amended, supplemented, substituted or otherwise modified for the time being in force
“COVID-19”	the coronavirus disease 2019
“Directors”	the directors of the Trustee-Manager and the Company
“EGM”	the extraordinary general meeting of unitholders of the Trust and shareholders of the Company to be held on a combined basis as a single meeting characterized as an extraordinary general meeting of Holders of Share Stapled Units, convened by the Trustee-Manager and the Company, will be held on Wednesday, 12 May 2021 at 11:15 a.m. (or immediately after the conclusion or adjournment of the forthcoming 2021 annual general meeting of Langham Hospitality Investments and Langham Hospitality Investments Limited to be held at the same venue and on the same day), the notice of which is set out on pages N1 to N4 of this circular
“Great Eagle”	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust and the Company, which held approximately 69.31% of the interests in the Trust and the Company as at the Latest Practicable Date

DEFINITIONS

“Great Eagle Group”	Great Eagle and its subsidiaries
“Great Eagle ROFR Deed”	the Deed of Right of First Refusal dated 10 May 2013 entered in to between Great Eagle and the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holders of Share Stapled Units”	persons registered at the relevant time in the Share Stapled Units Register as holders of Share Stapled Units, including persons so registered as joint holders of Share Stapled Units
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel(s)”	The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK
“Hotel Companies”	the companies which own the Hotels, being Harvest Star International Limited (in respect of The Langham, Hong Kong), Cordis Hong Kong Limited (in respect of Cordis, Hong Kong) and Grow On Development Limited (in respect of Eaton HK); and “Hotel Company” shall mean any of them
“Hotel Management Agreements”	three separate hotel management agreements each dated 10 May 2013 entered into among each Hotel Company, the Master Lessee, the Hotel Manager, the Trustee-Manager and the Company in relation to the management of the Hotels by the Hotel Manager
“Hotel Management Fees”	the aggregate base and incentive fees payable under the Hotel Management Agreements
“Hotel Manager”	Langham Hotels International Limited (朗廷酒店國際有限公司), a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
“Independent Board Committee”	an independent committee of the Trustee-Manager Board and the Company Board, consisting of Professor CHAN Ka Keung, Ceajer, Professor LIN Syaru, Shirley and Mr. WONG Kwai Lam, all being independent non-executive Directors

DEFINITIONS

“Independent Financial Adviser” or “Ballas Capital”	Ballas Capital Limited, a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units in connection with the grant of the Specific Mandate
“Independent Holders of Share Stapled Units”	Holders of Share Stapled Units other than Great Eagle and its associates
“Langham Brands”	“The Langham”, “Cordis” and “Eaton” brand names which are owned by the Hotel Manager and licensed to the Trust Group pursuant to the Trademark Licence Agreements
“Latest Practicable Date”	3 March 2021, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Licence Fees”	the aggregate licence fees payable under the Trademark Licence Agreements
“Listing Date”	30 May 2013, being the date of listing of the Share Stapled Units on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Manager Fees”	collectively, the Hotel Management Fees and the Licence Fees
“Master Lessee”	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Ordinary Share(s)”	ordinary share(s) with a nominal value of HK\$0.0005 each in the share capital of the Company conferring the rights set out in the Company’s Articles
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Preference Share(s)”	preference share(s) with a nominal value of HK\$0.0005 each in the share capital of the Company conferring the rights set out in the Company’s Articles
“Prospectus”	the initial public offering prospectus of the Trust and the Company dated 16 May 2013
“REIT”	real estate investment trust
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong as amended, supplemented or otherwise modified for the time being
“Share Stapled Unit(s)” or “SSU(s)”	<p>the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none">(a) a Unit in the Trust;(b) the beneficial interest in a specifically identified Ordinary Share of the Company Linked (as defined in the Trust Deed) 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 of the Company Stapled (as defined in the Trust Deed) to the Unit
“Share Stapled Units Register”	the register of Holders of Share Stapled Units
“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
“Specific Mandate”	the specific mandate relating to the issue of Share Stapled Units as payment of the Manager Fees under the Hotel Management Agreements and the Trademark Licence Agreements to be approved by Independent Holders of Share Stapled Units for the three financial years ending 31 December 2023, subject to the SSU Issuance Cap

DEFINITIONS

“SSU Issuance Cap”	an aggregate cap of 1.5% of the total number of Share Stapled Units in issue as at the last day of the immediately preceding financial year plus the number of Share Stapled Units (if any) issued at the relevant financial year or period (excluding those issued pursuant to the Hotel Management Agreements and the Trademark Licence Agreements), being the maximum number of Share Stapled Units that may be issued as payment of the Manager Fees in a year
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademark Licence Agreements”	three separate trademark licence agreements each dated 10 May 2013 entered into among each Hotel Company, the Hotel Manager, the Master Lessee, the Trustee-Manager and the Company in relation to the grant of a licence by the Hotel Manager for the use of the Langham Brands and other trademarks for the operation of the Hotels
“Trust”	Langham Hospitality Investments (朗廷酒店投資), as constituted pursuant to the Trust Deed
“Trust Deed”	the trust deed dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by a first supplemental deed dated 22 April 2016
“Trust Group”	the Trust and the Group
“Trustee-Manager”	LHIL Manager Limited (朗廷酒店管理人有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly-owned subsidiary of Great Eagle, being the trustee-manager of the Trust
“Trustee-Manager Board”	the board of directors of the Trustee-Manager
“Unit”	an undivided interest in the Trust, which confers the rights set out in the Trust Deed as being conferred by a Unit (whether in its own right or as a component of a Share Stapled Unit)

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)

Directors of the Trustee-Manager and the Company

LO Ka Shui (*Chairman and Non-executive Director*)
Brett Stephen BUTCHER (*Chief Executive Officer
and Executive Director*)
CHAN Ka Keung, Ceajer*
LIN Syaru, Shirley*
LO Chun Him, Alexander#
LO Chun Lai, Andrew#
WONG Kwai Lam*

Non-executive Directors

* *Independent Non-executive Directors*

Registered Office of the Company

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong of the Company

Suite 3001, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Registered Office of the Trustee-Manager

33rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

12 March 2021

To the Holders of Share Stapled Units

Dear Sir or Madam,

PROPOSED ISSUE OF SHARE STAPLED UNITS UNDER SPECIFIC MANDATE FOR FEE PAYMENT OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to (i) the Prospectus in relation to, inter alia, the Hotel Management Agreements and the Trademark Licence Agreements and (ii) the announcement of the Trust and the Company dated 15 December 2020 in relation to election of payment method of the Manager Fees by way of Share Stapled Units; and (iii) the announcement of the Trust and the Company dated 17 February 2021 in relation to the proposed Specific Mandate to issue Share Stapled Units for payment of the Manager Fees.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

The Hotel Management Agreements and the Trademark Licence Agreements have not expired and remain in force for an initial term of 30 years from and including the Listing Date. The transactions contemplated under the Hotel Management Agreements and the Trademark Licence Agreements entered prior to the Listing Date constitute continuing connected transactions for the Trust and the Company under the Listing Rules. As disclosed in the Prospectus, the Stock Exchange has granted a waiver from strict compliance with the announcement and/or independent shareholders' approval requirement and the requirement to set a monetary cap in respect of such continuing connected transactions under Chapter 14A of the Listing Rules. The principal terms of the Hotel Management Agreements and the Trademark Licence Agreements agreed upon by the parties are set out in the section of "Information in relation to the Hotel Management Agreements and Trademark Licence Agreements" hereinbelow.

The purpose of this circular is to provide Holders of Share Stapled Units with information regarding the proposed Specific Mandate to issue Share Stapled Units for payment of the Manager Fees under the Hotel Management Agreements and the Trademark Licence Agreements for the three financial years ending 31 December 2023, and to seek your approval at the EGM in connection with, such matter.

PROPOSED SPECIFIC MANDATE TO ISSUE SHARE STAPLED UNITS

Pursuant to the Hotel Management Agreements and the Trademark Licence Agreements, from 1 January 2018 onwards, the Manager Fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager, subject to the approval of the Independent Holders of Share Stapled Units for the issue of the Share Stapled Units. As disclosed in the announcement of the Trust and the Company dated 15 December 2020, the Hotel Manager has elected the payment of the Manager Fees wholly by way of Share Stapled Units for the year ending 31 December 2021.

The Hotel Manager is a wholly-owned subsidiary of Great Eagle and Great Eagle is the controlling Holders of Share Stapled Units of the Trust and the Company. The Hotel Manager is therefore a connected person of the Trust and the Company under the Listing Rules. Pursuant to Rule 13.36(1) of the Listing Rules, in respect of the issue of the Share Stapled Units to the Hotel Manager for payment of the Manager Fees, approval from the Independent Holders of Share Stapled Units shall be required.

