

LANGHAM

HOSPITALITY INVESTMENTS

Stock code 股份代號 : 1270

Interim Report 中期報告 2021



LANGHAM HOSPITALITY INVESTMENTS

CORPORATE PROFILE

Langham Hospitality Investments has been established primarily to own and invest in a portfolio of hotels, with an initial focus on completed hotels in Asia. The initial asset portfolio comprises:

The Langham, Hong Kong

Cordis, Hong Kong

Eaton HK

The Langham, Hong Kong and Cordis, Hong Kong are both High Tariff A hotels and Eaton HK is a High Tariff B hotel under the classification set out by Hong Kong Tourism Board, with High Tariff A being the highest category and High Tariff B being the second highest category. Each of the Hotels is located on the Kowloon peninsula in Hong Kong, a vibrant commercial and leisure hub which offers a variety of activities ranging from shopping, food and beverage, and entertainment to cultural attractions. The Hotels are also located near well-connected transportation hubs in Hong Kong allowing guests to enjoy access to other leisure and business districts in Hong Kong.

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CORPORATE INFORMATION



TRUST

Langham Hospitality Investments

(a fixed single investment trust constituted pursuant to the Trust Deed under the laws of Hong Kong)

COMPANY

Langham Hospitality Investments Limited

(incorporated in the Cayman Islands with limited liability)

TRUSTEE-MANAGER

LHIL Manager Limited

(as Trustee-Manager of the Trust)

COMPANY AND TRUSTEE-MANAGER BOARDS OF DIRECTORS

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

COMPANY AND TRUSTEE-MANAGER AUDIT COMMITTEES

WONG Kwai Lam *(Chairman)*

CHAN Ka Keung, Ceajer

LIN Syaru, Shirley

COMPANY REMUNERATION COMMITTEE

CHAN Ka Keung, Ceajer *(Chairman)*

LO Ka Shui

LIN Syaru, Shirley

WONG Kwai Lam

COMPANY NOMINATION COMMITTEE

LIN Syaru, Shirley *(Chairperson)*

LO Ka Shui

CHAN Ka Keung, Ceajer

WONG Kwai Lam

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Registered Public Interest Entity Auditors

Corporate Information



LEGAL ADVISORS

Conyers Dill & Pearman
Mayer Brown

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
Hang Seng Bank Limited
Mizuho Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited

COMPANY REGISTERED OFFICE

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

COMPANY PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3001, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2186 2500
Fax: (852) 2186 9867

COMPANY PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY HONG KONG BRANCH SHARE REGISTRAR AND SHARE STAPLED UNITS REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.langhamhospitality.com

INVESTORS ENQUIRIES

For enquiries from investors or Holders of Share Stapled Units, please email to enquiry@langhamhospitality.com

HKEX STOCK CODE

1270

DISTRIBUTION NOTICE



DISTRIBUTION POLICY & PAYOUT RATIO

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.

The Trustee-Manager Board and the Company Board have the discretionary power to determine the form, frequency and amount of future distributions (if any) in respect of Share Stapled Units, depending on the earnings, financial position and results of operations of the Group, as well as contractual restrictions (including limitations on borrowings by the Trustee-Manager under the Trust Deed and compliance with financial undertakings imposed under the Group's loan facilities agreements), provisions of applicable laws and regulations and other factors including, but not limited to, funding requirements with reference to the prevailing business environment and operations, and expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice.

INTERIM DISTRIBUTION

For the first half of 2021, there was a distributable income of HK\$36.0 million after adjustment for non-cash items, which implies a minimal distributable income per Share Stapled Unit and therefore, no distribution will be declared for the period. (first half of 2020: Nil)

FINANCIAL HIGHLIGHTS



(in HK\$ million, unless otherwise specified)	1H2021	1H2020	Change
Revenue of hotel portfolio	287.5	259.7	10.7%
Total Rental Income for the Trust Group	103.7	104.9	-1.1%
Profit/(loss) attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	19.9	(13.2)	250.8%
Distributable Income	36.0	0.0 ¹	n.m.
Distributions per Share Stapled Unit	–	–	

As at	30 Jun 2021	31 Dec 2020	30 Jun 2020
Gross Value of Hotel Portfolio (in HK\$ million)	14,270	14,802	15,527
Net Asset Value per Share Stapled Unit	HK\$2.36²	HK\$2.52 ²	HK\$3.68
Gearing Ratio	44.1%	42.6%	46.2%

1 Distributable income came to HK\$36,000 for the first half of 2020.

2 Number of Share Stapled Units increased by 1,072.7 million to 3,225.2 million after the rights offering in September 2020 and then further increased by 7.3 million to 3,232.5 million after the payment of hotel management fees and licence fee in form of Share Stapled Unit.

CHAIRMAN'S STATEMENT



The ongoing pandemic coupled with travel restrictions across Hong Kong's key arrival markets, and the imposition of extended mandatory quarantine requirements since January 2021 have placed pressure on demand for hotel rooms. However, compared with the same period last year, when lockdowns measures globally were at their maximum, our hotels have delivered higher occupancies, especially in recent months and given the very low occupancy base last year.

Higher occupancy rates have resulted in a 6.4% increase in Revenue Per Available Room ("RevPAR") for our hotels for the first half of 2021. RevPAR comparisons for our hotels with the hotels of Hong Kong Hotels Association ("HKHA") are not meaningful this year, given that the quarantine hotels business is artificially inflated.

On the other hand, all our hotels witnessed a decent recovery in Food and Beverage ("F&B") business. Improvements were due to partial and on going relaxation of government-imposed social distancing measures, as well as a return in demand for dining out from domestic patrons, especially during festivals. Revenue from F&B business rose by 20.9% year-on-year for the first half of 2021.

Total revenue from hotels, rose by 10.7% year-on-year during the first half of 2021. The portfolio generated an aggregate gross operating loss amounting to HK\$18.2 million during the period, compared with an aggregate gross operating loss of HK\$38.6 million during the same period last year.

While we continued to receive fixed rental income from the Master Lessee amounting to HK\$111.6 million in the first half of the year, there was no variable rental income since the hotel portfolio had reported a loss for the period. Given the reduction in property taxes, property related expenses declined by 26.8% during the first half period, resulting in a 3.2% overall increase in the Trust Group's net property income, amounting to HK\$92.5 million in the first half of 2021.

During the first half of 2021, finance costs dropped by 35.2% to HK\$60.0 million as interest rate declined, as well as a reduction in loan due to partial loan prepayment in late 2020. There was also a gain in fair value of derivative financial instruments amounting to HK\$24.3 million booked during the reporting period. Nonetheless, there was a HK\$553.7 million fall in the fair value of investment properties (hotel portfolio), resulting in a net loss after tax of HK\$509.5 million for the first half of 2021. Net profit, excluding the non-cash fair value change of investment properties and derivative financial instruments was HK\$19.9 million, representing an increase of 250.8% as compared with the same period last year. After adjustment for non-cash items, distributable income came to HK\$36.0 million in the first half of 2021. Given the minimal implied distributable income per share stapled unit, no interim distribution will be declared for the first half of 2021.

Valuation of the hotel portfolio was HK\$14,270.0 million as at the end of June 2021, as compared with HK\$14,802.0 million as at the end of December 2020.

After the completion of a rights issue in the third quarter of 2020 that raised a net proceed of HK\$1,019.1 million, HK\$810.0 million has been utilised for the partial prepayment of outstanding loans in October 2020, HK\$41.0 million was placed in a designated bank account to satisfy the borrowing constraints in October 2020, and the remainder has been set aside for general working capital. After the partial loan prepayment, total outstanding borrowings before accounting for the loan front-end fee was HK\$6,417.0 million as at the end of June 2021, which implied a gearing ratio of 44.1%. As at 30 June 2021, Net Asset Value of the Trust Group amounted to HK\$7,629.3 million or HK\$2.36 per Share Stapled Unit.

Chairman's Statement

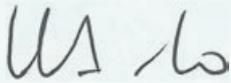


OUTLOOK

There are still many uncertainties ahead, especially regarding the possibility of another large-scale outbreak and the evolution of new virus variants. Vaccination rates around the world should be the key to controlling the virus although we are still many months from reaching sufficient levels to see travel restrictions meaningfully change. Hopefully, at some point, travel restrictions can be lifted and travel demand can return and lift our hotel business although we do not expect our hotel business to recover significantly during the remainder of the year.

The Hong Kong government has been very supportive during these difficult times. We are hopeful that the border restrictions can be lifted in 2022. Even though the plan to launch quarantine-free travel between Hong Kong and Singapore was postponed several times in the first half of 2021 due to a resurgence in infections, the plan has not been abandoned and will be launched as soon as conditions allow. Meanwhile, the government rolled out consumption vouchers this month, and these will benefit the domestic consumption market. We will continue to focus on business targeted at local residents, and so far, we are seeing a pick up in both staycations and F&B businesses.

In addition to affecting our hotel business in the short term, we also expect the pandemic to have long-term implications as companies and individuals reassess the way they work and live. We believe this still holds true given the extended lockdown has led to some short-term working arrangements, such as video conferencing, becoming longer-term, day-to-day business practices. Therefore, we must stay flexible and be ready to respond to changes in underlying market demand. In the near term, we will continue to navigate through these difficulties and scale our business appropriately based on the circumstances, with an eye to ensuring costs are balanced and flexible. Overall, we are hopeful that the travel and tourism business will recover eventually.

A handwritten signature in black ink, appearing to read 'Lo Ka Shui'.

Lo Ka Shui
Chairman

CEO'S REVIEW



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

As the Hotels reported an aggregate gross operating loss for the six months ended 30 June 2021, there was no variable rental income received from the Master Lessee. However, the Trust Group continued to receive a fixed rental income of HK\$111.6 million for the first half of 2021 and there was a modest HK\$1.0 million in rental income from the shops. Total rental income received by the Trust Group before service fees was HK\$112.6 million for the reporting period, representing a year-on-year decline of 0.3%. After netting off HK\$8.9 million in service fees incurred for the first half-period, total rental income was HK\$103.7 million, representing a year-on-year decline of 1.1%.

(in HK\$ million)	1H 2021	1H 2020	Change
Variable rental income	–	–	–
Fixed rental income	111.6	111.9	-0.3%
Rental income from retail shops	1.0	1.0	–
Total rental income before service fees	112.6	112.9	-0.3%
Total service fees	(8.9)	(8.0)	11.3%
Total rental income to the Trust Group	103.7	104.9	-1.1%

Total service fees comprise: i) hotel management fees, ii) licence fee and iii) global marketing fee paid to the hotel management company. Hotel management fees comprise a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee on 5.0% of adjusted gross operating profit of the relevant hotels. Licence fee is calculated based on 1.0% of total revenue of the relevant hotels, and global marketing fee is calculated at 2.0% of total room revenue of the relevant hotels. It should be noted that when calculating distributable income, global marketing fee is paid in cash. As for hotel management fees and licence fee, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both. For the first six months of 2021, the Hotel Manager has elected to be paid wholly in the form of Share Stapled Unit for the payment of hotel management fees and licence fee.

CEO's Review



In the first half of 2021, hotel management fees increased by 12.2% to HK\$4.6 million, global marketing fee increased by 7.7% to HK\$1.4 million and licence fee increased by 11.5% to HK\$2.9 million. Total service fees payable to the hotel management company increased by 11.3% year-on-year to HK\$8.9 million in the first half of 2021.

(in HK\$ million)	1H 2021	1H 2020	Change
Hotel management fees	4.6	4.1	12.2%
Licence fee	2.9	2.6	11.5%
Global marketing fee	1.4	1.3	7.7%
Total service fees	8.9	8.0	11.3%

Property related expenses decreased by 26.8% year-on-year to HK\$11.2 million in the first half of 2021, which was primarily due to lower rateable value of the Hotels which resulted in lower government rates. Overall, net property income of the Trust Group came to HK\$92.5 million in the first half of 2021, representing a year-on-year increase of 3.2%.

(in HK\$ million)	1H 2021	1H 2020	Change
Total rental income to the Trust Group	103.7	104.9	-1.1%
Property related expenses	(11.2)	(15.3)	-26.8%
Net property income	92.5	89.6	3.2%

Finance costs dropped by 35.2% year-on-year to HK\$60.0 million in the first half of 2021. As average HIBOR dropped significantly in the first half of 2021, as well as a decline in outstanding term loans to HK\$5,990.0 million after a HK\$810.0 million loan prepayment in the second half of last year, interest expense on the floating rate loan and other borrowing costs dropped by 62.7% to HK\$30.4 million during the period. However, part of the savings were offset by an increase in net interest expenses incurred on the interest rate swaps in the first half of 2021. Loan front-end fee amortisation, which is a non-cash item, came to HK\$5.6 million for the first half period.