The issue of Share Stapled Units for payment of the Manager Fees under the Hotel Management Agreements and the Trademark Licence Agreements is also subject to, and conditional on, the Listing Committee of the Stock Exchange granting listing of and permission to deal in such Share Stapled Units. The Trustee-Manager and the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, such Share Stapled Units.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

Pursuant to the Hotel Management Agreements and the Trademark Licence Agreements, the maximum number of Share Stapled Units to be issued for payment of the Manager Fees for a year is subject to an aggregate cap of 1.5% of the total number of Share Stapled Units in issue as at the last day of the immediately preceding financial year plus the number of Share Stapled Units (if any) issued at the relevant financial year or period (excluding those issued pursuant to the Hotel Management Agreements and the Trademark Licence Agreements). Therefore, the proposed SSU Issuance Cap for each of the three financial years ending 31 December 2023 to be approved at the EGM is in line with the Specific Mandate and is the same as the cap stipulated in those agreements.

Accordingly, the aggregate number of Share Stapled Units issued for payment of the Manager Fees shall reduce the number of Share Stapled Units which may be issued pursuant to the general mandate (if any) in effect.

REASONS FOR AND BENEFITS OF THE GRANT OF SPECIFIC MANDATE

Pursuant to Rule 13.36(1) of the Listing Rules, in respect of the issue of the Share Stapled Units to the Hotel Manager for payment of the Manager Fees, approval from the Independent Holders of Share Stapled Units shall be required.

The Directors (including members of the Independent Board Committee who have expressed their views on the grant of the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees after taking into account the advice of the Independent Financial Adviser) consider that the issue of Share Stapled Units to the Hotel Manager under the Specific Mandate as payment of the Manager Fees pursuant to the Hotel Management Agreements and the Trademark Licence Agreements for the three financial years ending 31 December 2023 is on normal commercial terms, and is fair and reasonable and in the interests of the Trust, the Company and the Holders of Share Stapled Units as a whole on the following bases:

- the payment of the Manager Fees in Share Stapled Units will preserve cash within the Trust Group which can strengthen its financial position and cash flow under the difficult environment of hospitality sector due to the impact of COVID-19 pandemic;
- it is typical for the management company of a REIT in Hong Kong to have the option to be paid its management fees in units up to a maximum of 3% of the units then in issue each year, and the cap of 1.5% is within this limit that has generally been adopted. The Directors consider REIT as industry comparables in respect of management fee settlement because the Trust Group and REIT share certain similarities, in particular, (i) the Trust Group constitutes a combination of a trust, namely Langham Hospitality Investments, and a company, namely Langham Hospitality Investments Limited; (ii) a REIT in Hong Kong is required to distribute to its unitholders an amount which is not less than 90% of its audited annual net income, whereas the distribution of not less than 90% of the total distributable income to the Holders of Share Stapled Units is the present policy of the Trust Group; and (iii) each of the Trust Group and the REIT is principally engaged in investing in the hotel and property sector;

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

- the issue of Share Stapled Units to the Hotel Manager will reduce the number of Share Stapled Units that may be issued non pre-emptively under any general mandate granted to the Directors, and therefore would not increase the aggregate potential dilution to Holders of Share Stapled Units through issues of Share Stapled Units on a non-pre-emptive basis;
- although the Hotel Manager has not yet chosen the payment method of the Manager Fees for 2022 and 2023, a 3-year Specific Mandate for the three financial years ending 31 December 2023 (i) can save time and costs for engaging translator and other advisers, preparing additional announcements/circulars and holding additional extraordinary general meetings for 2022 and 2023 to approve the issue of Share Stapled Units as settlement of the Manager Fees, taking into consideration that the basis of the annual Manager Fees and the annual cap of 1.5% were determined at the date of entering into the Hotel Management Agreements and the Trademark Licence Agreements, and there would not be any change on such basis, (ii) can give the Trust and the Company more flexibility to issue the Share Stapled Units for settlement of the Manager Fees for 2022 and 2023 in a more efficient manner without the need to go through the aforesaid compliance procedures for each year, and (iii) is in line with the practice for other ordinary non-exempt continuing connected transactions to announce/approve the annual caps for every three years;
- although the Holders of Share Stapled Units will experience dilution in their holdings of Share Stapled Units as a result of the issue of Share Stapled Units to the Hotel Manager for the settlement of the Manager Fees, the level of the cap is such that the dilution effect to Holders of Share Stapled Units of the issue of Share Stapled Units to the Hotel Manager will be minimal at not more than 1.5% per year; and
- the Directors believe that the payment of the Manager Fees in Share Stapled Units to the Hotel Manager will serve to align the interests of the Hotel Manager with the Trust Group (through Great Eagle as the parent company of the Hotel Manager and the controlling Holder of Share Stapled Units of the Trust and the Company) and Holders of Share Stapled Units.

In the event that the Specific Mandate is not approved by the Independent Holders of Share Stapled Units and the Trust Group is not able to settle the Manager Fees by way of issue of Share Stapled Units, the Trust Group will have to settle the upcoming Manager Fees wholly by way of cash.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

INFORMATION IN RELATION TO THE HOTEL MANAGEMENT AGREEMENTS AND TRADEMARK LICENCE AGREEMENTS

Hotel Management Agreements

Subject matter

The Hotel Management Agreements comprise three separate agreements each dated 10 May 2013 entered into among each Hotel Company, the Master Lessee, the Hotel Manager, the Trustee-Manager and the Company.

As the Hotel Manager and the Master Lessee are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Trust and the Company under the Listing Rules.

Term

Pursuant to the Hotel Management Agreements, the Master Lessee has agreed to engage the Hotel Manager as the sole and exclusive manager of the Hotels to supervise, direct and control the businesses and day-to-day operations of the Hotels in accordance with agreed standards of the relevant Hotel and to formulate and manage the annual plan and budget for each Hotel for an initial term of 30 years from and including 30 May 2013 (the date of listing) and may, subject to compliance with the relevant Listing Rules at the relevant time, be renewed for a further term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Hotel Management Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time.

Fee

The Hotel Management Fees payable to the Hotel Manager under the Hotel Management Agreements shall be linked to the operating profit and revenue of the Hotels on the following basis:

- *Base Fee*: a fixed percentage of 1.5% of total revenue of the relevant Hotel.
- *Incentive Fee*: a fixed percentage of 5% of the adjusted gross operating profit (being gross operating profit less the base fee (as mentioned above) and Licence Fees payable under the relevant Trademark Licence Agreement).

From 1 January 2018 onwards, the Hotel Management Fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager. Where the Hotel Management Fees are to be settled by way of an issue of Share Stapled Units, the number of Share Stapled Units to be issued will be calculated on the basis of their price being the higher of: (1) the market price of the Share Stapled Units on the trading day immediately before the date of issue; and (2) the average closing price of the Share Stapled Units for the ten consecutive trading days immediately before the date of issue.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

The annual Hotel Management Fees payable under the Hotel Management Agreements was determined at the date of entering into the Hotel Management Agreements, which was in line with the rate of service fees charged by Great Eagle Group for providing hotel management services to third party hotel owners as at the date of entering into the Hotel Management Agreements.

Historical transaction amounts

	Aggregate transaction amount		
	For the year ended 31 December		
	2018	2019	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Hotel Management Agreements			
– Base Fee	24,447	20,263	8,818
– Incentive Fee	31,387	20,879	1,196

Holders of Share Stapled Units may also refer to the section headed “Connected Transactions” of the Prospectus on further details of the Hotel Management Agreements.

Trademark Licence Agreements

Subject matter

The Trademark Licence Agreements comprises three separate agreements each dated 10 May 2013 entered into among each Hotel Company, the Hotel Manager as the licensor, the Master Lessee, the Trustee-Manager and the Company.

As the Hotel Manager and the Master Lessee are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Trust and the Company under the Listing Rules.

Term

Pursuant to the Trademark Licence Agreements, the licensor has agreed to grant non-exclusive and non-transferable licences to the relevant Hotel Company, the Trustee-Manager, the Company and the Master Lessee to use the Langham Brands for branding and marketing activities relating to the Hotels and/or for describing the ownership of the Hotels for an initial term of 30 years from and including the Listing Date and may, subject to compliance with the relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Trademark Licence Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. Each of the Trademark Licence Agreements shall be coterminous with the Hotel Management Agreement for the same Hotel.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

Fees

The Licence Fees payable to the Hotel Manager by each Hotel Company under the Trademark Licence Agreements shall be 1% of the total revenue of the relevant Hotel.

From 1 January 2018 onwards, the Licence Fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager. Where the Licence Fees are to be settled by way of an issue of Share Stapled Units, the number of Share Stapled Units to be issued will be calculated on the basis of their price being the higher of: (1) the market price of the Share Stapled Units on the trading day immediately before the date of issue; and (2) the average closing price of the Share Stapled Units for the ten consecutive trading days immediately before the date of issue.

The annual Licence Fees payable under the Trademark Licence Agreements was determined at the date of entering into the Trademark Licence Agreements, which was in line with the rate of Licence Fees charged by the Great Eagle Group for licensing its trademarks to third party hotel owners as at the date of entering into the Trademark Licence Agreements, and common for hotel-related intellectual property licensing fees to be charged on the basis of a percentage of the total revenue of the Hotel.