After the expiry of the overlapping interest rate swap contracts during the first half of 2021, total notional amount of interest rate swap contracts reached HK\$3,200.0 million as at the end of June 2021. These hedging arrangements will help mitigate the impact of potential hike in interest rates on the Trust Group's distributable income in the coming years.

(in HK\$ million)	1H 2021	1H 2020	Change
Breakdown of Finance costs			
Interest expense and other borrowing costs	(30.4)	(81.6)	-62.7%
Loan front-end fee amortisation	(5.6)	(5.6)	-
Net interest expenses on fixed interest rate swaps	(24.0)	(5.4)	344.4%
Total Finance costs	(60.0)	(92.6)	-35.2%

CEO's Review



There was a decrease in fair value of investment properties amounting to HK\$553.7 million in the first half period amid the reduction in the Hotels' business as impacted by the COVID-19 pandemic. In addition, there was a gain of HK\$24.3 million due to an increase in market value of derivative financial instruments (interest rate swaps). Net loss after tax was HK\$509.5 million for the first half of 2021. Net profit excluding fair value change of investment properties and derivative financial instruments was HK\$19.9 million, representing an increase of HK\$33.1 million or 250.8% as compared with the same period of the prior year.

(in HK\$ million)	1H 2021	1H 2020	Change
Net property income	92.5	89.6	3.2%
Interest and other income	0.9	0.7	28.6%
Decrease in fair value of investment properties (Hotel portfolio)	(553.7)	(1,941.6)	-71.5%
Increase/(decrease) in fair value change on derivative financial instruments	24.3	(82.3)	129.5%
Finance costs	(60.0)	(92.6)	-35.2%
Trust and other expenses	(7.0)	(6.9)	1.4%
Loss before tax	(503.0)	(2,033.1)	-75.3%
Income tax expense	(6.5)	(4.0)	62.5%
Loss attributable to Holders of Share Stapled Units	(509.5)	(2,037.1)	-75.0%
Profit/(loss) attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	19.9	(13.2)	250.8%

To derive the Trust Group's distributable income, loss attributable to Holders of Share Stapled Units is adjusted for the non-cash items. Items added back to net loss included decrease in fair value of investment properties, decrease in fair value of the derivative financial instruments, hotel management fees and licence fee being paid in Share Stapled Units, loan front-end fee amortisation, deferred tax and depreciation. On the other hand, items deducted from net loss are the cash contribution to furniture, fixtures and equipment reserve and increase in fair value of derivative financial instruments.

CEO's Review



For the first half of 2021, there was a distributable income of HK\$36.0 million after adjustment for non-cash items, which implies a minimal distributable income per Share Stapled Unit and therefore, no distribution will be declared for the period.

(in HK\$ million)	1H 2021	1H 2020	Change
Loss attributable to Holders of Share Stapled Units	(509.5)	(2,037.1)	-75.0%
Add:			
Decrease in fair value of investment properties	553.7	1,941.6	-71.5%
Decrease in fair value of derivative financial instruments	–	82.3	n.m.
Hotel management fees and Licence fee payable in form of Share Stapled Units	7.5	6.7	11.9%
Amortisation of loan front-end fee, a non-cash cost	5.6	5.6	–
Deferred tax	6.3	3.8	65.8%
Depreciation	1.0	1.0	–
Less:			
Reserve for Furniture, fixtures and equipment	(4.3)	(3.9)	10.3%
Increase in fair value on derivative financial instruments	(24.3)	–	n.m.
Distributable income	36.0	0.0*	n.m.

* Distributable income came to HK\$36,000 for the first half of 2020.

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020
The Langham, Hong Kong	498	498	20.6%	14.4%	1,137	1,490	235	214
<i>year-on-year growth</i>			+6.2ppt		-23.7%		+9.8%	
Cordis, Hong Kong	667	667	26.2%	19.5%	1,008	1,293	264	252
<i>year-on-year growth</i>			+6.7ppt		-22.0%		+4.8%	
Eaton HK	465	465	35.9%	30.1%	522	584	188	176
<i>year-on-year growth</i>			+5.8ppt		-10.6%		+6.8%	
Hotel Portfolio	1,630	1,630	27.3%	21.0%	855	1,043	233	219
<i>year-on-year growth</i>			+6.3ppt		-18.0%		+6.4%	

CEO's Review



Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020
High Tariff A	36.0%	21.0%	1,439	1,706	518	358
<i>year-on-year growth</i>	<i>+15.0ppt</i>		<i>-15.7%</i>		<i>+44.7%</i>	
High Tariff B	55.0%	38.0%	614	609	338	231
<i>year-on-year growth</i>	<i>+17.0ppt</i>		<i>+0.8%</i>		<i>+46.3%</i>	
All Hotels	56.0%	39.0%	837	914	469	356
<i>year-on-year growth</i>	<i>+17.0ppt</i>		<i>-8.4%</i>		<i>+31.7%</i>	

Comparisons for our hotels with the HKHA hotels are not meaningful this year, given that the quarantine hotels business is artificially inflated.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	21.1	31.9	15.8	68.8
Food & Beverages	60.1	76.1	64.3	200.5
Others	3.1	6.4	8.7	18.2
Total revenue	84.3	114.4	88.8	287.5

Year-on-year change	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	9.1%	3.9%	6.1%	6.0%
Food & Beverages	24.7%	16.6%	22.9%	20.9%
Others*	-59.2%	-41.4%	-16.3%	-37.1%
Total revenue	12.2%	7.0%	14.5%	10.7%

* Last year's figures included Employment Support Scheme and other government subsidies due to COVID-19.

Performance of the individual hotels

The Langham, Hong Kong, witnessed continued pressure on demand for rooms as quarantine restrictions on inbound travelers remained throughout the first half 2021. Amid the continued weak demand from the traditional segments during the first half of 2021, the Hotel Manager targeted the local staycation market and there was an improvement in occupancy, which came to 20.6% in the first half of 2021, while average room rate dropped by 23.7%.

F&B revenue for the hotel increased by 24.7% year-on-year in the first half of 2021. The increase was due to improved revenue across our restaurants as government restrictions eased. Noted that The Food Gallery was closed for three months at the beginning of the COVID-19 lockdown during the first half of 2020.

Cordis, Hong Kong, also witnessed minimal demand from international arrivals following the travel restrictions and quarantined measures. As the hotel focused on the local staycation market and long stay market, the hotel managed to improve its occupancy to 26.2% for the first half of 2021, compared with a 19.5% occupancy achieved in the same period last year. However, average room rate dropped by 22.0% in the first half of 2021.

Revenue from F&B increased by 16.6% year-on-year in the first half of 2021. All the restaurants have witnessed an improvement in business as government restrictions eased.

CEO's Review



Eaton HK managed to deliver a 35.9% occupancy for the first half of 2021, as it captured a larger local staycation market with its more accommodative pricing. Although demand remained weak from other segments and Eaton HK's average room rate dropped by 10.6% year-on-year in the first half of 2021.

Revenue from F&B at Eaton HK increased by 22.9% year-on-year in first half of 2021. The growth was particularly strong at The Astor buffet restaurant. All the restaurants continue to build strong reputation after the renovation.

FINANCIAL REVIEW

Distributions

Distributable income of the Trust Group for 2021 interim period was HK\$35,980,000 (2020 interim period: HK\$36,000). It is the present policy of the Trust Group to distribute not less than 90% of total distributable income to its Holders of Share Stapled Units.

The continuing impact on the operating performance of the Trust Group's hotels amid the COVID-19 pandemic has led to an aggregate gross operating loss of the Hotels before deduction of the global marketing fee and in turn zero variable rental receivable by the Trust Group. In view of this situation, on top of negligible distributable income per Share Stapled Unit, the Board decided not to distribute any of the total distributable income for the six months ended 30 June 2021.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$7,629.3 million or HK\$2.36 per Share Stapled Unit as at 30 June 2021 (31 December 2020: HK\$8,129.6 million or HK\$2.52 per Share Stapled Unit) which represents a 140.8% premium to the closing Share Stapled Unit price of HK\$0.98 as at 30 June 2021.

Use of Proceeds from Rights Issue

In September 2020, the Trust and the Company issued 1,072,743,916 Share Stapled Units upon the completion of the rights issue of one rights Share Stapled Unit for every 2 Share Stapled Units at the subscription price of HK\$0.95 per rights Share Stapled Unit. The proceeds from the rights issue amounted to HK\$1,019.1 million while the net proceeds amounted to HK\$1,011.2 million. The net proceeds were used according to the intentions previously disclosed in the circular of the Trust and the Company dated 21 August 2020 (the "Circular"). The unutilised net proceeds were deposited into the licensed banks in Hong Kong as interest-bearing deposits.

As at 31 December 2020 and 30 June 2021, the use of net proceeds from the rights issue was as follows:

Intended use	Estimated amount for intended use (HK\$ million)	Utilised amount (HK\$ million)	Unutilised amount (HK\$ million)
Utilise at least 80% of the net proceeds in prepayment of part of the outstanding loans	809.0	810.0	–
Utilise not more than 20% of the net proceeds in part as additional security deposits under the mitigation mechanism of the loan facilities agreement	202.2	41.0	–
Utilise the remainder of the net proceeds for general working capital	–	–	160.2
	1,011.2	851.0	160.2

As at 31 December 2020, 30 June 2021 and the date of this report, the utilised amount of the net proceeds did not exceed the estimated amount for the intended use of net proceeds as disclosed in the Circular. The unutilised net proceeds in the amount of HK\$160.2 million is expected to be utilised by 31 December 2022.



Debt Profile

Total outstanding borrowings, before accounting for the loan front-end fee, of the Trust Group as at 30 June 2021 were HK\$6,417.0 million (31 December 2020: HK\$6,417.0 million). The secured term loans of HK\$5,990.0 million (31 December 2020: HK\$5,990.0 million) were on a floating-rate interest basis and repayable in full in December 2023. The secured revolving loans of HK\$427.0 million (31 December 2020: HK\$427.0 million) were revolving on a monthly basis until December 2023.

In order to mitigate the interest rate exposure, the Trust Group entered into several three-year to four-year interest rate swap contracts totaling HK\$6,700.0 million during 2016 to 2020. Upon the expiry of a HK\$1,000.0 million interest rate swap contract in November 2020 and the expiry of five interest rate swap contracts totaling HK\$2,500.0 million in the first half of 2021, HK\$3,200.0 million (31 December 2020: 5,700.0 million) out of the total outstanding bank loan, before accounting for the loan front-end fee, of HK\$6,417.0 million (31 December 2020: HK\$6,417.0 million) or 49.9% (31 December 2020: 88.8%) was fixed at a weighted average swap rate of 1.31% p.a. (31 December 2020: 1.49% p.a.).

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

As at 30 June 2021, total gross assets of the Trust Group were HK\$14,561.6 million (31 December 2020: HK\$15,079.6 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of total gross assets, was 44.1% (31 December 2020: 42.6%).

Cash Position

As at 30 June 2021, excluding the restricted bank balance of HK\$41.0 million (31 December 2020: HK\$41.0 million) that placed in a bank as additional security deposit in according to the mitigation mechanism of the loan facilities agreement, the Trust Group had a cash balance of HK\$241.2 million (31 December 2020: HK\$217.6 million) to satisfy a portion of asset enhancement of the Hotels, as well as its working capital and operating requirements.

In addition, the Trust Group had unused revolving loans amounting to HK\$273.0 million as of 30 June 2021 (31 December 2020: HK\$273.0 million).

Pledge of Assets

As at 30 June 2021, restricted bank balance and all investment properties of the Trust Group, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, are pledged to secure the term and revolving loan facilities granted to the Trust Group.

Commitments

As at 30 June 2021, the Trust Group has authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$86.5 million (31 December 2020: HK\$2.4 million), of which HK\$37.6 million (31 December 2020: nil) was contracted for.

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



Brett Stephen Butcher
Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS



In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the Trustee-Manager and the Company subsequent to the publication of the 2020 Annual Report of the Trust and the Company and up to the date of this Interim Report, are updated as follow:

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 74, has been Chairman and Non-executive Director for the Trustee-Manager and the Company since 2013. He is a Member of both the Company's Remuneration Committee and Nomination Committee and is also a Director of all its subsidiaries. He is Chairman and Managing Director of Great Eagle Holdings Limited, and Chairman and Non-executive Director of the Manager of the publicly-listed trust, Champion Real Estate Investment Trust. He is also Vice President of the Real Estate Developers Association of Hong Kong and a member of The Hong Kong Centre for Economic Research's Board of Trustees. Dr. Lo was formerly Director of Hong Kong Exchanges and Clearing Limited; Chairman of the Listing Committee for the Main Board and Growth Enterprise Market; a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority; Chairman of The Chamber of Hong Kong Listed Companies; Chairman of the Hospital Authority of Hong Kong; a Board Member of the Airport Authority Hong Kong; and a Member of the University Grants Committee.

Dr. Lo graduated from McGill University with a Bachelor of Science Degree and obtained a Doctor of Medicine (M.D.) Degree from Cornell University, specialising in Internal Medicine and Cardiology. He has over four decades of experience in property and hotel development, and investment both in Hong Kong and overseas. Dr. Lo is the father of Mr. Lo Chun Him, Alexander and an uncle to Mr. Lo Chun Lai, Andrew, both Non-executive Directors of the Trustee-Manager and the Company.

Mr. Brett Stephen BUTCHER

Chief Executive Officer and Executive Director

Mr. Brett Stephen BUTCHER, aged 61, has been the Chief Executive Officer and Executive Director of the Trustee-Manager and the Company since April 2019. He is also a Director of all the subsidiaries of the Company. Mr. Butcher has over 40 years' extensive hotel business experience in both hotel operations and sales and marketing in Asia, the Pacific and North America. He is the Chief Executive Officer of the hotel asset management arm of Great Eagle Holdings Limited ("Great Eagle", being the controlling holder of share stapled units of the Trust and the Company) principally overseeing the management of all hotel assets of Great Eagle worldwide. Mr. Butcher is also the Chief Executive Officer of Langham Hospitality Group overseeing all aspects of management and brands for the Langham Hospitality Group's global portfolio of hotels, resorts and residences. Mr. Butcher holds a Bachelor's Degree in Business (Hospitality Management) from University of Queensland Lawes Campus.

Biographical Details of Directors



Professor CHAN Ka Keung, Ceajer

Independent Non-executive Director

Professor CHAN Ka Keung, Ceajer, aged 64, has been an Independent Non-executive Director of the Trustee-Manager and the Company since August 2018. He is the Chairman of the Company's Remuneration Committee, a Member of the Company's Nomination Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Professor Chan holds an Honorary Doctoral Degree from The Hong Kong University of Science and Technology (HKUST). Professor Chan is an Adjunct Professor and a Senior Advisor to the Dean at HKUST Business School. He was appointed as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in HKUST. Before joining the HKUST Business School in 1993, Professor Chan had spent nine years teaching at Ohio State University in the United States. Professor Chan is currently a member of Competition Commission of Hong Kong and a Non-executive Director of Tricor Group. He is an Independent Non-executive Director of Guotai Junan International Holdings Limited and China Overseas Land & Investment Limited, both companies are listed on the Main Board of Stock Exchange. He is also the Chairman of WeLab Bank Limited and a Senior Advisor to Welab Holdings Limited.

Professor Chan received his bachelor's degree in economics from Wesleyan University and both of his M.B.A. and Ph.D. in finance from The University of Chicago. He specialised in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

Professor LIN Syaru, Shirley

Independent Non-executive Director

Professor LIN Syaru, Shirley, aged 53, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. She is the Chair of the Company's Nomination Committee, a Member of the Company's Remuneration Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Previously, she was as a Partner at Goldman Sachs, where she led the firm's efforts in private equity and venture capital in Asia. In addition, Professor Lin was involved in the privatisation of state-owned enterprises in China, Singapore and Taiwan. She has served on the boards of numerous private and public companies and is currently an Independent Non-executive Director of Goldman Sachs Asia Bank Limited, a restricted licence bank in Hong Kong. She was an Independent Non-executive Director of Swire Pacific Limited and Mercuries Life Insurance Co., Ltd. She was appointed by the Hong Kong government to the Hong Kong Committee for Pacific Economic Cooperation and serves on the board of the Focused Ultrasound Foundation.

Professor Lin is Compton Visiting Professor in World Politics at the Miller Center of Public Affairs at the University of Virginia and a Nonresident Senior Fellow in the Foreign Policy Program at the Brookings Institution. She is also a faculty member at the Chinese University of Hong Kong. Her book on the impact of the evolution of Taiwanese identity on cross-strait economic policy was published by Stanford University Press in 2016. She is currently working on the challenges facing the advanced economies in East Asia that have entered the high income trap. Her commentary frequently appears in English and Chinese media. She received her master's degree in International and Public Affairs with distinction and her Ph.D. in Politics and Public Administration from the University of Hong Kong and her A.B. from Harvard College, *cum laude*.

Biographical Details of Directors



LO Chun Him, Alexander

Non-executive Director

Mr. LO Chun Him, Alexander, aged 36, has been a Non-executive Director of the Trustee-Manager and the Company since February 2017. He is also a Director of all the subsidiaries of the Company. Mr. Lo is an Executive Director of Great Eagle Holdings Limited, which is listed on the Main Board of the Stock Exchange. Prior to joining the Great Eagle Group in 2010, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of The Real Estate Developers Association of Hong Kong and a member of the Management Committee of The Federation of Hong Kong Hotel Owners Limited. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Mr. Lo is a son of Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company. He is also a cousin of Mr. Lo Chun Lai, Andrew, being a Non-executive Director of the Trustee-Manager and the Company.

LO Chun Lai, Andrew

Non-executive Director

Mr. LO Chun Lai, Andrew, aged 33, has been a Non-executive Director of the Trustee-Manager and the Company since October 2020. He is currently the Senior Vice President – Finance at Langham Hospitality Group ("LHG"), a wholly-owned subsidiary of Great Eagle Holdings Limited which is the controlling holder of share stapled units of the Trust and the Company. In his current capacity, Mr. Lo is responsible for business planning, ensuring financial stewardship, and supporting asset management. He also oversees finance operations, legal and hospitality investments.

Prior to joining LHG in 2013, he held positions at Horwath HTL and Mandarin Oriental. He graduated from Stanford University with a Bachelor of Arts in International Relations and from Columbia University in New York with a Master of Science in Real Estate Development. He also holds a certificate in Hotel Real Estate Investments and Asset Management from Cornell University. Mr. Lo is a nephew of Dr. Lo Ka Shui, being Chairman and Non-executive Director of the Trustee-Manager and the Company. He is also a cousin of Mr. LO Chun Him, Alexander, being Non-executive Director of the Trustee-Manager and the Company.

Biographical Details of Directors



Mr. WONG Kwai Lam

Independent Non-executive Director

Mr. WONG Kwai Lam, aged 72, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. He is the Chairman of the Audit Committees of the Trustee-Manager and the Company, and a Member of each of the Company's Remuneration Committee and Nomination Committee. Mr. Wong is currently an Independent Non-executive Director of Hutchison Port Holdings Management Pte. Limited as trustee-manager of Hutchison Port Holdings Trust ("HPHT"), CK Hutchison Holdings Limited ("CKHH"), ARA Asset Management (Prosperity) Limited as manager of Prosperity Real Estate Investment Trust ("Prosperity REIT") and K. Wah International Holdings Limited ("KWIH"). CKHH, Prosperity REIT and KWIH are listed in Hong Kong, and HPHT is listed in Singapore. Mr. Wong was an Independent Non-executive Director of China Merchants Bank Co., Ltd. Mr. Wong is currently the Chairman of IncoAdv Consultants Ltd., Chairman and a Director of Hong Kong Grand Opera Company Limited, a member of the Advisory Board of Continuing and Professional Studies, The Chinese University of Hong Kong ("CUHK"), a Vice Chairman of the Board of Trustees and a Member of the Investment Sub-committee of the Board of Trustees of New Asia College, CUHK and a Director of the CUHK Medical Centre Limited. He was formerly a Member of the Advisory Committee and a Member of the Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a Member of the China Committee of the Hong Kong Trade Development Council.

Mr. Wong has over 30 years of experience in the commercial and investment banking industry. He worked with Merrill Lynch (Asia Pacific) Ltd. from May 1993 to August 2009 where he served as a Managing Director in the Asia Investment Banking Division since January 1995. He was appointed as a Senior Client Advisor to Merrill Lynch (Asia Pacific) Ltd. in September 2009 and served in that position for one year. Prior to that, Mr. Wong had been a Director in the Investment Banking Division of CS First Boston (Hong Kong) Ltd. and a Director and the Head of Primary Market in Standard Chartered Asia Limited.

Mr. Wong holds Bachelor of Arts Degree and Honorary Fellowship from The Chinese University of Hong Kong and a Ph. D from Leicester University, England.

Directors' interests in the Trust and the Company and/or in the associated corporations (within the meaning of Part XV of the SFO) of the Trust and the Company are set out in the section "Disclosure of Interests" in this Interim Report.

GOVERNANCE AND COMPLIANCE



Langham Hospitality Investments, LHIL Manager Limited and Langham Hospitality Investments Limited are committed to maintaining and developing high standards of corporate governance practices designed to enhance corporate image, create value for our Unitholders, minimise risk of fraudulent practices and address potential conflicts of interest issues.

Sound corporate governance practices underpin the foundation for the Directors to perform and fulfill their respective roles and obligations effectively. Various policies and procedures established constitute the core elements of the governance framework of the Trust Group. The Trustee-Manager Board and the Company Board regularly review the policies and procedures on corporate governance as well as legal and regulatory compliance. Further enhancements will be made from time to time in light of the latest statutory regime and recommended best practices.

STRUCTURE OF THE TRUST GROUP

Langham Hospitality Investments is regulated by the laws of Hong Kong governing the Trust Deed dated 8 May 2013 and entered into between the Trustee-Manager and the Company as a fixed single investment trust, meaning that the Trust may only invest in the securities and other interests of a single entity, being the Company.

The Trustee-Manager is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Great Eagle. In its capacity as Trustee-Manager of the Trust, the Trustee-Manager has a limited role in the administration of the Trust and is not involved in the management of the operations of the Group.

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. It is the holding company of the hospitality business carried out by the Group and currently owns and controls the Hotels indirectly through its subsidiaries.

Capital Structure of the Trust and the Company

Share Stapled Units are jointly issued by the Trust and the Company and each Share Stapled Unit is comprised of the following three components which, subject to the provisions in the Trust Deed, can only be dealt with together and cannot be traded individually:

- (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 in the Trust; and
- (c) a specifically identified Preference Share in the Company which is "stapled" to the unit in the Trust.

As components of the Share Stapled Units, all of the units in the Trust, the Ordinary Shares and the Preference Shares of the Company in issue are listed on the Stock Exchange. However, for so long as the Share Stapled Units are listed on the Stock Exchange, trading on the Stock Exchange will only take place in the form of Share Stapled Units and there is only a single price quotation on the Stock Exchange for a Share Stapled Unit. No price is quoted for the individual components of a Share Stapled Unit.

Governance and Compliance



Business Relationship with Great Eagle

Apart from the parent-subsiidiary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules. Details of the transactions, which are subject to disclosure and reporting requirements in interim reports, are summarised under the sub-section headed "Connected Transactions and/or Continuing Connected Transactions Subject to Disclosure Requirements" on pages 25 to 27 of this Interim Report.

These business relationships and the fact that some of the Directors and senior management members also hold directorships and/or roles in the Great Eagle Group might give rise to potential conflicts of interest between the Group and the Great Eagle Group. The Trustee-Manager Board and the Company Board believe that the potential conflicts are sufficiently reduced by the following:

- the Group focuses on optimising the performance of the three existing hotel properties, adopting a growth strategy of investing in completed stand-alone hotels in Asia. The Great Eagle Group, on the other hand, focuses on further capitalising on its resources and expertise in developing its hotel management services operations and brand building.
- given that the Group is among the major contributors to the performance of the Great Eagle Group, any reliance that the Group may have on the Great Eagle Group in relation to its performance and growth will be mutually complementary.
- the Great Eagle Group has granted the Company a Deed of Right of First Refusal pursuant to which the Group will have the first right to participate in, and to acquire, completed stand-alone hotels in Asia (excluding Australia and New Zealand) should Great Eagle Group wish to sell or have the opportunity to invest in these hotels.
- various corporate governance measures are established that seek to address any potential conflicts of interest, thereby safeguarding the interests of independent Unitholders. Details of these are set out in the section headed "Corporate Governance Measures to address Potential Conflicts of Interest".