Historical transaction amounts

	Aggregate transaction amount for the year ended 31 December		
	2018	2019	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trademark Licence Agreements	16,298	13,509	5,879

Holder of Share Stapled Units may also refer to the section headed “Connected Transactions” of the Prospectus on further details of the Trademark Licence Agreements.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

Historical Share Stapled Units issued to the Hotel Manager as the Manager Fees

As the Hotel Manager has elected the Manager Fees to be paid by way of Share Stapled Units for each of the financial years ended 31 December 2018, 2019 and 2020, based on the aggregate Manager Fees (being the combination of the Hotel Management Fees and the Licence Fees set out above), the table below set forth the historical Share Stapled Units issued to the Hotel Manager as the Manager Fees for such years:

	For the year ended 31 December		
	2018	2019	2020
Number of Share Stapled Units issued to the Hotel Manager as the Manager Fees for the year	22,678,703	23,725,692	14,258,483
The approximate percentage of such number of Share Stapled Units issued divided by the total number of Share Stapled Units in issue as at the last day of the immediately preceding financial year plus the number of Share Stapled Units (if any) issued in the relevant financial year or period (excluding those issued pursuant to the Hotel Management Agreements and the Trademark Licence Agreements)	1.09%	1.12%	0.44%

Cap on issuance of Share Stapled Units as payment of the Manager Fees

The maximum number of Share Stapled Units that may be issued to the Hotel Manager as payment of the Hotel Management Fees and the Licence Fees by reference to the formulae under the Hotel Management Agreements and the Trademark Licences Agreements in respect of each financial year ending 31 December throughout the duration of the Hotel Management Agreements and the Trademark Licence Agreements and in respect of the period ending on expiry of the Hotel Management Agreements and the Trademark Licence Agreements (as renewed if applicable) is subject to an aggregate cap of 1.5% of the total number of Share Stapled Units in issue as at the last day of the immediately preceding financial year plus the number of Share Stapled Units (if any) issued in the relevant financial year or period (excluding those issued pursuant to the Hotel Management Agreements and the Trademark Licence Agreements). In the event that any payment of all or part of the Hotel Management Fees and/or Licence Fees in the form of Share Stapled Units would exceed such 1.5% annual cap, the issue of the excess balance of the Share Stapled Units would be subject to the approval of Independent Holders of Share Stapled Units. If such approval is not obtained, then payment of that excess part of the Hotel Management Fees and/or Licence Fees will be made by the relevant Hotel Companies in cash.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

Where Share Stapled Units are issued to the Hotel Manager as payment of the Hotel Management Fees and the Licence Fees, they will be issued to the Hotel Manager within 15 calendar days after the publication of (i) the announcement on the unaudited interim consolidated results of the Trust and of the Company for the relevant semi-annual period, or (ii) the announcement on the audited annual consolidated results of the Trust and of the Company for the relevant financial year, as the case may be.

Share Stapled Units issued under the Hotel Management Agreements and the Trademark Licence Agreements shall be separate from and independent of the 20% general mandate that the Holders of Share Stapled Units may grant to the Directors, but where such a general mandate has been granted to the Directors to issue Share Stapled Units, the aggregate number of Share Stapled Units issued to the Hotel Manager shall reduce the number of Share Stapled Units which may be issued pursuant to the general mandate (if any) in effect.

The annual cap of 1.5% described above has been agreed by the Directors at the date of entering into the Hotel Management Agreements and the Trademark Licence Agreements, and was determined, among others, on the basis that it provides a buffer for:

- (i) potential future increases in the level of the Hotel Management Fees and the Licence Fees payable under the Hotel Management Agreements and the Trademark Licence Agreements; and
- (ii) potential volatility in the price of the Share Stapled Units.

In particular, more Share Stapled Units would have to be issued for the settlement of the Manager Fees if (i) the market price of the Share Staple Units decreases; and/or (ii) the financial performance of the Hotels improves, leading to higher Manager Fees. Factors which may enhance the future performance of the Hotels include but not limited to the recovery of the tourism industry in Hong Kong attributable to, among other things, the widespread injection of an effective vaccine for COVID-19 which would help curb the pandemic.

As at the Latest Practicable Date, the Trust and the Company have 3,232,490,232 Share Stapled Units in issue. Set out below is the Share Stapled Units holding structure of the Trust and the Company as at the Latest Practicable Date:

Holders of Share Stapled Units	As at the Latest Practicable Date	
	<i>No. of Share Stapled Units</i>	<i>% (approx.)⁽⁴⁾</i>
Lo Ka Shui	2,365,144,404 ⁽¹⁾	73.17
Lo Chun Lai, Andrew	300,000 ⁽²⁾	0.01
Brett Stephen Butcher	1,050,545 ⁽³⁾	0.03
Sub-total	2,366,494,949	73.21
Other Holders of Share Stapled Units (being public Holders of Share Stapled Units)	865,995,283	26.79
Total	3,232,490,232	100.00

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

Notes:

- (1) These interests comprise the following:
 - (i) 31,584,000 Share Stapled Units were held by Dr. Lo Ka Shui personally;
 - (ii) 2,240,460,154 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 2,100,355,654 Share Stapled Units, Fine Noble Limited as to 87,894,750 Share Stapled Units, Great Eagle Nichemusic Limited as to 8,947,500 Share Stapled Units and The Great Eagle Company, Limited as to 43,262,250 Share Stapled Units, all of the said companies are wholly-owned subsidiaries of Great Eagle. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. For details on his interests in Great Eagle, please refer to the section headed “2. DISCLOSURE OF INTERESTS OF DIRECTORS” in the Appendix to this circular;
 - (iii) 3,090,000 Share Stapled Units were held by two companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
 - (iv) 90,010,250 Share Stapled Units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) These 300,000 Share Stapled Units were held by Mr. Lo Chun Lai, Andrew personally.
- (3) These 1,050,545 Share Stapled Units were jointly held by Mr. Brett Stephen Butcher with his spouse.
- (4) This percentage has been compiled based on 3,232,490,232 Share Stapled Units of the Trust and the Company in issue as at the Latest Practicable Date.

For illustrative purposes only, assuming that (i) the number of the Share Stapled Units to be issued for the settlement of the Manager Fees for each of the three years ending 31 December 2023 will be similar as the historical number of Share Stapled Units issued to settle the Manager Fees for each of the past three years ended 31 December 2020, and (ii) the existing Share Stapled Units holding structure of the Trust and the Company as at the Latest Practicable Date remains substantially the same when the Share Stapled Units are issued for the settlement of the Manager Fees for each of the three years ending 31 December 2023, the Trust and the Company expect that the proposed issue of Share Stapled Units under the Specific Mandate will not result in a failure to comply with the public float requirement under Rule 8.08 of the Listing Rules by the Trust Group.

Notwithstanding the foregoing, in the event that the issue of Share Stapled Units under the Specific Mandate will result in a failure to comply with the public float requirement under Rule 8.08 of the Listing Rules by the Trust Group, the Trust and the Company will not issue such Share Stapled Units, and will settle the Manager Fees in cash instead.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

INFORMATION OF THE TRUST, THE COMPANY AND OTHER PARTIES TO THE HOTEL MANAGEMENT AGREEMENTS AND THE TRADEMARK LICENCE AGREEMENTS AND THEIR ULTIMATE BENEFICIAL OWNER(S)

The Company acts as an investment holding company. The principal activities of the Trust Group are primarily to own and invest in a portfolio of hotels, with a focus on completed hotels located in Asia. The current hotel portfolio of the Trust Group comprises: The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK.

Great Eagle is the controlling Holder of Share Stapled Units of the Trust and the Company. The principal activities of the Great Eagle Group are property development and investment, operations of hotel, restaurant and flexible workspace, manager of real estate investment trust, trading of building materials, securities investment, provision of property management, maintenance and property agency services, property leasing and asset management. The Great Eagle Group's operations are mainly located in Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan and Macau.

The Hotel Manager is an indirect wholly-owned subsidiary of Great Eagle. It is principally engaged in hotel management and investment holding.

The Master Lessee is an indirect wholly-owned subsidiary of Great Eagle. It is principally engaged in hotel operation.

Harvest Star International Limited, being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment and is the owner of The Langham, Hong Kong.

Cordis Hong Kong Limited, being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment and is the owner of Cordis, Hong Kong.

Grow On Development Limited, being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment and is the owner of Eaton HK.

EGM AND PROXY ARRANGEMENT

At the EGM, an ordinary resolution will be proposed to approve the grant of Specific Mandate to issue Share Stapled Units for payment of the Manager Fees.

The notice of the EGM is set out on pages N1 to N4 of this circular. Holders of Share Stapled Units are advised to read the notice and to complete and return the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon.

The resolution proposed to approve a matter to be considered by the Holders of Share Stapled Units at the EGM shall serve as both a resolution of unitholders of the Trust and a resolution of shareholders of the Company.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

The form of proxy provided to Holders of Share Stapled Units for use at the EGM, and the form of voting paper to be used at the EGM, are, in each case, a single composite form. The effect of completing a form of proxy or voting paper (as the case may be) indicating a vote either for or against a resolution of Holders of Share Stapled Units to be proposed at the EGM shall be the vote cast in respect of the relevant Share Stapled Units and shall constitute:

- (a) a vote of the Units of the Trust (as component of the relevant Share Stapled Units) in respect of the resolution of unitholders of the Trust under the Trust Deed;
- (b) a vote of the Preference Shares of the Company (as component of the relevant Share Stapled Units) in respect of the resolution of shareholders of the Company under the Company's Articles; and
- (c) an instruction to the Trustee-Manager to vote the number of Ordinary Shares held by the Trustee-Manager (as component of the relevant Share Stapled Units) in the same way of the resolution of shareholders of the Company under the Company's Articles.