GOVERNANCE COMPLIANCE & PRACTICE

Compliance with Corporate Governance Code

Pursuant to the Trust Deed, both the Trustee-Manager and the Company must co-operate with each other to ensure that each party complies with the applicable Listing Rules and other relevant rules and regulations.

During the six-month period ended 30 June 2021, the Trust (via the Trustee-Manager) and the Company had complied with all applicable code provisions, and where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code. Only the Company established a Nomination Committee and a Remuneration Committee, as these are not relevant to the Trustee-Manager. The Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company, and the Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust or the Trustee-Manager. As such, the Trustee-Manager does not have any employees.

Governance and Compliance



Corporate Governance Measures to address Potential Conflicts of Interest

Given the unique nature of the Group's business structure and its close relationship with the Great Eagle Group as discussed above, various corporate governance measures have been established to address any potential conflicts of interest or competition between the two groups and to safeguard the interests of independent Unitholders:

- any conflicted Directors must abstain from voting and will not be counted in the quorum of the relevant Board meeting in the event of any conflict issues;
- pursuant to Article 90 of the articles of association of the Trustee-Manager, a Director of the Trustee-Manager must give priority to the interest of all the Unitholders as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Unitholders as a whole and that of the Trustee-Manager;
- potential connected transactions between the Great Eagle Group and the Group and the existing continuing connected transactions are reviewed and reported annually by the Independent Non-executive Directors and auditors of the Company; and
- where the Trustee-Manager Board and the Company Board are required to determine matters under the Great Eagle ROFR Deed, such matters will be referred to the Independent Non-executive Directors and/or those Directors who do not have a material interest in the matter.
- Specific corporate governance measures have also been put in place in respect of the operation of the Great Eagle ROFR Deed as follows:
 - (i) as part of the Trustee-Manager's and the Company's respective internal control systems, each has maintained a register of all opportunities/transactions arising from the implementation of the Great Eagle ROFR Deed;
 - (ii) as part of its internal audit plan, the Trustee-Manager and the Company each, through the internal audit function, reviews the implementation of the Great Eagle ROFR Deed each year;
 - (iii) the Audit Committee of the Company will review the implementation of the Great Eagle ROFR Deed to ascertain that the terms of the Great Eagle ROFR Deed have been complied with. The review includes an examination of supporting documents and other information deemed necessary by the Audit Committee; and
 - (iv) the Independent Non-executive Directors will review on an annual basis Great Eagle's compliance with the terms of the Great Eagle ROFR Deed and will disclose in the annual reports of the Trust and the Company their findings on compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and any decision made by the Group regarding any exercise of the right of first refusal and the basis of such decision subject to not breaching any of the Group's or Great Eagle's contractual or legal obligations.

The Audit Committees of the Trustee-Manager and the Company shall be responsible for overseeing the implementation of the above measures.

The Trustee-Manager with the Company (on the one hand) and Great Eagle (on the other hand) have boards of directors that function independently of each other. Notwithstanding that Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander, Directors of the Trustee-Manager and the Company, are also directors of the Great Eagle Group, and Mr. Lo Chun Lai, Andrew is a deemed connected person of Dr. Lo, given adequate corporate governance measures are in place, the three Independent Non-executive Directors of the Trustee-Manager Board and the Company Board would have sufficient expertise to manage the Trust Group in the event that Dr. Lo, Mr. Alexander Lo and Mr. Andrew Lo are required to abstain from voting on matters relating to the Great Eagle Group.



BOARD AND BOARD COMMITTEES

Notwithstanding the fact that the Directors of the Trustee-Manager and the Directors of the Company must always be the same individuals pursuant to the Trust Deed, the two respective Boards have their own distinct responsibilities. The Trustee-Manager Board is responsible for taking all reasonable steps to ensure that the Trustee-Manager discharges its duties under the Trust Deed, while the Company Board is responsible for setting out the overall strategies and business objectives of the Group and providing oversight of their implementation by the management team.

The Trustee-Manager Board and the Company Board currently comprise three Non-executive Directors, namely Dr. Lo Ka Shui (Chairman), Mr. Lo Chun Him, Alexander and Mr. Lo Chun Lai, Andrew; one Executive Director being Mr. Brett Stephen Butcher (Chief Executive Officer); and three Independent Non-executive Directors, namely Professor Chan Ka Keung, Ceajer, Professor Lin Syaru, Shirley and Mr. Wong Kwai Lam.

Biographies of the Directors of the Trustee-Manager and the Company are set out in this Interim Report on pages 15 to 18.

To provide effective oversight, Board Committees, namely Audit Committees, a Remuneration Committee and a Nomination Committee, have been established. Terms of reference of the Board Committees have been approved by the Board. Decisions and recommendations of the Board Committees are required to be reported to the Board.

Audit Committees

The Audit Committees of the Trustee-Manager and the Company shall, amongst other things, review reports and proposals from management and make recommendations to the relevant Boards in respect of the financial reporting and other statutory obligations, risk management and internal control systems, and audit process with a view to assisting the respective Boards in fulfilling their duties in relation to risk management, internal control and financial management. Pursuant to the Trust Deed, the membership of the Audit Committee of the Trustee-Manager must be the same as that of the Audit Committee of the Company. Both Audit Committees comprise three Independent Non-executive Directors, namely, Mr. Wong Kwai Lam (Committee Chairman), Professor Chan Ka Keung, Ceajer and Professor Lin Syaru, Shirley.

Remuneration Committee

The Remuneration Committee of the Company sets up formal and transparent procedures for setting policy on the Executive Director's remuneration and for fixing the remuneration packages of all Directors and senior management. It ensures remuneration levels are sufficient to attract and retain Directors to run the Company successfully without paying more than necessary. The Remuneration Committee currently has four members (three of whom are Independent Non-executive Directors), namely, Professor Chan Ka Keung, Ceajer (Committee Chairman), Dr. Lo Ka Shui, Professor Lin Syaru, Shirley and Mr. Wong Kwai Lam.



Nomination Committee

The Nomination Committee focuses on strengthening, broadening, balancing and understanding the range of skills, experience and diversity on the Company Board. The Committee shall formulate policy and make recommendations to the Company Board on nominations, appointments or re-appointments of Directors and board succession. The Nomination Committee currently has four members (three of whom are Independent Non-executive Directors), namely, Professor Lin Syaru, Shirley (Committee Chairperson), Dr. Lo Ka Shui, Professor Chan Ka Keung, Ceajer and Mr. Wong Kwai Lam.

- *Board Diversity Policy*

The Company believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and attracting and retaining the best people. Appointments to the Board are made on merit, in the context of the skills and experience the Board as a whole requires to be effective, and against objective criteria and with due regard for the benefits of diversity. There are many considerations that factor into the Nomination Committee's nomination process, including legal requirements, best practices, and skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. But it will not set any restrictions in terms of gender, age, cultural or educational background when short-listing candidates. The Company believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background and other qualities of its members. The Nomination Committee shall review the diversity of the Board at least annually, taking into account the Group's business model and specific needs, and shall monitor the implementation of the existing Diversity Policy and, if appropriate, make recommendations on proposed changes to the Board to complement the Company's corporate strategy.

- *Nomination Policy*

The Nomination Committee recommends candidates for nomination to the Board, which then approves the final choice of candidates. The Nomination Committee is tasked with maintaining the Nomination Policy of the Company and reviewing the same regularly. The objective of the Nomination Policy is to assist the Company in fulfilling its duties and responsibilities as provided in its terms of reference. The Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company.

The Nomination Committee shall consider any and all candidates recommended as nominees for Directors to the Committee by any Directors or shareholders of the Company in accordance with the Company's articles of association and the Trust Deed. The Nomination Committee may also undertake its own search for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees. The Nomination Committee shall endeavour to find individuals of high integrity who possess the qualifications, qualities, skills, experience and independence (in case of Independent Non-executive Directors) to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment and to provide practical insights and diverse perspectives. The Nomination Committee may use any process it deems appropriate for the purpose of evaluating candidates including, but not limited to, personal interviews, background checks, written submissions from the candidate and third-party references. As far as is practical, nominees for each election or appointment of Director shall be evaluated using a substantially similar process. The Nomination Committee shall review the Nomination Policy from time to time.



RISK MANAGEMENT AND INTERNAL CONTROL

The Trustee-Manager Board and the Company Board have developed risk management and internal control systems to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage, rather than eliminate, risk of failure to meet business objectives. The following have been established and executed to ensure there are appropriate and effective risk management and internal control systems within the Trustee-Manager and the Company:

- (a) a good control environment including a well-defined organisational structure, limitations on authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by the Trustee-Manager and the Company;
- (c) appropriate risk mitigating activities including clear and written company policies and procedures that can manage risks to an acceptable level for the achievement of business objectives;
- (d) effective information platforms to facilitate internal and external information flow; and
- (e) structured internal audit function to perform independent appraisal of major operations on an ongoing basis.

With the adoption of a risk-based approach, the Internal Audit Department takes the lead to review the risk management and internal control systems of the Trustee-Manager and the Company by reviewing all their major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The Head of the Internal Audit Department reports directly to the Audit Committees and the Chairman of the Trustee-Manager and the Company periodically. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committees for discussion at Audit Committee meetings. The internal audit reports are also followed up by the Internal Audit Department to ensure that findings previously identified have been properly resolved.

Governance and Compliance



CONNECTED TRANSACTIONS AND/OR CONTINUING CONNECTED TRANSACTIONS SUBJECT TO DISCLOSURE REQUIREMENTS

As disclosed in the initial public offering prospectus dated 16 May 2013, continuing connected transactions set out below are subject to disclosure requirements in the interim reports and are granted with waivers by the Stock Exchange from strict compliance with, inter alia, the announcement and approval of independent Holders of Share Stapled Units. Further details and conditions of the waivers were disclosed in the said prospectus.

	Aggregate Transaction Amount for the six-month period ended 30 June 2021 (HK\$'000)
(1) Master Lease Agreements ^(a)	
– Base Rent	111,575
– Variable Rent ^(b)	–
(2) Hotel Management Agreements ^{(a)(b)(c)}	
– Base Fee	4,312
– Incentive Fee	312
(3) Centralised Services and Marketing Agreements ^{(a)(b)}	
– Reimbursement of Cost ^(d)	901
– Global Marketing Fee	1,376
– Reservation fees ^(d)	1,570
(4) Trademark Licence Agreements ^{(a)(b)(c)}	2,875

Notes:

- (a) Obtained waiver from the requirements of making announcement and/or obtaining independent Holders of Share Stapled Units' approval.
- (b) Obtained waiver from the requirement to set a monetary cap.
- (c) Obtained approval from independent Holders of Share Stapled Units to settle the fees payable for the three financial years ending 31 December 2023 in the form of Share Stapled Units subject to the election of the Hotel Manager.
- (d) Reimbursement of Cost and Reservation fees are included in the operating expenses of the Hotels.

Governance and Compliance



1. **Master Lease Agreements** – three separate lease agreements, each dated 10 May 2013, entered into between each of the Hotel Companies as the Lessors and GE (LHIL) Lessee Limited as the Master Lessee. The Master Lessee, being an indirect wholly-owned subsidiary of Great Eagle, which is a controlling Holder of Share Stapled Units of the Trust and the Company, is a connected person of the Trust and the Company under the Listing Rules.

Pursuant to the Master Lease Agreements, each of the Lessors has agreed to lease the hotel owned by it (excluding two retail outlets at Eaton HK) to the Master Lessee for a term of 14 years from and including 30 May 2013 (date of listing) and shall, subject to the compliance with the relevant requirements of the Listing Rules by the Company, be renewable by mutual agreement by the parties. The Master Lessee assumes all responsibilities as “owner” under the Hotel Management Agreements and bears all operating expenses in respect of the Hotels (other than payment of the Hotel Management Fees, the Licence Fees, the Global Marketing Fee, etc), and delegates the management and operations obligations to the Hotel Manager of the respective Hotels under the terms of the Hotel Management Agreements.

Under the Master Lease Agreements, the Master Lessee has agreed to pay the Lessors an aggregate fixed base rent of HK\$225 million per annum (pro rata for any period of less than one year) and a variable rent for the whole term.

Based on the rental review conducted by Vigers pursuant to the Master Lease Agreements, it was determined that no change shall be made to the market rental package of the Hotels for the period 1 January 2020 to 31 December 2023. The variable rent shall be calculated on the basis of 70% of the Hotels’ aggregate gross operating profit before deduction of the Global Marketing Fee payable by each of the Hotel Companies. Under the Master Lease Agreements, a further rental review will be performed for the period from 1 January 2024 until the remaining term of the Master Lease Agreements expires.