In respect of each individual Share Stapled Unit, the voting rights conferred by the Unit, the Preference Share and the interest in an Ordinary Share which are components of the relevant Share Stapled Unit can only be exercised in the same way (either for or against) in respect of a resolution of Holders of Share Stapled Units to be proposed at the EGM; and completion of a form of proxy or voting paper in respect of a Share Stapled Unit will have that effect, as described in the paragraph immediately above.

Pursuant to Rule 13.39(4) of the Listing Rules, Article 13.6 of the Company's Articles and paragraph 3.4 of Schedule 1 of the Trust Deed, the chairman will put the proposed resolution set out in the notice of the EGM to be voted by way of a poll. On a poll, votes may be given either personally, by corporate representative or by proxy. An announcement on the poll results will be published on the website of the Trust and the Company at www.langhamhospitality.com and the website "HKEXnews" at www.hkexnews.hk on the same day after the EGM.

As at the Latest Practicable Date, Great Eagle and its associates, holding 2,240,460,154 Share Stapled Units of the Trust and the Company, representing approximately 69.31% of the issued Share Stapled Units of the Trust and the Company, will abstain from voting at the EGM on the resolution relating to the grant of the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees.

Since Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are the common directors of the Trustee-Manager, the Company and Great Eagle, and Mr. Lo Chun Lai, Andrew is the deemed connected person of Dr. Lo Ka Shui, they have abstained from voting on the resolution(s) of the Trustee-Manager Board and the Company Board in this respect.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

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 will all be closed from Thursday, 6 May 2021 to Wednesday, 12 May 2021, both days inclusive, for the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the EGM. During such period, no transfer of Share Stapled Units will be registered.

In order to be eligible to attend and vote at the EGM, 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, 5 May 2021.

RECOMMENDATIONS

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Holders of Share Stapled Units as to whether to grant the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees. Your attention is drawn to its letter of recommendation set out on pages 19 to 20 of this circular.

Ballas Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Holders of Share Stapled Units as to whether to grant the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees. Your attention is drawn to their letter of recommendation set out on pages 21 to 34 of this circular.

The Directors (including the Independent Non-Executive Directors who have expressed their views on the grant of the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees after taking into account the advice of the Independent Financial Adviser) consider that the grant of the Specific Mandate to issue Share Stapled Units and the proposed SSU Issuance Cap are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Trust Group and in the interests of the Trust, the Company and the Holders of Share Stapled Units as a whole. Accordingly, the Directors recommend all Holders of Share Stapled Units to vote in favour of the relevant resolution to be proposed at the EGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

12 March 2021

To the Independent Holders of Share Stapled Units

Dear Sir or Madam,

**PROPOSED ISSUE OF SHARE STAPLED UNITS UNDER SPECIFIC MANDATE
FOR FEE PAYMENT OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Reference is made to the circular dated 12 March 2021 of the Trust and the Company (the “**Circular**”) of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you on the fairness and reasonableness of the grant of the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees payable under the Hotel Management Agreements and the Trademark Licence Agreements, details of which are set out in the letter from the Trustee-Manager Board and the Company Board contained in the Circular. Ballas Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Holders of Share Stapled Units in this respect.

We wish to draw your attention to the letter from the Trustee-Manager Board and the Company Board on pages 6 to 18 of the Circular, which sets out information in connection with the grant of the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees. We also wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units, which contains its advice in respect of the grant of the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees, set out on pages 21 to 34 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice of Ballas Capital as set out in its letter of advice and the principal factors and reasons considered by them, we consider that the grant of the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees payable under the Hotel Management Agreements and the Trademark Licence Agreements for the three financial years ending 31 December 2023 and the proposed SSU Issuance Cap are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Trust Group and in the interests of the Trust, the Company and the Holders of Share Stapled Units as a whole. Accordingly, we recommend the Independent Holders of Share Stapled Units to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the Specific Mandate to issue Share Stapled Units for payment of the Manager Fees payable under the Hotel Management Agreements and the Trademark Licence Agreements for the three financial years ending 31 December 2023.

Yours faithfully,

For and on behalf of

Independent Board Committee

CHAN Ka Keung, Ceajer
*Independent Non-Executive
Director*

LIN Syaru, Shirley
*Independent Non-Executive
Director*

WONG Kwai Lam
*Independent Non-Executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BALLAS
C A P I T A L

Unit 1802, 18/F
1 Duddell Street, Central
Hong Kong

12 March 2021

*To the Independent Board Committee and
the Independent Holders of Share Stapled Units*

Dear Sir or Madam,

PROPOSED ISSUE OF SHARE STAPLED UNITS UNDER SPECIFIC MANDATE FOR FEE PAYMENT OF EXISTING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units in respect of the grant of Specific Mandate, details of which are set out in the letter from the Trustee-Manager Board and the Company Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Trust and the Company to the Holders of Share Stapled Units dated 12 March 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the Prospectus in relation to, inter alia, the Hotel Management Agreements and the Trademark Licence Agreements (the “**Agreements**”). Pursuant to the Agreements, the Hotel Manager has agreed to (i) supervise, direct and control the business and day-to-day operations of the Hotels owned by the Hotel Companies; and (ii) grant non-exclusive and non-transferable licences to the Hotel Companies, the Trustee-Manager and the Master Lessee to use the Langham Brands and other trademarks for branding and marketing activities relating to the Hotels for an initial term of 30 years from and including the Listing Date. As disclosed in the Prospectus, the Stock Exchange has granted a waiver from strict compliance with the announcement and/or independent shareholders’ approval requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions contemplated under the Agreements, other than, in the case of the Agreements, the payment of fees payable by way of Share Stapled Units, which shall only be subject to a waiver until 31 December 2017 (but the payment of fees in cash shall be subject to a waiver for the duration of the Agreements). The Stock Exchange has also granted a waiver from strict compliance with the requirement to set a monetary cap under Chapter 14A of the Listing Rules in respect of the continuing connected transactions contemplated under the Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Agreements, from 1 January 2018 onwards, the Manager Fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager, subject to the approval of the Independent Holders of Share Stapled Units for the issue of the Share Stapled Units. As disclosed in the announcement of the Trust and the Company dated 15 December 2020, the Hotel Manager has elected the payment of the Manager Fees wholly by way of Share Stapled Units for the year ending 31 December 2021. Accordingly, an ordinary resolution will be proposed at the EGM to grant the Specific Mandate to the Directors to issue Share Stapled Units for payment of the Manager Fees under the Agreements (the “**Proposed Transaction**”), subject to the SSU Issuance Cap, for the three financial years ending 31 December 2023.

As set out in the Letter from the Board, as at the Latest Practicable Date, the Hotel Manager is a wholly-owned subsidiary of Great Eagle and Great Eagle is the controlling Holders of Share Stapled Units of the Trust and the Company. The Hotel Manager is therefore a connected person of the Trust and the Company under the Listing Rules. Pursuant to Rule 13.36(1) of the Listing Rules, approval from the Independent Holders of Share Stapled Units shall be required in respect of the issue of the Share Stapled Units to the Hotel Manager for payment of the Manager Fees.

The Independent Board Committee comprising all the independent non-executive Directors, namely Professor CHAN Ka Keung, Ceajer, Professor LIN Syaru, Shirley and Mr. WONG Kwai Lam, has been formed to advise the Independent Holders of Share Stapled Units in respect of the Proposed Transaction.

INDEPENDENCE DECLARATION

We are not associated or connected with the Trust and the Company, their respective core connected persons or associates. As at the Latest Practicable Date, save for this appointment as the independent financial adviser in relation to the Proposed Transaction, we did not have any other relationship with or interests in the Trust and the Company or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Trust and the Company in the last two years that could be reasonably regarded as a hindrance to Ballas Capital Limited’s independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units in respect of the Proposed Transaction. Accordingly, we consider we are eligible to give independent advice on the Proposed Transaction.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Trust Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Trust Group. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. In forming our opinion, we have reviewed, including but not limited to, (i) the announcement of the Trust and the Company dated 17 February 2021 in relation to the Proposed Transaction; (ii) the Agreements; (iii) the annual report of the Trust and the Company for the year ended 31 December 2019 (“**FY2019**”) and the annual results announcement of the Trust and the Company for the year ended 31 December 2020 (“**FY2020**”); (iv) the announcement of the Trust and the Company dated 23 February 2021 in relation to the issue of Share Stapled Units under specific mandate for payment of Manager Fees for the six months period ended 31 December 2020; and (v) the hypothetical calculation showing different scenarios of the public float of the Trust and the Company for the three years ending 31 December 2023. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Trust and the Company, the Hotel Manager or any of their respective subsidiaries or associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, our sole responsibility is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Proposed Transaction, we have considered the following principal factors and reasons:

A. Background of and reasons for the grant of the Specific Mandate

Information on the Trust Group

The Trust Group primarily owns and invests in a portfolio of hotels, with a focus on completed hotels located in Asia. The current hotel portfolio of the Trust Group comprises The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information of the Agreements

As stated in the Letter from the Board, pursuant to the Hotel Management Agreements, the Master Lessee has agreed to engage the Hotel Manager as the sole and executive manager of the Hotel owned by the Hotel Company and agreed to supervise, direct and control the business and day-to-day operations of the Hotels, for an initial term of 30 years from and including the Listing Date and may, subject to compliance with the relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Hotel Manager. The Hotel Management Fees represent a base fee of a fixed percentage of 1.5% of the total revenue of the relevant Hotel and an incentive fee of a fixed percentage of 5% of the adjusted gross operating profit (being gross operating profit less the base fee (as mentioned above) and the Licence Fees payable under the relevant Trademark Licence Agreement).