An annual cap in respect of the base rent payable by the Master Lessee to the Lessors under the Master Lease Agreements is HK\$225 million. The cap for the variable rent under the Master Lease Agreements is determined by reference to the formulae for determining the variable rent.

2. **Hotel Management Agreements** – three separate hotel management agreements, each dated 10 May 2013, and entered into by each Hotel Company, the Master Lessee, Langham Hotels International Limited as 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.

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 requirements of the relevant Listing Rules at the relevant time. The service fee 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 Fee payable under the relevant Trademark Licence Agreement).

The cap for the fees payable under the Hotel Management Agreements is determined by reference to the formulae for determining the fees payable pursuant to the Hotel Management Agreements as described above.

Governance and Compliance



3. **Centralised Services and Marketing Agreements** – three separate centralised services and marketing agreements, each dated 10 May 2013 and entered into by each Hotel Company, the Master Lessee, Langham Hotels Services Limited as the Service Provider, the Trustee-Manager and the Company. As the Master Lessee and the Service Provider 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.

Pursuant to the Centralised Services and Marketing Agreements, the Service Provider has agreed to provide global marketing and advertising services, centralised reservation services and certain hotel specific services of 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 requirements of relevant Listing Rules at the relevant time, be renewed for a term of 10 years by notice at the election of the Service Provider. Thereafter, the Centralised Services and Marketing Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the requirements of the relevant Listing Rules at the relevant time. Each of the Centralised Services and Marketing Agreements shall be coterminous with the Hotel Management Agreement for the same Hotel. The fee and other amounts payable to the Service Provider under each Centralised Services and Marketing Agreement shall be determined on the following basis:

- *Reimbursement of Costs*: at cost to be paid by the Master Lessee as an operating expense of the Hotels.
- *Global Marketing Fee*: a fixed percentage of 2% of the total room revenue of the relevant Hotel to be paid by each Hotel Company.
- *Reservation Fees*: a fixed US\$ amount and percentage of revenue for each materialised reservation, depending on the means by which the reservation is made, to be paid by the Master Lessee as an operating expense of the Hotels.

The annual caps for the Global Marketing Fee payable under the Centralised Services and Marketing Agreements are determined by reference to the formula for determining the Global Marketing Fee payable pursuant to the Centralised Services and Marketing Agreements as described above.

4. **Trademark Licence Agreements** – three separate trademark licence agreements, each dated 10 May 2013 and entered into by 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.

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, 30 May 2013 (the date of listing) and may, subject to compliance with the requirements of the relevant Listing Rules 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 requirements of the relevant Listing Rules at the relevant time. Each of the Trademark Licence Agreements shall be coterminous with the Hotel Management Agreement for the same Hotel. The Licence Fee, 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.

The cap for Licence Fees payable under the Trademark Licence Agreements is determined by reference to the formula for determining the Licence Fees payable pursuant to the Trademark Licence Agreements as described above.

Governance and Compliance



ISSUED SHARE STAPLED UNITS

As at 30 June 2021, the total number of issued Share Stapled Units of the Trust and the Company was 3,232,490,232. As compared with the position of 31 December 2020, a total of 7,323,494 new Share Stapled Units were issued during the first half of the year, representing 0.23% of the total number of issued Share Stapled Units as at 30 June 2021.

Date	Particulars	No. of Share Stapled Units
31 December 2020	Total number of issued Share Stapled Units	3,225,166,738
24 February 2021	Issue of new Share Stapled Units at the price of HK\$1.260 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees to the Hotel Manager of approximately HK\$9,228,000 for the second half of 2020	7,323,494
30 June 2021	Total number of issued Share Stapled Units	3,232,490,232

COMPLIANCE WITH THE MODEL CODE

The Trustee-Manager and the Company have adopted the Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code. This is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Trust Group and the unaudited condensed financial statements of the Trustee-Manager for the six-month period ended 30 June 2021 were prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and have also been reviewed by the Audit Committees of the Trustee-Manager and the Company. Such financial information has been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Trustee-Manager and the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

SUFFICIENCY OF PUBLIC FLOAT

Based on information, which is publicly available and within the knowledge of the Directors of the Trustee-Manager and the Company, the Trust and the Company maintained a sufficient public float with more than 25% of the issued Share Stapled Units being held by the public as at 30 June 2021.

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

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

During the six-month period ended 30 June 2021, neither the Trust, the Trustee-Manager, the Company nor the Company's subsidiaries had bought back, sold or redeemed any Share Stapled Units.



HOTEL MANAGER AND EMPLOYEES

The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of, and all sales, marketing and advertising activities in relation to, the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of experienced operational staff exclusively dedicated to providing services to the Hotels. The Hotels control the payroll and related expenses in accordance with the business level and also continuously review the process for greater efficiency. Compared to 31 December 2020, there is no material change in headcount.

Salary levels of the Hotel Manager's employees are competitive, and discretionary bonuses are granted based on performance of the Hotels as well as achievements in departmental key performance indicators. Other employee benefits include an educational allowance, insurance, medical scheme and provident fund schemes. The Hotel Manager and its subsidiaries are required to contribute an amount equivalent to 5% of the employees' basic salary (subject to the cap as stipulated under the applicable laws) to the Mandatory Provident Fund Scheme as a mandatory contribution.

The Company has employed a team of five professional staff to maintain an effective operation of the Trust Group. Great Eagle Group provides certain administrative and non-management services to the Trust Group, which include but are not limited to, legal and corporate secretarial support, finance, accounting and taxation support, human resources support, information technology support, internal audit support and general office administrative support on a cost-sharing basis under the Administrative Support Services Agreement. The remuneration package of our employees includes salary, bonuses, allowances and various retirement benefit schemes for the benefit of the staff. All staff members are signed up with the Mandatory Provident Fund Scheme in accordance with the applicable laws and regulations.

CORPORATE SOCIAL RESPONSIBILITY

The Hotel Manager has in place the corporate social responsibility programme CONNECT in the Hotels of the Trust Group with four key sustainability values – Governance, Environment, Community and Colleagues. CONNECT forms the framework to address the most relevant corporate responsibility issues to the hotel business.

The commitment to protecting the environment is integrated into the operations of the Hotels. All three Hotels are certified to EarthCheck Platinum level. Cordis, Hong Kong is accredited with an ISO 14001 certification.

Moreover, each of the Hotels has been recognised as a Caring Company for over ten years and has been working with local community partners through various employee community services, donations, visits, free or in-kind sponsorships, and ongoing partnership programmes. For the first six months of 2021, the Hotels' colleagues served a total of approximately 327 hours of community service and volunteering efforts.

Colleagues are the most important assets for a successful organisation. The Hotel Manager and the Hotels are mindful of its health and safety obligations to colleagues, and various occupational health and safety trainings are delivered regularly to colleagues. The Hotels are committed to providing suitable career and training opportunities for colleagues, and the average number of training hours per colleague in the Hotels was approximately 12.1 hours for the first half of 2021.

DISCLOSURE OF INTERESTS



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE STAPLED UNITS, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES

As at 30 June 2021, 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	Capacity	Nature of Interests	Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs ⁽²⁾	Total
Lo Ka Shui	Beneficial Owner	Personal Interests	31,584,000	0.98)	73.17
)	
	Interests of Controlled Corporations	Corporate Interests	2,243,550,154 ⁽¹⁾	69.41)	
)	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	90,010,250	2.78)	
Brett Stephen Butcher	Beneficial Owner and Jointly with Spouse	Joint Interests	1,050,545	0.03	0.03
Lo Chun Lai, Andrew	Beneficial Owner	Personal Interests	300,000	0.01	0.01

Notes:

(1) These 2,243,550,154 Share Stapled Units comprise the following:

- (i) 2,240,460,154 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 2,100,355,654 Share Stapled Units (64.97%), Fine Noble Limited as to 87,894,750 Share Stapled Units (2.72%) and Great Eagle Nichemusic Limited as to 8,947,500 Share Stapled Units (0.28%) and The Great Eagle Company, Limited as to 43,262,250 Share Stapled Units (1.34%), 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 on page 31; and
- (ii) 3,090,000 Share Stapled Units (0.10%) were held by two companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies.

(2) This percentage has been compiled based on 3,232,490,232 Share Stapled Units of the Trust and the Company in issue as at 30 June 2021.

Disclosure of Interests



Long Positions in Shares and Underlying Shares of Associated Corporations

Great Eagle

As at 30 June 2021, 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 30 June 2021 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital ⁽⁶⁾	Total
Lo Ka Shui	Beneficial Owner	Personal Interests	61,069,517 ⁽¹⁾	8.35)	63.34
)	
	Interests of Controlled Corporations	Corporate Interests	90,597,826 ⁽²⁾	12.39)	
)	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926	33.78)	
)	
	Founder of a Discretionary Trust	Trust Interests	64,472,192	8.82)	
Brett Stephen Butcher	Beneficial Owner	Personal Interests	587,000 ⁽³⁾	0.08)	0.08
)	
	Beneficial Owner and Jointly with Spouse	Joint Interests	31,433	0.00)	
Lo Chun Him, Alexander	Beneficial Owner	Personal Interests	1,223,488 ⁽⁴⁾	0.17	0.17
Lo Chun Lai, Andrew	Beneficial Owner	Personal Interests	187,408 ⁽⁵⁾	0.03	0.03

Notes:

- (1) Among these interests, 2,678,000 were share options.
- (2) These interests 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.
- (3) Among these interests, 535,000 were share options.
- (4) Among these interests, 1,095,000 were share options.
- (5) Among these interests, 116,000 were share options.
- (6) This percentage has been compiled based on 731,040,412 shares of Great Eagle in issue as at 30 June 2021.

Disclosure of Interests



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 30 June 2021, Great Eagle owned 67.32% 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 30 June 2021 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Units/ Underlying Units Held	Percentage of Issued Units ⁽²⁾	Total
Lo Ka Shui	Beneficial Owner	Personal Interests	3,592,007	0.06)	
)	
	Interests of Controlled Corporations	Corporate Interests	3,989,294,097 ⁽¹⁾	67.37)	
)	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	19,115,000	0.32)	67.75

Notes:

(1) These 3,989,294,097 units comprise the following:

- (i) 3,986,035,487 units (67.31%) were 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 on page 31; and
- (ii) 3,258,610 units (0.06%) 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.

(2) This percentage has been compiled based on 5,921,451,723 units of Champion REIT in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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.

Disclosure of Interests



INTERESTS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at 30 June 2021, the interests and short positions of persons (other than a Director or the chief executive of the Trustee-Manager and the Company) in the Share Stapled Units or underlying Share Staple Units of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued Share Stapled Units of the Trust and the Company are as follows:

Name	Total Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs ⁽³⁾
Great Eagle Holdings Limited	2,240,460,154 ⁽¹⁾	69.31
LHIL Assets Holdings Limited	2,100,355,654	64.97
HSBC International Trustee Limited	2,228,707,160 ⁽²⁾	68.95

Notes:

- (1) These 2,240,460,154 Share Stapled Units were indirectly held by Great Eagle through its wholly-owned subsidiaries in the following manner:
 - (i) the same parcel of Share Stapled Units held by LHIL Assets Holdings Limited as disclosed in the above table;
 - (ii) 87,894,750 Share Stapled Units held by Fine Noble Limited;
 - (iii) 8,947,500 Share Stapled Units held by Great Eagle Nichemusic Limited; and
 - (iv) 43,262,250 Share Stapled Units held by The Great Eagle Company, Limited.
- (2) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 14 September 2020) received from HSBC International Trustee Limited ("HITL"). HITL in its capacity as a trustee of a discretionary trust held 33.78% interests in Great Eagle as at 30 June 2021.
- (3) This percentage has been compiled based on 3,232,490,232 Share Stapled Units of the Trust and the Company in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 30) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units 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, or which were recorded in the register required under Section 336 of the SFO.