As stated in the Letter from the Board, pursuant to the Trademark Licence Agreements, the licensor has agreed to grant non-exclusive and non-transferable licences to the Hotel Companies, the Trustee-Manager and the Master Lessee to use the Langham Brands and other trademarks for branding and marketing activities relating to the Hotels, for an initial term of 30 years from and including the Listing Date and may, subject to compliance with the relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Hotel Manager. The Licence Fees represent a fixed percentage of 1% of the total revenue of the relevant Hotel.

According to the Agreements, from 1 January 2018 onwards, the Manager Fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager.

Reasons for the grant of the Specific Mandate

As disclosed in the announcement of the Trust and the Company dated 15 December 2020, the Hotel Manager has elected the payment of the Manager Fees wholly by way of Share Stapled Units for the year ending 31 December 2021. Although the Hotel Manager has not yet chosen the payment method of the Manager Fees for 2022 and 2023, the grant of a 3-year Specific Mandate for the three financial years ending 31 December 2023 (i) allows the Trust Group to save time and costs, such as engaging professional parties and holding additional extraordinary general meetings for 2022 and 2023, as compared with obtaining approval of the related specific mandate every year; (ii) gives the Trust and the Company more flexibility to issue the Share Stapled Units for settlement of the Manager Fees for 2022 and 2023 in a more efficient manner without the need to go through the aforesaid compliance procedures for each year, and (iii) is in line with the market practice to obtain the related approval for a coverage period of three years for non-exempt continuing connected transactions of companies listed in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the Directors believe that the payment of the Manager Fees in Share Stapled Units to the Hotel Manager will serve to align the interests of the Hotel Manager with the Trust Group (through Great Eagle as the parent company of the Hotel Manager and the controlling Holder of Share Stapled Units of the Trust and the Company) and Holders of Share Stapled Units.

Given the above and our analysis on major terms of the Specific Mandate and the SSU Issuance Cap (as elaborated below), we are of the view that the grant of the Specific Mandate falls within the ordinary and usual course of business of the Trust Group and is in the interests of the Trust and the Company and the Holders of Share Stapled Units as a whole.

B. The grant of the Specific Mandate

In assessing whether the grant of the Specific Mandate is on normal commercial terms and is fair and reasonable, we have considered the following factors:

Impact on total distributable income and cash

As stated in the annual report of the Trust and the Company for FY2019 and the annual results announcement of the Trust and the Company for FY2020, the total distributable income of the Trust Group amounted to approximately HK\$410.5 million, HK\$259.1 million and HK\$6.0 million for the year ended 31 December 2018 (“**FY2018**”), FY2019 and FY2020, respectively. The Manager Fees payable in form of Share Stapled Units amounted to approximately HK\$72.1 million, HK\$54.7 million and HK\$15.9 million for FY2018, FY2019 and FY2020, respectively.

To assess the impact on total distributable income of the Trust Group and the total distributable income per Share Stapled Unit for FY2018, FY2019 and FY2020 if (i) the Manager Fees were fully settled by way of the issue of Share Stapled Units; and (ii) the Manager Fees were fully settled by way of cash, we have obtained and reviewed the scenario analysis from the Trust and the Company as set out below.

	FY2018	FY2019	FY2020
Manager Fees (in HK\$)	72,132,000	54,651,000	15,893,000
Aggregate number of Share Stapled Units issued for settlement of Manager Fees for the year	22,678,703	23,725,692	14,258,483

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Scenario 1: The Manager Fees were fully settled by way of the issue of Share Stapled Units

	FY2018	FY2019	FY2020
Total distributable income (in HK\$) ^{Note 1}	410,491,000	259,064,000	5,967,000
Aggregate number of Share Stapled Units issued for settlement of Manager Fees for the year ^{Note 1}	22,678,703	23,725,692	14,258,483
Total number of Share Stapled Units (after the issue of Share Stapled Units for settlement of Manager Fees for the year)	2,121,762,141	2,145,487,833	3,232,490,232
Distributable income per Share Stapled Unit (in HK\$) ^{Note 2}	0.193	0.121	0.002

Note 1: The information is extracted from the annual reports/annual result for the respective years.

Note 2: The distributable income per Share Stapled Unit is calculated as total distributable income divided by total number of Share Stapled Units after the issue of Share Stapled Units for settlement of Manager Fees for the year. For avoidance of doubt, such calculation is different from the calculation as stated in the annual reports/annual result for the respective years which does not take into account the number of Share Stapled Units to be issued as payment of the Manager Fees for the second half of the year.

Scenario 2: The Manager Fees were fully settled by way of cash (for illustration purpose only)

	FY2018	FY2019	FY2020
Total distributable income/ (adjusted loss) (in HK\$) (after deduction of Manager Fees)	338,359,000	204,413,000	(9,926,000)
Total number of Share Stapled Units (before the issue of Share Stapled Units for settlement of Manager Fees for the year)	2,099,083,438	2,121,762,141	3,218,231,749
Distributable income per Share Stapled Unit (in HK\$)	0.161	0.096	N/A

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Trust and the Company, the present distribution policy of the Trust Group is to distribute not less than 90% of total distributable income to its holders of Share Stapled Units. As set out in the above table, the settlement of Manager Fees by way of issue of Share Stapled Units would therefore enable the Trust Group to have a higher distributable income and a higher distributable income per Share Stapled Unit for its holders of Share Stapled Units as compared with the settlement by way of cash.

As advised by the Trust and the Company, the payment of the Manager Fees by way of issue of Share Stapled Units will preserve cash within the Trust Group which can strengthen its financial position and cash flow under the difficult environment of hospitality sector due to the impact of COVID-19 pandemic.

Market practice for settlement of management fees by way of issue of units

We have, on a best effort basis, identified an exhaustive list of 11 comparable real estate investment trusts (“**Comparable Trusts**”) which are listed on the Stock Exchange as at the Latest Practicable Date. The above criteria is set in view of the fact that the Trust Group and real estate investment trusts (“**REITS**”) share certain similarities, in particular, (i) the Trust Group constitutes a combination of a trust, namely Langham Hospitality Investments, and a company, namely Langham Hospitality Investments Limited; (ii) a REIT in Hong Kong is required to distribute to its unitholders an amount which is not less than 90% of its audited annual net income, whereas the distribution of not less than 90% of the total distributable income to the Holders of Share Stapled Units is the present distribution policy of the Trust Group; and (iii) each of the Trust Group and the REITS is principally engaged in investing in the hotel and property sector. The following table sets out our review of the Comparable Trusts.

	Name	Stock code	Listing date of the Stock Exchange	Trust manager can elect the payment of the management fees by way of issue of units in the trust deed	Issuance cap for issuance of units for the purpose of settling the management fees (in terms of the total number of units outstanding as at the last day of the immediately preceding financial year)
1	Link Real Estate Investment Trust	823	25 November 2005	No	N/A
2	Prosperity Real Estate Investment Trust	808	16 December 2005	Yes	3%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Name	Stock code	Listing date of the Stock Exchange	Trust manager can elect the payment of the management fees by way of issue of units in the trust deed	Issuance cap for issuance of units for the purpose of settling the management fees (in terms of the total number of units outstanding as at the last day of the immediately preceding financial year)
3	Yuexiu Real Estate Investment Trust	405	21 December 2005	Yes	3%
4	Champion Real Estate Investment Trust	2778	24 May 2006	Yes	3%
5	Sunlight Real Estate Investment Trust	435	21 December 2006	Yes	3%
6	Regal Real Estate Investment Trust	1881	30 March 2007	Yes	3%
7	Fortune Real Estate Investment Trust	778	20 April 2010	Yes	3%
8	Hui Xian Real Estate Investment Trust	87001	29 April 2011	Yes	3%
9	New Century Real Estate Investment Trust	1275	10 July 2013	Yes	3%
10	Spring Real Estate Investment Trust	1426	5 December 2013	Yes	3%
11	China Merchants Commercial Real Estate Investment Trust	1503	10 December 2019	Yes	3%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the above table, 10 out of 11 Comparable Trusts enabled the trust manager to elect the payment of the management fees by way of issue of units in the trust deed. The settlement of Manager Fees by way of issue of Share Stapled Units is therefore consistent with customary market practice.