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REPORT ON REVIEW OF THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE HOLDERS OF SHARE STAPLED UNITS OF LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED

(Langham Hospitality Investments is a trust constituted under the laws of Hong Kong;

Langham Hospitality Investments Limited is incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 62 (hereinafter collectively referred to as "the Trust and the Company's condensed consolidated financial statements"). As explained in note 1 to the Trust and the Company's condensed consolidated financial statements, the condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together. The Trust and the Company's condensed consolidated financial statements together comprise the condensed consolidated statement of financial position of the Trust Group and of the Group as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Trust Group and of the Group for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Trustee-Manager of the Trust and Directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Trust and the Company's condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 August 2021



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	103,662	104,883
Property related expenses		(11,184)	(15,269)
Net property income		92,478	89,614
Other income		912	707
Decrease in fair value of investment properties		(553,741)	(1,941,616)
Increase (decrease) in fair value of derivative financial instruments		24,324	(82,271)
Trust and other expenses		(7,043)	(6,932)
Finance costs	6	(59,975)	(92,592)
Loss before tax		(503,045)	(2,033,090)
Income tax expense	7	(6,465)	(3,986)
Loss and total comprehensive expense for the period attributable to holders of Share Stapled Units	10	(509,510)	(2,037,076)
Loss per Share Stapled Unit			(Restated)
Basic and diluted	11	(HK16 cents)	(HK91 cents)

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

At 30 June 2021

		At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	2,548	3,484
Investment properties	13	14,270,000	14,802,000
		14,272,548	14,805,484
Current assets			
Debtors, deposits and prepayments	14	6,766	15,481
Restricted bank balance	15	41,000	41,000
Bank balances		241,241	217,613
		289,007	274,094
Current liabilities			
Creditors, deposits and accruals	16	31,067	35,643
Derivative financial instruments	17	11,982	5,010
Secured bank loans due within one year	18	427,000	427,000
Lease liabilities due within one year		1,902	1,866
Tax payable		41,521	41,412
		513,472	510,931
Net current liabilities		(224,465)	(236,837)
Total assets less current liabilities		14,048,083	14,568,647
Non-current liabilities			
Derivative financial instruments	17	50,912	82,208
Secured bank loans due after one year	18	5,962,541	5,956,916
Lease liabilities due after one year		729	1,689
Deferred tax liabilities		404,562	398,237
		6,418,744	6,439,050
NET ASSETS		7,629,339	8,129,597
Capital and reserves			
Issued capital/units	19	3,233	3,225
Reserves		7,626,106	8,126,372
TOTAL EQUITY		7,629,339	8,129,597

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2021

	Share capital/ units HK\$'000	Share premium HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Share- based payment reserve HK\$'000	Property revaluation reserve HK\$'000 (Note c)	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	2,136	7,381,680	(11,562,543)	988	12,598,157	1,569,369	9,989,787
Loss and other comprehensive expense for the period	-	-	-	-	-	(2,037,076)	(2,037,076)
Distribution paid	-	(72,946)	-	-	-	-	(72,946)
Recognition of equity-settled share based payments	-	-	-	95	-	-	95
Issue of Share Stapled Units (note 19)	9	19,616	-	-	-	-	19,625
At 30 June 2020 (unaudited)	2,145	7,328,350	(11,562,543)	1,083	12,598,157	(467,707)	7,899,485
At 1 January 2021 (audited)	3,225	8,353,041	(11,562,543)	1,155	12,598,157	(1,263,438)	8,129,597
Loss and other comprehensive expense for the period	-	-	-	-	-	(509,510)	(509,510)
Recognition of equity-settled share based payments	-	-	-	24	-	-	24
Issue of Share Stapled Units (note 19)	8	9,220	-	-	-	-	9,228
At 30 June 2021 (unaudited)	3,233	8,362,261	(11,562,543)	1,179	12,598,157	(1,772,948)	7,629,339

Notes:

- (a) Under the Cayman Islands Companies Law, the share premium of the Company is available for distribution.
- (b) Pursuant to a group reorganisation in May 2013, certain businesses were transferred to the Groups (as defined in note 2). Other reserve represents the difference between the considerations of the transfers and the share capital of the businesses as of the date of the transfer.
- (c) Property revaluation reserve represents the revaluation gain arising from transfer from property, plant and equipment to investment properties which amounted to the difference between the fair value of the investment properties and the carrying amount of the property, plant and equipment at the date of transfer.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Cash generated from operations	99,619	113,660
Interest paid	(56,744)	(89,663)
Hong Kong Profits Tax paid	(31)	(12,998)
Net cash from operating activities	42,844	10,999
Investing activities		
Additions of investment properties	(18,528)	(24,370)
Interest received	297	–
Net cash used in investing activities	(18,231)	(24,370)
Financing activities		
Distribution paid	–	(72,946)
Additions of bank loans	–	75,000
Repayment of lease liabilities	(924)	(866)
Interest paid for leases	(61)	(78)
Net cash (used in) from financing activities	(985)	1,110
Net increase (decrease) in cash and cash equivalents	23,628	(12,261)
Cash and cash equivalents at the beginning of the period	217,613	75,732
Cash and cash equivalents at the end of the period, represented by bank balances	241,241	63,471

NOTES TO THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL

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

The Company acts as an investment holding company. The principal activity of the Trust Group (as defined in note 2 below) is property investment.

The condensed consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Company.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2021 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2021 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the period ended 30 June 2021 was investment in the Company. Therefore, the condensed consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust Group are identical to the condensed consolidated financial statements of the Group with the only differences being disclosures of capital. The Trustee-Manager and the directors of the Company (the "Directors") believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust Group and the Group together. The condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Condensed Consolidated Financial Statements".

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



Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

3.1 Basis of preparation of condensed consolidated financial statements

The Trust and the Company's Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The condensed consolidated financial statements have been prepared on a going concern basis because the Trustee-Manager and the Directors are of the opinion that the Groups will have adequate sources of funding to meet in full its financial obligations, after taking into account the continuous cash flows generated from operating activities and the expected rollover of secured revolving loans amounting to HK\$427,000,000 which are revolving on a monthly basis with details disclosed in note 18.

The operating performance of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK (the "Hotels") has continuously been impacted by the Covid-19 pandemic. While the Groups continue to receive the fixed base rent from the GE (LHIL) Lessee Limited ("Master Lessee"), the weak underlying performance of the Hotels has led to aggregate gross operating loss before deduction of global marketing fee and in turn zero variable rent receivable by the Groups. In addition, there is a negative impact on the valuation of the Groups' investment properties. As such, the condensed consolidated results of operations, cash flows of the Groups and fair value of the investment properties were impacted.

3.2 Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and derivative financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Groups' annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Groups have applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Groups' condensed consolidated financial statements:

Amendment to HKFRS 16
Amendments to HKFRS 9,
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Covid-19 Related Rent Concessions
Interest Rate Benchmark Reform – Phase 2

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Principal accounting policies (Continued)

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The amendments provide a practical expedient to account for the changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform by updating the effective interest rate, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

The Groups had certain interest-bearing bank loans denominated in Hong Kong dollars on the Hong Kong Interbank Offered Rate ("HIBOR"). The amendments have had no impact on the condensed consolidated financial statements as none of the above bank loans has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Groups' consolidated financial statements for the year ending 31 December 2021.

The application of the amendments to all other HKFRSs in the current interim period has had no material impact on the Groups' financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Rental income from Master Lessee (Note)		
Base rent	111,575	111,885
Service fees expenses	(8,875)	(7,964)
	102,700	103,921
Rental income from retail shops in Eaton HK	962	962
	103,662	104,883

Note: Included in rental income from Master Lessee, service fees income of HK\$8,875,000 (six months ended 30 June 2020: HK\$7,964,000) has been netted with the same amount of the corresponding service fees expenses. Details set out in note 23(a).

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION

The Groups' operating segments, based on information reported to the chief operating decision maker ("CODM"), management of the Trustee-Manager and the Company, for the purpose of resource allocation and performance assessment are more specifically focused on the operating results from leasing of the Hotels.

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

Segment revenue and results

The following is an analysis of the Groups' revenue and results by the three investment properties for the period under review.

Six months ended 30 June 2021

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton HK HK\$'000 (unaudited)	Segment total HK\$'000 (unaudited)	Reconciliation HK\$'000 (unaudited) (Note)	Consolidated HK\$'000 (unaudited)
Segment revenue	39,571	48,364	24,602	112,537	(8,875)	103,662
Segment results	33,806	39,085	19,587	92,478	-	92,478
Other income						912
Decrease in fair value of investment properties						(553,741)
Increase in fair value of derivative financial instruments						24,324
Trust and other expenses						(7,043)
Finance costs						(59,975)
Loss before tax						(503,045)
Income tax expense						(6,465)
Loss for the period attributable to holders of Share Stapled Units						(509,510)

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Six months ended 30 June 2020

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton HK HK\$'000 (unaudited)	Segment total HK\$'000 (unaudited)	Reconciliation HK\$'000 (unaudited) <i>(Note)</i>	Consolidated HK\$'000 (unaudited)
Segment revenue	39,680	48,499	24,668	112,847	(7,964)	104,883
Segment results	32,634	37,522	19,458	89,614	–	89,614
Other income						707
Decrease in fair value of investment properties						(1,941,616)
Decrease in fair value of derivative financial instruments						(82,271)
Trust and other expenses						(6,932)
Finance costs						(92,592)
Loss before tax						(2,033,090)
Income tax expense						(3,986)
Loss for the period attributable to holders of Share Stapled Units						(2,037,076)

Note: Reconciliation represents netting of service fees income of HK\$8,875,000 (six months ended 30 June 2020: HK\$7,964,000) with the same amount of the corresponding service fees expenses (including hotel management fees, licence fee and global marketing fee) that has been adjusted from revenue.

Segment assets and liabilities

For the purpose of performance assessment, other than the fair values of investment properties, no other segment assets are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK were HK\$4,970,000,000, HK\$6,170,000,000 and HK\$3,130,000,000, respectively (31 December 2020: HK\$5,200,000,000, HK\$6,430,000,000 and HK\$3,172,000,000, respectively).

No analysis of segment liabilities is presented as they are not regularly provided to the CODM.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on bank borrowings	29,938	81,163
Net interest on interest rate swaps	24,013	5,367
Loan front-end fee amortisation	5,625	5,624
Interest on lease liabilities	61	78
Other borrowing costs	338	360
	59,975	92,592

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current period	140	175
Deferred tax		
– Current period	6,324	3,811
– Underprovision in prior year	1	–
	6,465	3,986

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

8. TOTAL DISTRIBUTABLE INCOME

Total distributable income is the loss for the period attributable to holders of Share Stapled Units as adjusted to eliminate the effects of adjustments (as set out in the Trust Deed) which have been recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the relevant period. The adjustments to arrive at the total distributable income for the current interim period are set out below:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss for the period attributable to holders of Share Stapled Units	(509,510)	(2,037,076)
Adjustments:		
Add:		
Depreciation	936	942
Deferred tax	6,325	3,811
Non-cash finance costs	5,625	5,702
Hotel management fees and licence fee payable in form of Share Stapled Units (notes 19 and 23(c))	7,499	6,665
Decrease in fair value of investment properties	553,741	1,941,616
Decrease in fair value of derivative financial instruments	–	82,271
Less:		
Reserve for furniture, fixtures and equipment	(4,312)	(3,895)
Increase in fair value of derivative financial instruments	(24,324)	–
Total distributable income	35,980	36



Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. DISTRIBUTION STATEMENT

	<i>Note</i>	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interim distribution period (note a)			
Total distributable income in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: in respect of the six months ended 30 June 2020)	8	35,980	36
Percentage of distributable income for distribution (note b)		–	–
Distributable income for interim distribution period		–	–
Interim distribution		–	–
Final distribution period (note a)			
Total distributable income in respect of the financial year ended 31 December 2020 (six months ended 30 June 2020: in respect of the financial year ended 31 December 2019)		5,967	259,064
Less: distributable income paid for interim distribution period		–	(185,798)
Distributable income available for final distribution period		5,967	73,266
Percentage of distributable income for distribution (note b)		–	100%
Distributable income for final distribution period		–	73,266
Final distribution		–	73,266
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: in respect of the six months ended 30 June 2020)		–	–
Final distribution per Share Stapled Unit in respect of the financial year ended 31 December 2020 (six months ended 30 June 2020: in respect of the financial year ended 31 December 2019) (note c)		–	HK3.4 cents

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. DISTRIBUTION STATEMENT (CONTINUED)

Notes:

- (a) The interim distribution in 2021 and 2020 are based on total distributable income for the six months ended 30 June 2021 and 2020, respectively.

The final distribution in 2020 and 2019 was based on total distributable income for the year ended 31 December 2020 and 2019, respectively.

- (b) The Trust Deed and the articles of association of the Company state that it is the intention of the Trustee-Manager and the Directors to declare and distribute not less than 90% of the total distributable income in respect of each financial year after the financial year ended 31 December 2015. It has been decided not to distribute any of the total distributable income for the six months ended 30 June 2021 due to deteriorating business results. Details are set out in note 3.

No distributable income was distributed in respect of the six months ended 30 June 2020 and the financial year ended 31 December 2020.

100% of the total distributable income was distributed in respect of the financial year ended 31 December 2019.

- (c) **Final distribution**

Final distribution per Share Stapled Unit of HK3.4 cents in respect of the financial year ended 31 December 2019 was calculated based on distributable income available for final distribution period of HK\$73,266,000 and 2,135,606,495 Share Stapled Units as at 31 December 2019. In consideration of 9,881,338 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2019 on 26 February 2020, the number of Share Stapled Units entitled for final distribution in 2019 had been adjusted to be 2,145,487,833. Total distribution of HK\$72,946,000 in respect of 2019 final distribution period was paid on 29 May 2020.

10. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO HOLDERS OF SHARE STAPLED UNITS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss and total comprehensive expense for the period has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	2,681	2,539
Share-based payment expenses (Note)	24	95
Depreciation	936	942
Interest income	(311)	–

Note:

The Groups recognised total expenses of HK\$24,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$95,000) in relation to share options granted by the ultimate holding company under its share option scheme.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11. BASIC AND DILUTED LOSS PER SHARE STAPLED UNIT

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss		
Loss for the period for the purposes of basic and diluted loss per Share Stapled Unit	(509,510)	(2,037,076)
	Six months ended 30 June	
	2021 '000 (unaudited)	2020 '000 (Restated) (unaudited)
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purposes of basic and diluted loss per Share Stapled Unit	3,234,131	2,228,240

The weighted average number of Share Stapled Units for the purpose of basic and diluted loss per Share Stapled Unit have been adjusted to reflect the effect upon the completion of the rights issue on 14 September 2020. The loss per Share Stapled Unit for the six months ended 30 June 2020 was restated by adjusting the weighted average number of Share Stapled Unit in issue for the bonus element due to the rights issue.

12. PROPERTY, PLANT AND EQUIPMENT

There are no additions and disposals of property, plant and equipment for the six months ended 30 June 2021 and 2020.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

13. INVESTMENT PROPERTIES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	14,802,000	17,500,000
Additions	21,741	24,328
Decrease in fair value recognised in profit or loss	(553,741)	(2,722,328)
At the end of the period/year	14,270,000	14,802,000

The fair value of the Groups' investment properties of HK\$14,270,000,000 at 30 June 2021 (31 December 2020: HK\$14,802,000,000) has been arrived at on a basis of valuation carried out by Vigers Appraisal and Consulting Limited, an independent professional property valuer not connected with the Groups.

The independent property valuer adopted income approach by using discounted cash flow analysis to arrive at the valuation of investment properties at 30 June 2021 (31 December 2020: income approach by using discounted cash flow analysis and market approach by comparison method). For income approach, the discounted cash flow analysis for the hotel properties is established based on analysis of historical data combined with assumptions about future market conditions affecting supply, demand, income, expenses and the potential of risk, taking into consideration of the impact of Covid-19. These assumptions determine the earning capability of the hotel properties upon which the pattern of income and expenditures are projected to establish a fair maintainable operating profit on a pre-tax yearly basis by a reasonably efficient operator over a 10-year investment horizon; and the anticipated net operating income streams receivable thereafter is capitalised at appropriate terminal capitalisation rates and adjusted to present value by appropriate discount rate to reflect the capital values beyond the years.

For market approach adopted at 31 December 2020, the comparison method is based on a per room basis on actual sales transactions and offering of comparable properties during the year that have been made, subject to appropriate adjustments made for variable factors, including location, grading and impact of Covid-19.

The valuation techniques have been changed during the period because the market for comparable hotel properties is inactive and there is no recent transaction during the period. The Trustee-Manager and the Directors considered that the change of valuation techniques results in a measurement that is more representative of fair value of investment properties.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.



Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Lease receivable	77	–
Deferred rent receivable	111	152
Other receivables	62	675
Deposits and prepayments	6,516	14,654
	6,766	15,481

Lease receivable is payable on the presentation of invoices.

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

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Within 3 months	77	–

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

15. RESTRICTED BANK BALANCE

Restricted bank balance carries fixed interest rates at 0.001% per annum, which represents an additional security deposit placed in a bank as required under the mitigation mechanism of the banking facilities agreement. The restricted bank balance will be released upon the requirements of the mitigation mechanism are satisfied.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

16. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Trade creditors	15,492	17,481
Deposits received	758	654
Construction fee payables	3,987	3,761
Accruals and other payables	10,830	13,747
	31,067	35,643

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

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Within 3 months	12,590	6,044
More than 3 months and within 6 months	2,902	3,744
More than 6 months and within 12 months	–	7,693
	15,492	17,481

Trade creditors are amounts due to fellow subsidiaries of HK\$15,492,000 (31 December 2020: HK\$17,481,000) which are unsecured, interest-free and payable on presentation of invoices.

At 30 June 2021, included in construction fee payable are project management services fee due to fellow subsidiaries of HK\$443,000 (31 December 2020: nil). They are unsecured, interest-free and payable on presentation of invoices.

At 30 June 2021, included in accruals and other payables are amounts due to fellow subsidiaries of HK\$117,000 (31 December 2020: HK\$357,000) which are unsecured, interest-free and payable on presentation of invoices.



Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. DERIVATIVE FINANCIAL INSTRUMENTS

All the derivative financial instruments are interest rate swaps. The Groups entered into interest rate swap contracts with banks to manage the exposure to the interest rate risk on the Groups' floating-rate borrowings by swapping a proportion of those borrowings from floating rate to fixed rate. No hedge accounting is adopted and there is no offsetting during the period/year.

Major terms of the interest rate swaps are as follows:

Total notional amount	Maturity	Floating interest rate	Fixed interest rate	Interest period
At 30 June 2021 HK\$3,200,000,000	June 2022 – December 2023	HIBOR	0.830% – 2.545%	Monthly
At 31 December 2020 HK\$5,700,000,000	January 2021 – December 2023	HIBOR	0.830% – 2.545%	Monthly

18. SECURED BANK LOANS

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Secured term loans	5,990,000	5,990,000
Secured revolving loans	427,000	427,000
Loan front-end fee	(27,459)	(33,084)
	6,389,541	6,383,916
Less: Amount due within one year shown under current liabilities	(427,000)	(427,000)
Amount due after one year shown under non-current liabilities	5,962,541	5,956,916

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. SECURED BANK LOANS (CONTINUED)

The maturity of the above loans based on scheduled repayment terms is as follows:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Within one year	427,000	427,000
More than two years but not exceeding five years	5,962,541	5,956,916
	6,389,541	6,383,916

At 30 June 2021, the Groups have a banking facility amounted to HK\$6,690,000,000 (31 December 2020: HK\$6,690,000,000), including term loans facility amounted to HK\$5,990,000,000 (31 December 2020: HK\$5,990,000,000) and revolving loans facility amounted to HK\$700,000,000 (31 December 2020: HK\$700,000,000). The bank facility will be expired in December 2023.

Secured term loans of HK\$5,990,000,000 (31 December 2020: HK\$5,990,000,000) are variable-rate borrowings, bearing interest at HIBOR plus 0.81% (31 December 2020: HIBOR plus 0.81%) per annum and are repayable in one lump sum on maturity date in 2023 (31 December 2020: 2023). Secured revolving loans of HK\$427,000,000 (31 December 2020: HK\$427,000,000) are variable rate borrowings, bearing interest at HIBOR plus 0.81% (31 December 2020: HIBOR plus 0.81%) per annum and are revolving on a monthly basis. All bank loans are secured by the Groups' investment properties and restricted bank balance.

19. ISSUED CAPITAL/UNITS

	Number of shares/ units	Nominal value HK\$
Authorised:		
Ordinary shares of HK\$0.0005 each At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	5,000,000,000	2,500,000
Preference shares of HK\$0.0005 each At 1 January 2020 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	5,000,000,000	2,500,000

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. ISSUED CAPITAL/UNITS (CONTINUED)

Units issued/share capital issued and fully paid:

Share Stapled Units

In accordance with the Trust Deed and the Company's articles of association, the number of ordinary shares and preference shares of the Company must be the same at all times and must be equal to the number of Share Stapled Units. Hence, the movement of the number of Share Stapled Units is the same as that of the ordinary shares and preference shares of the Company as shown below.

	Number of shares/units	Nominal value HK\$
Ordinary shares of HK\$0.0005 each (note a)		
At 1 January 2020 (audited)	2,135,606,495	1,067,803
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	9,881,338	4,941
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	6,934,989	3,467
Issue of ordinary shares upon rights issue of Share Stapled Units (note c)	1,072,743,916	536,372
At 31 December 2020 (audited)	3,225,166,738	1,612,583
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	7,323,494	3,662
At 30 June 2021 (unaudited)	3,232,490,232	1,616,245
Preference shares of HK\$0.0005 each (note d)		
At 1 January 2020 (audited)	2,135,606,495	1,067,803
Issue of preference shares as payment of hotel management fees and licence fee (note b)	9,881,338	4,941
Issue of preference shares as payment of hotel management fees and licence fee (note b)	6,934,989	3,467
Issue of preference shares upon rights issue of Share Stapled Units (note c)	1,072,743,916	536,372
At 31 December 2020 (audited)	3,225,166,738	1,612,583
Issue of preference shares as payment of hotel management fees and licence fee (note b)	7,323,494	3,662
At 30 June 2021 (unaudited)	3,232,490,232	1,616,245

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. ISSUED CAPITAL/UNITS (CONTINUED)

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Issued capital/unit as shown in the condensed consolidated financial statements	3,233	3,225

Notes:

- (a) All of the issued ordinary shares of the Company are held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust.
- (b) Details of Share Stapled Units issued during the periods as payment of hotel management fees and licence fee are as follows (notes 20 and 23(c)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$'000	Number of units
26 February 2020	1 July 2019 to 31 December 2019	1.9860	19,625	9,881,338
21 August 2020	1 January 2020 to 30 June 2020	0.9611	6,665	6,934,989
24 February 2021	1 July 2020 to 31 December 2020	1.2600	9,228	7,323,494

- (c) On 14 September 2020, 1,072,743,916 Share Stapled Units were issued at HK\$0.95 per right Share Stapled Unit and the Groups received proceeds of approximately HK\$1,019 million upon the completion of the rights issue of one rights Share Stapled Unit for every two Share Stapled Units.
- (d) The preference shares issued are components of the Share Stapled Units and have no rights to dividends, distributions or other payment from the Company except in case of the winding up of the Company, or if the Trust is terminated, the preference shares of the Company would be redeemed on termination at their par value.

20. MAJOR NON-CASH TRANSACTION

The hotel management fees and licence fee payable to Langham Hotels International Limited for the six months ended 30 June 2021 of HK\$7,499,000 (six months ended 30 June 2020: HK\$6,665,000) (note 23(c)) will be settled by Share Stapled Units subsequent to the end of the reporting period.



Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

21. COMMITMENTS

At 30 June 2021, the Groups had authorised capital expenditures for investment properties which were not provided for in these condensed consolidated financial statements amounting to HK\$86,498,000 (31 December 2020: HK\$2,413,000) of which HK\$37,646,000 (31 December 2020: nil) were contracted for.

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

22. OPERATING LEASE COMMITMENTS

The Groups as lessor

Minimum lease payments receivable on leases are as follows:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
With Master Lessee		
Within one year	225,000	225,000
In the second year	225,000	225,000
In the third year	112,500	225,000
	562,500	675,000
With other tenants		
Within one year	1,778	1,288
In the second year	1,853	1,173
In the third year	846	1,206
In the fourth year	–	247
	4,477	3,914

Leases in respect of the retail shops in Eaton HK are negotiated for a term of two to five years at fixed monthly rentals. For the master lease agreements (note 23(a)), the leases are negotiated for a term of 14 years from the Listing Date. From commencement date to 31 December 2019 (the "First Period"), leases are negotiated at fixed annual base rent and variable rent based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fee. From 1 January 2020 to 31 December 2023 (the "Second Period") and 1 January 2024 to expiry date of lease term (the "Third Period"), the leases were negotiated with reference to market rental to be determined by independent property valuer. It was determined in 2019 that fixed annual base rent of the Second Period remains the same as the First Period and variable rent of Second Period is calculated as the same basis as that of the First Period. The above minimum lease payments only fixed annual base rent of the Second Period as the variable rent of the Second Period cannot be determined as of the date of approval of the condensed consolidated financial statements.