Issue price

As set out in the Letter from the Board, the issue price of the Share Stapled Units for the settlement of Manager Fees under the Specific Mandate shall be based on the then prevailing market price being the higher of (i) the market price of the Share Stapled Units on the trading day immediately before the date of issue; and (ii) the average closing price of the Share Stapled Units for the ten consecutive trading days immediately before the date of issue.

We note that the above basis to determine the issue price under the Specific Mandate is consistent with the terms as stated in the Agreements. We also note that all of the Comparable Trusts who had option to settle the management fees by way of issue of units in the trust deed had similar terms to set the issue price of their units with reference to the then prevailing market price in respect of the settlement of management fees by way of issue of units. Based on the above and the facts that (i) the then prevailing market price of the Trust and the Company reflects the market valuation of the Trust and the Company at the time of the issue of Share Stapled Units; and (ii) it is the market practice for the listed REIT to set the issue price of their units for settlement of the management fees with reference to the then prevailing market price, we therefore consider that such basis of determining the issue price in the Specific Mandate to be fair and reasonable.

C. The SSU Issuance Cap

As stated in the Letter from the Board, pursuant to the Agreements, the maximum number of Share Stapled Units that may be issued as payment of the Manager Fees in a year during the term of the Agreements is subject to the SSU Issuance Cap, which is an annual cap of 1.5% of the total number of Share Stapled Units in issue as at the last day of the immediately preceding financial year plus the number of Share Stapled Units (if any) issued at the relevant financial year or period (excluding those issued pursuant to the Hotel Management Agreements and the Trademark Licence Agreements). Therefore, the proposed SSU Issuance Cap for each of the three financial years ending 31 December 2023 to be approved at the EGM is in line with the Specific Mandate and is the same as the cap stipulated in the Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the SSU Issuance Cap has been agreed by the Directors at the date of entering into the Agreements, and was determined, among others, on the basis that it provides a buffer for:

- (i) potential future increases in the level of the Manager Fees payable under the Agreements; and
- (ii) potential volatility in the price of the Share Stapled Units.

In assessing whether the SSU Issuance Cap is fair and reasonable, we have reviewed the historical number of Share Stapled Units issued for the settlement of the Manager Fees for FY2018, FY2019 and FY2020 which is set out in the following table:

	FY2018	FY2019	FY2020
Manager Fees for the year (HK\$)	72,132,000	54,651,000	15,893,000
Aggregate number of Share Stapled Units issued for settlement of Manager Fees for the year	22,678,703	23,725,692	14,258,483
Total number of Share Stapled Units in issue as at the last day of immediately preceding financial year plus the number of Share Stapled Units (if any) issued in the relevant financial year (excluding those issued pursuant to the Agreements)	2,088,423,083	2,109,715,939	3,208,350,411
Number of Share Stapled Units issued as a percentage of total number of Share Stapled Units in issue as at the last day of immediately preceding financial year	1.09%	1.12%	0.44%

As set out in the above table, we note that the average of number of Share Stapled Units issued for the three financial years ended 31 December 2020 represented approximately 0.44% of total number of Share Stapled Units in issue as at the last day of immediately preceding financial year, which is within the proposed SSU Issuance Cap of 1.5%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, per discussion with the Trust and the Company, the proposed SSU Issuance Cap for the Specific Mandate had taken into account the buffer for potential fluctuation of the Manager Fees in the coming three financial years ending 31 December 2023 and the then issue price of the Share Stapled Units. We have performed two sensitivity analyses to illustrate the hypothetical impact on the number of Share Stapled Units to be issued for the settlement of Manager Fees based on fluctuations in (i) the Manager Fees for FY2020 and closing price of the Share Stapled Units as at 31 December 2020; and (ii) the average Manager Fees for FY2018 to FY2020 and the average closing price of the Share Stapled Units as at 31 December 2018, 2019 and 2020. Given that the analyses are based on a number of assumptions, they are for illustration purpose only and the actual results may differ from the illustration below:

Sensitivity analysis 1: Hypothetic impact on the number of Share Stapled Units to be issued for the settlement of Manager Fees based on fluctuations in the Manager Fees for FY2020 and closing price of the Share Stapled Units as at 31 December 2020

	Hypothetical fluctuation in the Manager Fees ^(Note)				
	-30%	-15%	0%	+15%	+30%
Manager Fees for FY2020 (HK\$)	11,125,100	13,509,050	15,893,000	18,276,950	20,660,900
	Hypothetical fluctuation in the price of Share Stapled Units				
	+30%	+15%	0%	-15%	-30%
Closing price of the Share Stapled Units as at 31 December 2020 (HK\$)	1.33	1.17	1.02	0.87	0.71
Hypothetical number of Share Stapled Units to be issued	8,364,737	11,546,197	15,581,373	21,007,989	29,099,859
Total number of Share Stapled Units as at 31 December 2020	3,225,166,738	3,225,166,738	3,225,166,738	3,225,166,738	3,225,166,738
Number of Share Stapled Units issued as a percentage of total number of Share Stapled Units as at 31 December 2020	0.26%	0.36%	0.48%	0.65%	0.90%

Note: The hypothetical percentages of fluctuation were determined by reference to the percentage change of the Manager Fees during FY2018 to FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sensitivity analysis 2: Hypothetic impact on the number of Share Stapled Units to be issued for the settlement of Manager Fees based on fluctuations in the average Manager Fees for FY2018 to FY2020 and the average closing price of the Share Stapled Units as at 31 December 2018, 2019 and 2020

	Hypothetical fluctuation in the Manager Fees ^(Note)				
	-30%	-15%	0%	+15%	+30%
Average Manager Fees for FY2018 to FY2020 (HK\$)	33,291,067	40,424,867	47,558,667	54,692,467	61,826,267
	Hypothetical fluctuation in the price of Share Stapled Units				
	+30%	+15%	0%	-15%	-30%
Average closing price of the Share Stapled Units as at 31 December 2018, 2019 and 2020 (HK\$)	2.72	2.40	2.09	1.78	1.46
Hypothetical number of Share Stapled Units to be issued	12,239,363	16,843,695	22,755,343	30,726,105	42,346,758
Total number of Share Stapled Units as at 31 December 2020	3,225,166,738	3,225,166,738	3,225,166,738	3,225,166,738	3,225,166,738
Number of Share Stapled Units issued as a percentage of total number of Share Stapled Units as at 31 December 2020	0.38%	0.52%	0.71%	0.95%	1.31%

Note: The hypothetical percentages of fluctuation were determined by reference to the percentage change of the Manager Fees during FY2018 to FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the tables above, in an unlikely event that the Manager Fees increased by 30% and the issue price (i.e. prevailing market price) of the Share Stapled Units dropped by 30%, the number of Share Stapled Units to be issued would represent (i) approximately 0.90% of the total number of Share Stapled Units as at 31 December 2020 based on fluctuations in the Manager Fees for FY2020 and closing price of the Share Stapled Units as at 31 December 2020; and (ii) approximately 1.31% of the total number of Share Stapled Units as at 31 December 2020 based on fluctuations in the average Manager Fees for FY2018 to FY2020 and the average closing price of the Share Stapled Units as at 31 December 2018, 2019 and 2020, both of which are within the proposed SSU Issuance Cap of 1.5%.

Moreover, we also note all Comparable Trusts who had option to settle the management fees by way of issue of units in the trust deed had similar terms to set the issuance cap to limit the number of their units to be issued for the settlement of the management fees by way of issue of units. These Comparable Trusts had set such issuance cap at 3.0%. The proposed SSU Issuance Cap of 1.5% is therefore not higher than those set by the Comparable Trusts.

As set out in the Letter from the Board, although the Holders of Share Stapled Units will experience dilution in their holdings of Share Stapled Units as a result of the issue of Share Stapled Units to the Hotel Manager for the settlement of the Manager Fees, the level of the SSU Issuance Cap ensures the dilution effect to Holders of Share Stapled Units of the issue of Share Stapled Units to the Hotel Manager will be minimal at not more than 1.5% per year. Besides, the issue of Share Stapled Units to the Hotel Manager will reduce the number of Share Stapled Units that may be issued non-pre-emptively under any general mandate granted to the Directors, and therefore would not increase the aggregate potential dilution to Holders of Share Stapled Units through issues of Share Stapled Units on a non-pre-emptive basis.

As set out in the Letter from the Board, in the event that any payment of all or part of the Hotel Management Fees and/or Licence Fees in the form of Share Stapled Units would exceed such 1.5% annual cap, the issue of the excess balance of the Share Stapled Units would be subject to the approval of Independent Holders of Share Stapled Units. If such approval is not obtained, then payment of that excess part of the Hotel Management Fees and/or Licence Fees will be made by the relevant Hotel Companies in cash.