In addition, for the Third Period, the rentals will be determined by the independent property valuer prior to the commencement of the respective period, which may be subject to approval of unitholders of the Trust and the Company and cannot be determined as of the date of approval of the condensed consolidated financial statements.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

23. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed in notes 9, 16, 20 and 22, the Groups had the following significant connected and related party transactions during the period. All of the following related parties are subsidiaries of Great Eagle Holdings Limited, the ultimate holding company, and Dr. Lo Ka Shui, Director of the Company, is a substantial shareholder, the chairman and managing director of Great Eagle Holdings Limited. The transactions were carried out in the normal course of the Groups' business on terms mutually agreed between the parties. The following significant transactions are also connected transactions and the following related parties are connected parties of the Groups as defined in the chapter 14A of the Listing Rules.

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Rental income			
Master Lessee	(a)	111,575	111,885
Management fee income			
GE Hospitality Asset Management Limited	(b)	579	598
Hotel management fees and licence fee			
Langham Hotels International Limited	(c)	7,499	6,665
Global marketing fee			
Langham Hotels Services Limited	(d)	1,376	1,299
Property management services fee			
Keyesen Property Management Services Limited	(e)	933	1,435
Addition of right-of-use assets/addition of lease liabilities			
Moon Yik Company, Limited	(f)	–	3,953
Interest expenses on lease liabilities			
Moon Yik Company, Limited	(f)	48	78
Lease agency fee			
The Great Eagle Estate Agents Limited	(g)	63	33
Administrative support service fee			
The Great Eagle Company, Limited	(h)	480	480
Procurement services			
Champion Global Services Limited	(i)	39	–
Project management services fee			
The Great Eagle Development and Project Management Limited	(j)	443	–

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

23. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes:

- (a) For the purpose of connected and related party disclosures, rental income and related service fees income that charged to Master Lessee in accordance with the master lease agreements has been presented before netting with service fees (including hotel management fees, licence fee and global marketing fee) of HK\$8,875,000 (six months ended 30 June 2020: HK\$7,964,000). Annual base rent of HK\$225 million was charged for the six months ended 30 June 2021. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fee. No variable rent payable would be recorded when there is Hotels' aggregate gross operating loss before deduction of global marketing fee.

A reconciliation between the Hotels' aggregate gross operating loss and the Groups' segment profit, and calculation of variable rent are shown as follows:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hotels' aggregate gross operating loss before deduction of global marketing fee	(18,206)	(38,566)
70% thereon, variable rent (before netting with service fees)	–	–
Base rent	111,575	111,885
Add:		
Rental income from retail shops in Eaton HK	962	962
Groups' segment revenue	112,537	112,847
Less:		
Service fees		
– Hotel management fees (i.e. base fee and incentive fee)	(4,624)	(4,068)
– Licence fee	(2,875)	(2,597)
– Global marketing fee	(1,376)	(1,299)
Property taxes, rates and insurance	(10,730)	(14,105)
Other deductions	(454)	(1,164)
Groups' segment profit	92,478	89,614

- (b) The management fee income was charged to GE Hospitality Asset Management Limited for its share of administration expenses.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

23. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (Continued)

- (c) Langham Hotels International Limited is entitled, in accordance with hotel management agreements, to (i) a base fee of 1.5% of the total revenue of the relevant hotels; (ii) licence fee of 1% of the total revenue of the relevant hotels (payable under the trademark licence agreements); and (iii) an incentive fee of 5% of the adjusted gross operating profit (i.e. Hotels' gross operating profit less the base fee and the licence fee) of the relevant hotels. The hotel management fees and licence fee, which are part of service fees and have been netted with revenue, are reported as connected and related party transactions for the disclosure purpose. The hotel management fees and licence fee would be settled by Share Stapled Units (notes 19 and 20).

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
(A) Total revenue of relevant hotels	287,485	259,670
(B) Adjusted relevant Hotels' gross operating profit	6,246	3,469
(i) Base fee (A x 1.5%)	4,312	3,895
(ii) Licence fee (A x 1%)	2,875	2,597
(iii) Incentive fee (B x 5%)	312	173
Total fees	7,499	6,665

- (d) Global marketing fee was payable on a fixed percentage of 2% of the total room revenue of the relevant hotels (i.e. HK\$68,802,000 (six months ended 30 June 2020: HK\$64,920,000)) under centralised services fees and marketing agreements. Global marketing fee, which is part of service fees and has been netted with revenue, is reported as a connected and related party transaction for the disclosure purpose.
- (e) The management services fee payable is determined based on the annual budget prepared by Keysen Properties Management Services Limited, taking into account the actual cost incurred, plus remuneration to Keysen Properties Management Services Limited, and the management shares allocated to Cordis, Hong Kong in respect of the lot of land on which it is situated.
- (f) Rental expenses were payable to Moon Yik Company, Limited for leasing an office premise at Suite 2702, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong before 11 January 2020. On 12 January 2020, the Groups entered into new lease for the use of Suite 3001, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Addition of right-of-use assets and lease liabilities were recognised during the six months ended 30 June 2020. Interest expenses on lease liabilities were recognised in both periods. At 30 June 2021, lease liabilities to Moon Yik Company, Limited was approximately HK\$2,066,000 (31 December 2020: HK\$2,715,000).

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

23. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (Continued)

- (g) Lease agency fee was charged at the rate of 4% of the monthly rental income receivable from Eaton HK's retail shops plus an amount equivalent to a month's rental income arising from the leasing of the relevant retail shops for new leases and/or an amount equivalent to half month's rental income arising from the leasing of the relevant retail shops for renew leases (if any). There was a lease renewal for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).
- (h) The fee was charged on cost sharing basis and allocated to the Groups according to time spent by relevant personnel of The Great Eagle Company, Limited on the businesses of the Groups and the related share of administrative costs.
- (i) Procurement services fee at a rate of 5% of (a) the respective budgeted sums of furniture, fixtures and equipment categories for hotel renovation and operating supplies and equipment categories for hotel renovation and (b) the actual amount of the purchase orders for furniture, fixtures and equipment and operating supplies and equipment categories for hotel maintenance and miscellaneous categories.
- (j) Project management services fee at a rate of 3% of the actual amount of the construction cost for renovation of the Hotels as certified by project quantity surveyor or other consultants.

The remuneration of Directors and other members of key management during both periods are as follows:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term benefits	1,739	1,641
Post-employment benefits	9	9
	1,748	1,650

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Trust and the Company's Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair values of the Groups' financial asset and financial liability that are measured at fair values on a recurring basis

Some of the Groups' financial asset and financial liability are measured at fair values at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical asset or liabilities;
- Level 2 fair value measurements are inputs other than those quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)		
Financial liabilities				
Interest rate swaps classified as non-current	(50,912)	(82,208)	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.
Interest rate swaps classified as current	(11,982)	(5,010)	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.

There were no transfers between Levels 1 and 2 during the current period/prior year.

The Trustee-Manager and the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values, determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

Deloitte.

德勤

TO THE MEMBER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed financial statements of LHIL Manager Limited (the "Company") set out on pages 64 to 67, which comprise the condensed statement of financial position as of 30 June 2021 and the related condensed statement of profit or loss and other comprehensive income and condensed statement of changes in equity for the six months period then ended 30 June 2021, and certain explanatory notes. Pursuant to the deed of trust dated 8 May 2013 constituting Langham Hospitality Investments entered into between the Company and Langham Hospitality Investments Limited (the "Trust Deed"), the Company is required to prepare its interim financial information in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 August 2021



CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL MANAGER LIMITED

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$ (unaudited)	2020 HK\$ (unaudited)
Revenue		–	–
Administrative expenses		(11,562)	(10,357)
Less: Amount borne by a fellow subsidiary		11,562	10,357
Profit or loss before tax		–	–
Income tax	3	–	–
Profit or loss and other comprehensive income/expense for the period		–	–

CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 30 June 2021

	Note	At	At
		30 June 2021 HK\$ (unaudited)	31 December 2020 HK\$ (audited)
Current asset			
Cash on hand		1	1
NET ASSET		1	1
Capital			
Share capital	4	1	1
TOTAL EQUITY		1	1



CONDENSED STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the six months ended 30 June 2021

	Share capital HK\$
At 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited), and 30 June 2021 (unaudited)	1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2021

1. GENERAL

LHIL Manager Limited (“the Company”) is a limited liability company incorporated in Hong Kong. The Company’s parent company is LHIL Management Limited, a limited liability company incorporated in the British Virgin Islands. The directors of the Company (the “Directors”) consider the Company’s ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Company is 33/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is administering Langham Hospitality Investments (the “Trust”), in its capacity as trustee-manager of the Trust.

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the register holders of units of the Trust, in accordance with the terms of the deed of trust dated 8 May 2013 constituting the Trust entered into between the Company and Langham Hospitality Investments Limited and as amended by a first supplemental deed dated 22 April 2016 (collectively, the “Trust Deed”) but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

The Company had no income for both periods, thus the distribution statement is not presented.

The condensed financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company.

The Company had no cash transaction during the period as all of its transactions were settled through inter-company current account, thus the condensed statement of cash flows is not presented.

2. BASIS OF PREPARATION OF CONDENSED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation of condensed financial statements

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) pursuant to the Trust Deed.

The financial information relating to the year ended 31 December 2020 that is included in these condensed financial statements as comparative information does not constitute the Company’s statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and the Company has not done so.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.



Notes to the Condensed Financial Statements of LHIL Manager Limited

For the six months ended 30 June 2021

2. BASIS OF PREPARATION OF CONDENSED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Principal accounting policies

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020.

In the current interim period, the Company has applied, for the first time, amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed financial statements.

3. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Company did not have any assessable profits during both periods.

4. SHARE CAPITAL

	At 30 June 2021 (unaudited)		At 31 December 2020 (audited)	
	Number of ordinary share	Nominal value HK\$	Number of ordinary share	Nominal value HK\$
Ordinary share with no par value				
Issued and fully paid: Balance brought forward and carried forward	1	1	1	1

5. RELATED PARTY DISCLOSURES

Transaction with a fellow subsidiary is disclosed in the condensed statement of profit or loss and other comprehensive income.

All of the Company's key management personnel are directors. No directors' emoluments were paid or payable by the Company since the directors of the Company are not entitled to any remuneration under the terms as set out in their letters of appointment of directors.

GLOSSARY OF TERMS

In this Interim Report, unless the context otherwise requires, the following expressions shall have the following meanings:

Terms	Definition
“Board” or “Board of Directors”	Board of directors of the Trustee-Manager and/or Board of directors of the Company
“Code of Conduct for Securities Transactions”	Code of Conduct regarding Securities Transactions by Directors and Relevant Employees adopted by the Trustee-Manager and the Company
“Company”	Langham Hospitality Investments Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2013
“Company Board”	The Board of the Company
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“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 Trust and the Company as at 30 June 2021
“Great Eagle Group”	Great Eagle and its subsidiaries
“Great Eagle ROFR Deed”	The Deed of Right of First Refusal dated 10 May 2013 entered into between Great Eagle and the Company
“Group”	The Company and its subsidiaries

Glossary of Terms

Terms	Definition
"HKAS"	Hong Kong Accounting Standard
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Holder(s) of Share Stapled Units" or "Unitholder(s)"	Holder(s) of Share Stapled Units of the Trust and the Company
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hotel Companies"	The companies which own the Hotels, being Harvest Star International Limited, Cordis Hong Kong Limited and Grow On Development Limited; and "Hotel Company" shall mean any of them
"Hotel Manager"	Langham Hotels International Limited, a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
"Hotel(s)"	The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"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
"RevPAR"	Revenue per available room

Glossary of Terms

Terms	Definition
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Stapled Unit(s)” or “SSU(s)”	<p>Share stapled unit(s) jointly issued by the Trust and the Company. A share stapled unit is 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 to the unit in the Trust and held by the Trustee-Manager; and(c) a specifically identified preference share of the Company stapled to the unit in the Trust
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	Langham Hospitality Investments, 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 the first supplemental deed dated 22 April 2016
“Trust Group”	The Trust and the Group
“Trustee-Manager”	LHIL Manager Limited, a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly-owned subsidiary of Great Eagle, in its capacity as trustee-manager of the Trust
“Trustee-Manager Board”	The Board of the Trustee-Manager
“Valuer” or “Vigers”	Vigers Appraisal and Consulting Limited, an independent property valuer appointed by the Company pursuant to the Master Lease Agreements



Langham Hospitality Investments 朗廷酒店投資

(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)
(根據香港法律按日期為二零一三年五月八日之信託契約組成，其託管人為朗廷酒店管理人有限公司)

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Langham Hospitality Investments Limited 朗廷酒店投資有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

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