As set out in the Letter from the Board, for illustrative purposes only, assuming that (i) the number of the Share Stapled Units to be issued for the settlement of the Manager Fees for each of the three years ending 31 December 2023 will be similar as the historical number of Share Stapled Units issued to settle the Manager Fees for each of the past three years ended 31 December 2020, and (ii) the existing Share Stapled Units holding structure of the Trust and the Company as at the Latest Practicable Date remains substantially the same when the Share Stapled Units are issued for the settlement of the Manager Fees for each of the three years ending 31 December 2023, the Trust and the Company expect that the proposed issue of Share Stapled Units under the Specific Mandate will not result in a failure to comply with the public float requirement under Rule 8.08 of the Listing Rules by the Trust Group. In this regard, we have reviewed the hypothetical calculation showing different scenarios of the public float of the Trust and the Company for the three years ending 31 December 2023 and have no reason to doubt the expectation of the Trust and the Company set out above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notwithstanding the foregoing, in the event that the issue of Share Stapled Units under the Specific Mandate will result in a failure to comply with the public float requirement under Rule 8.08 of the Listing Rules by the Trust Group, the Trust and the Company will not issue such Share Stapled Units, and will settle the Manager Fees in cash instead. Based on the aforesaid, we concur with the Directors that the proposed issue of Share Stapled Units under the Specific Mandate will not result in a failure to comply with the public float requirement under Rule 8.08 of the Listing Rules by the Trust Group.

Based on the various factors described above, we concur with the view of the Directors and senior management of the Trust Group that the grant of the Specific Mandate and the proposed SSU Issuance Cap are fair and reasonable so far as the Trust, the Company and the Holders of Share Stapled Units are concerned and in the interests of the Trust, the Company and the Holders of Share Stapled Units as a whole.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the grant of the Specific Mandate and the proposed SSU Issuance Cap are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Trust Group, and in the interests of the Trust, the Company and the Holders of Share Stapled Units as a whole.

Accordingly, we recommend the Independent Holders of Share Stapled Units and advise the Independent Board Committee to recommend the Independent Holders of Share Stapled Units to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the Specific Mandate, subject to the SSU Issuance Cap for the three financial years ending 31 December 2023.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Heidi Cheng
Managing Director

Cathy Leung
Director

Note: Ms. Heidi Cheng has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Trust Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors of the Trustee-Manager and the Company in the Share Stapled Units, underlying Share Stapled Units and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code, or which were recorded in the register required under Section 352 of the SFO are as follows:

Long positions in Share Stapled Units and underlying Share Stapled Units

Name of Director	Total number of SSUs/ underlying SSUs held	Percentage of issued SSUs ⁽⁴⁾
Lo Ka Shui	2,365,144,404 ⁽¹⁾	73.17
Lo Chun Lai, Andrew	300,000 ⁽²⁾	0.01
Brett Stephen Butcher	1,050,545 ⁽³⁾	0.03

Notes:

- (1) These 2,365,144,404 Share Stapled Units comprise the following:
- (i) 31,584,000 Share Stapled Units were held by Dr. Lo Ka Shui personally;
 - (ii) 2,240,460,154 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 2,100,355,654 Share Stapled Units, Fine Noble Limited as to 87,894,750 Share Stapled Units, Great Eagle Nichemusic Limited as to 8,947,500 Share Stapled Units and The Great Eagle Company, Limited as to 43,262,250 Share Stapled Units, all of the said companies are wholly-owned subsidiaries of Great Eagle. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. His interests in Great Eagle are disclosed below;
 - (iii) 3,090,000 Share Stapled Units were held by two companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
 - (iv) 90,010,250 Share Stapled Units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.

- (2) These 300,000 Share Stapled Units were held by Mr. Lo Chun Lai, Andrew personally.
- (3) These 1,050,545 Share Stapled Units were jointly held by Mr. Brett Stephen Butcher with his spouse.
- (4) This percentage has been compiled based on 3,232,490,232 Share Stapled Units of the Trust and the Company in issue as at the Latest Practicable Date.

Long positions in shares and underlying shares of associated corporations

Great Eagle

As at the Latest Practicable Date, Great Eagle owned 69.31% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The interests of Directors of the Trustee-Manager and the Company in Great Eagle as at Latest Practicable Date are disclosed as follows:

Name of Director	Total number of ordinary shares/ underlying shares held	Percentage of issued share capital ⁽⁵⁾
Lo Ka Shui	453,549,904 ⁽¹⁾	63.00
Lo Chun Him, Alexander	1,014,000 ⁽²⁾	0.14
Lo Chun Lai, Andrew	150,026 ⁽³⁾	0.02
Brett Stephen Butcher	483,433 ⁽⁴⁾	0.07

Notes:

- (1) These interests comprise the following:
- (i) 57,260,775 shares and 2,066,000 share options were held by Dr. Lo Ka Shui personally;
 - (ii) 88,843,415 shares were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies;
 - (iii) 242,156,015 shares were held by a discretionary trust of which Dr. Lo Ka Shui is one of the discretionary beneficiaries; and
 - (iv) 63,223,699 shares were held by a discretionary trust of which Dr. Lo Ka Shui is the founder.
- (2) These interests comprise 26,000 shares and 988,000 share options held by Mr. Lo Chun Him, Alexander personally.
- (3) These interests comprise 70,026 shares and 80,000 share options held by Mr. Lo Chun Lai, Andrew personally.
- (4) These interests comprise 52,000 shares and 400,000 share options held by Mr. Brett Stephen Butcher personally and 31,433 shares jointly held by Mr. Brett Stephen Butcher with his spouse.
- (5) This percentage has been compiled based on 719,945,112 shares of Great Eagle in issue as at the Latest Practicable Date.

Champion Real Estate Investment Trust (“Champion REIT”)

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at the Latest Practicable Date, Great Eagle owned 67.23% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the holdings of Directors of the Trustee-Manager and the Company in Champion REIT as at Latest Practicable Date are disclosed as follows:

Name of Director	Total number of units/ underlying units held	Percentage of issued units ⁽²⁾
Lo Ka Shui	3,996,692,082 ⁽¹⁾	67.67

Notes:

- (1) These 3,996,692,082 units comprise the following:
- (i) 3,592,007 units were held by Dr. Lo Ka Shui personally;
 - (ii) 3,970,726,465 units indirectly held by Great Eagle of which Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director. His interests in Great Eagle are disclosed above;
 - (iii) 3,258,610 units were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
 - (iv) 19,115,000 units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) This percentage has been compiled based on 5,906,142,701 units of Champion REIT in issue as at the Latest Practicable Date.

Save as disclosed above, at the Latest Practicable Date, none of the Directors of the Trustee-Manager and the Company were taken to be interested or deemed to have any other interests or short positions in Share Stapled Units, underlying Share Stapled Units or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code, or which were recorded in the register required under Section 352 of the SFO.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Trust Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Trust Group were made up) been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Trust Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Share Stapled Units, underlying Share Stapled Units and debentures of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and any proposed Director had entered into any service contract with any member of the Trust Group other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Trust Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Trust Group were made up.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests of Directors (other than independent non-executive Directors) in a business apart from the business of the Trust Group which competes or is likely to compete either directly or indirectly with the Trust Group's business as informed by the relevant Directors pursuant to Rule 8.10(2) of the Listing Rules are as follows:

- (a) Dr. Lo Ka Shui, being the chairman and non-executive Director of the Trustee-Manager and the Company, is a substantial shareholder, the chairman and managing director of Great Eagle and a director of various subsidiaries of Great Eagle including LHIL Assets Holdings Limited, a substantial Holder of Share Stapled Units of the Trust and the Company, and Langham Hospitality Group Limited, being the parent company of the Hotel Manager of the three hotels of the Trust Group, namely The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK.

- (b) Mr. Lo Chun Him, Alexander, being a non-executive Director of the Trustee-Manager and the Company, is an executive director of Great Eagle and holds directorships in various subsidiaries of Great Eagle, including LHIL Assets Holdings Limited and Langham Hospitality Group Limited.
- (c) Mr. Lo Chun Lai, Andrew, being a non-executive Director of the Trustee-Manager and the Company, is the vice president – Finance, Business Strategy at Langham Hospitality Group Limited, a wholly-owned subsidiary of Great Eagle, where he is responsible for business planning, ensuring financial stewardship, and supporting asset management.
- (d) Mr. Brett Stephen Butcher, being the chief executive officer and an executive Director of Trustee-Manager and the Company, is the chief executive officer of the hotel asset management arm of Great Eagle principally overseeing the management of all hotels assets of Great Eagle worldwide.

Great Eagle Group, as an associated corporation of the Trust and the Company and a controlling Holder of Share Stapled Units, develops, invests in and manages high quality residential, office, retail and hotel properties in Asia, North America, Australia, New Zealand and Europe. The respective interests of Dr. Lo Ka Shui, Mr. Lo Chun Him, Alexander, Mr. Lo Chun Lai, Andrew and Mr. Brett Stephen Butcher held in Great Eagle are disclosed in the section headed “Long positions in shares and underlying shares of associated corporations” above.

Great Eagle Group and the Trust Group have distinct business focuses of their own and adopt different development strategy. While the existing properties of the Trust Group are situated in Hong Kong where the Great Eagle Group maintains no similar business operations, to further maintain a clear delineation of the geographical location of their hotel properties in and outside Asia, Great Eagle ROFR Deed was entered into between Great Eagle and the Company to ensure the Trust Group would have the first right to participate and to acquire completed stand-alone hotels in Asia (excluding Australia and New Zealand) should Great Eagle Group wish to sell or is given the opportunity to invest in these hotels.

As for daily operation, the sole executive Director and chief executive officer of the Trustee-Manager and the Company, Mr. Brett Stephen Butcher, is primarily responsible for the overall day-to-day management of the Group and has oversight of the performance of the Master Lessee and the Hotel Manager. The management team and staff of the Group report directly to Mr. Butcher and he is accountable to the Trustee-Manager Board and the Company Board, operates and manages the Trust Group under various corporate governance measures and the schedule of matters reserved for the Trustee-Manager Board and the Company Board with due care and in the best interest of the Trust Group and Holders of Share Stapled Units.

In addition, the Trust Group has established various corporate governance measures to address any potential conflict of interest of the common Directors of the Trust Group and the Great Eagle Group.

In view of the above, the Directors believe that the Trust Group is able to operate independently with the Great Eagle Group and has been capable of carrying on its businesses at arm's length from the businesses of Great Eagle Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and any proposed Director and their respective close associates (as if each of them were treated as a controlling Holders of Share Stapled Units under Rule 8.10 of the Listing Rules) had any interest in a business which competes or may compete with the business of the Trust Group.

6. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions and advice, which are contained in this circular

Name	Qualification
Ballas Capital	Licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The expert named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report and reference to its name in the form and context in which it appears.

7. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, Ballas Capital:

- (a) did not have any holding of Share Stapled Units/shareholding, directly or indirectly, in any member of the Trust Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Trust Group; and
- (b) did not have any direct or indirect interest in any assets which had since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Trust Group were made up) been acquired or disposed of by or leased to any member of the Trust Group, or are proposed to be acquired or disposed of by or leased to any member of the Trust Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at Suite 3001, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 14 days after the date of this circular:

- (a) the Hotel Management Agreements;
- (b) the Trademark Licence Agreements;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular; and
- (e) the letter of consent from the expert referred to under the section headed “Expert and Consent” in this appendix.

NOTICE OF EGM

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (“EGM”) of Langham Hospitality Investments (the “Trust”) and Langham Hospitality Investments Limited (the “Company”), as convened by LHIL Manager Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the Trust) and the Company, will be held on Wednesday, 12 May 2021 at 11:15 a.m. (or immediately after the conclusion or adjournment of the forthcoming 2021 annual general meeting of Langham Hospitality Investments and Langham Hospitality Investments Limited to be held at the same venue and on the same day) at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution (which shall serve as an ordinary resolution of registered holders of units under the trust deed constituting the Trust and as an ordinary resolution of shareholders of the Company under the Company’s amended and restated articles of association):

ORDINARY RESOLUTION

“THAT:

- (a) (i) the directors of the Trustee-Manager and the Company be and are hereby granted the Specific Mandate (as defined in the circular of the Trust and the Company dated 12 March 2021 (the “Circular”)) to exercise the powers of the Trust and the Company to issue Share Stapled Units (as defined in the Circular) pursuant to the terms and conditions of the Hotel Management Agreements and the Trademark Licence Agreements (both defined in the Circular); and
- (ii) the SSU Issuance Cap (as defined in the Circular) in relation to the issue of Share Stapled Units for the financial period between 1 January 2021 and 31 December 2023 be and is hereby approved; and

NOTICE OF EGM

- (b) the directors of the Trustee-Manager and the Company be and are hereby authorised for and on behalf of the Trust and the Company to execute any such documents, instruments and agreements and to do any such acts or things as may be deemed by them in their absolute discretion as necessary or desirable, incidental to, ancillary to or in connection with or otherwise to give effect to the Specific Mandate.”

By Order of the Boards of
LHIL Manager Limited
and
Langham Hospitality Investments Limited
WONG Mei Ling, Marina
Company Secretary

Hong Kong, 12 March 2021

Registered Office of the Company:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong of the Company:

Suite 3001, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Registered Office of the Trustee-Manager:

33rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Notes:

1. Any holder of Share Stapled Units entitled to attend and vote at the EGM (or any adjournment thereof) of the Trust and the Company is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. A proxy need not be a holder of Share Stapled Units. **For the health and safety of holders of Share Stapled Units, holders of Share Stapled Units are strongly encouraged to cast their votes by submitting a proxy form appointing the Chairman of the EGM as their proxy.**

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2. Where there are joint registered holders of any Share Stapled Unit, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share Stapled Unit as if he/she was solely entitled thereto; but if more than one of such joint holders is present at the EGM personally or by proxy, that one of the holders so present whose name stands first on the Share Stapled Units Register in respect of such Share Stapled Unit shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased holder of Share Stapled Units in whose name any Share Stapled Unit stands shall for this purpose be deemed joint holders thereof.

3. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power of attorney or authority) must be deposited at the Principal Place of Business in Hong Kong of the Company at Suite 3001, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong no later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).

Completion and return of the form of proxy will not preclude holders of Share Stapled Units from attending and voting in person at the EGM should they so wish. In the event that the holders of Share Stapled Units attend the EGM or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.

4. 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 will all be closed from Thursday, 6 May 2021 to Wednesday, 12 May 2021, both days inclusive, for the purpose of ascertaining the entitlement of holders of Share Stapled Units to attend and vote at the EGM. During such period, no transfer of Share Stapled Units will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with 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, 5 May 2021.

5. Each Share Stapled Unit comprises:

- (a) a unit in the Trust;
- (b) a beneficial interest in a specifically identified ordinary share in the Company held by the Trustee-Manager, which is "linked" to the unit; and
- (c) a specifically identified preference share in the Company with is "stapled" to the unit.

Under the Trust Deed and the Company's amended and restated articles of association, the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

6. The EGM is convened as a combined meeting of unitholders of the Trust and shareholders of the Company. Each resolution proposed to approve a matter to be considered by the holders of Share Stapled Units at the EGM shall serve as both a resolution of unitholders of the Trust and a resolution of shareholders of the Company.

7. The form of proxy provided to holders of Share Stapled Units for use at the EGM, and the form of voting paper to be used at the EGM, are, in each case, a single composite form. The effect of completing a form of proxy or voting paper (as the case may be) indicating a vote either for or against a resolution of holders of Share Stapled Units to be proposed at the EGM shall be the vote cast in respect of the relevant Share Stapled Units and shall constitute:

- (i) a vote of the units of the Trust (as component of the relevant Share Stapled Units) in respect of the resolution of unitholders of the Trust under the Trust Deed;
- (ii) a vote of the preference shares of the Company (as component of the relevant Share Stapled Units) in respect of the resolution of shareholders of the Company under the Company's amended and restated articles of association; and

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- (iii) an instruction to the Trustee-Manager to vote the number of ordinary shares of the Company held by the Trustee-Manager (as component of the relevant Share Stapled Units) in the same way of the resolution of shareholders of the Company under the Company's amended and restated articles of association.
8. In respect of each individual Share Stapled Unit, the voting rights conferred by the unit, and the preference share and the interest in the ordinary share which are components of the relevant Share Stapled Unit can only be exercised in the same way (either for or against) in respect of a resolution of holders of Share Stapled Units to be proposed at the EGM; and completion of a form of proxy or voting paper in respect of a Share Stapled Unit will have that effect, as described in note 7 above.
9. The votes at the EGM will be taken by poll.
10. If a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:15 a.m. on Wednesday, 12 May 2021, the EGM will be rescheduled. The Trust and the Company will publish an announcement on the website "HKExnews" (www.hkexnews.hk) and the Company's website (www.langhamhospitality.com) to notify the holders of Share Stapled Units of the date, time and venue of the rescheduled meeting.
11. The EGM venue has wheelchair access. Anyone accompanying a holder of Share Stapled Units in need of assistance will be admitted to the EGM. If any member with a disability has a question regarding attendance, please contact the Company Secretarial Division of the Company by email at Langham.ecom@langhamhospitality.com.
12. **To protect the attending holders of Share Stapled Units, staff and stakeholders from the risk of infection of COVID-19, the Trust and the Company will implement the following precautionary and control measures at the EGM against the pandemic:**
- (i) **Compulsory body temperature check**
 - (ii) **Compulsory wearing of surgical facial masks**
 - (iii) **Mandatory health declaration**
 - (iv) **Maintaining a safe distance between seats**
 - (v) **No provision of refreshments or beverages**
 - (vi) **No distribution of coupons for subsequent consumption**
- Should anyone seeking to attend the EGM decline to submit to these requirements or be found to be suffering from a fever (i.e. having a body temperature of over 37.5 degrees Celsius) or otherwise unwell, the Trust and the Company reserve the right to refuse such person's admission to the EGM.
13. Subject to the development of COVID-19, the Trust and the Company may change the EGM arrangements at short notice and may issue further announcement as appropriate. Holders of Share Stapled Units should check the Trust and the Company's website (www.langhamhospitality.com) for updates on the latest arrangement of the EGM.