

LANGHAM

HOSPITALITY INVESTMENTS

Stock code : 1270



ANNUAL REPORT

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.

CONTENTS

10	Corporate Information and Financial Calendar
12	Distribution Notice
14	Financial Highlights
15	Chairman’s Statement
18	CEO’s Review
27	Biographical Details of Directors and Senior Management
32	Environmental, Social and Governance Report
52	Corporate Governance Report
82	Report of the Directors
105	Financial Information
192	Schedule of Investment Properties
193	Five Years’ Financial Summary
194	Glossary of Terms



THE LANGHAM

HONG KONG

The Langham, Hong Kong seeks to provide a unique European-style refined service to its guests. The Langham, Hong Kong is a luxury hotel located close to Canton Road, which has one of the largest concentrations of luxury retailers in Hong Kong and is located in the heart of Tsim Sha Tsui, one of the busiest shopping and leisure destinations in Hong Kong. Apart from the shopping opportunities offered, Tsim Sha Tsui is a cultural hub and The Langham, Hong Kong is located near historical buildings, museums and other tourist attractions, such as the Hong Kong Clock Tower, the Avenue of Stars and the Star Ferry. Tsim Sha Tsui is also a growing commercial hub with large-scale office developments nearby, such as the International Commerce Centre in West Kowloon, underpinning growth in corporate accommodation in the area.



The Langham, Hong Kong seeks to provide a unique European-style refined service to its guests

H _{KTB} RATING	<i>High Tariff A</i>
R _{ROOMS}	498
G _{FA} ('000 SQ.FT)	375



CORDIS

HOTELS & RESORTS

HONG KONG

Cordis, Hong Kong provides a contemporary luxury hotel experience, with sleek and modern design inspired by contemporary Chinese art. Cordis, Hong Kong is a short walk away from famous street markets such as the night market on Temple Street, the Ladies Market and the Jade Market, and is directly connected to The Langham Place Shopping Mall and Office Tower. Cordis, Hong Kong is the only large scale luxury hotel in the heart of Mongkok and easily accessible by various modes of public transportation, including the MTR. Mongkok attracts many shoppers, both local and overseas, as the location has a plethora of shopping malls, street shops and open bazaar outlets. In addition to retail, Mongkok is an entertainment and commercial centre.



Cordis, Hong Kong is the only large-scale luxury hotel in the heart of Mongkok

H_{KT B} RATING

High Tariff A

R_{OO M S}

669

G_{F A} ('000 SQ.FT)

580



CORDIS HOTEL



Eaton

Eaton HK is located on Nathan Road, a popular street in Hong Kong in a famous shopping, entertainment and commercial district. Eaton HK is easily accessible by various modes of public transportation and is located between Tsim Sha Tsui and Mongkok. Eaton HK has undergone a spectacular transformation with extensive renovation in its F&B outlets, common areas, facilities and some of its rooms in 2018, becoming the first hotel in Hong Kong to focus immensely on culture, socialization and the community.



Located on Nathan Road,
Eaton HK's designs are amongst the
most stylish and targeted to attract
millennials, who are looking for a thorough
experience-based stay.

H_{KT}B RATING

High Tariff B

R_OOMS

465

G_FA ('000 SQ.FT)

339



LANGHAM

HOSPITALITY GROUP

The Trust Group comprises a hotel portfolio of three Hong Kong hotels including The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK. These three Hong Kong hotels are managed by the Hotel Manager, Langham Hotels International Limited under Langham Hospitality Group, which is one of the world's most outstanding hotel management companies.

Langham Hospitality Group, a member of the Great Eagle Group, encompasses a family of distinctive hospitality brands which include hotels, restaurants and spas, located on four continents. Langham Hospitality Group currently manages 26 hotels under The Langham Hotels and Resorts, Cordis and Eaton brands, with more than 15 hotel projects currently confirmed and under construction or in a developed stage of negotiations in China, Southeast Asia, Australia and North America.

LANGHAM HOTELS AND RESORTS – THE LANGHAM AND LANGHAM PLACE

Langham Hotels and Resorts, is the flagship brand of Langham Hospitality Group, and comprise hotels committed to delivering exceptional experiences across the globe. The Langham name has come to represent hotels that are the epitome of luxury, displaying a passion for genuine service, innovation, captivation of the senses and design. Our hotels are defined by 'The Art of the Stay' through their impeccable service with poise, timeless art & design and by their eclectic sensory experiences. The Langham brand reflects classic luxury, grand and timeless, whereas Langham Place brand represents modern luxury and sophistication.

CORDIS

Cordis, meaning "heart" in latin, is a collection of elegant upscale hotels, with plenty of heart & soul, utterly devoted to your business, personal and family well-being. The service is seamless, devoted, genuine, reliable, thoughtful, anticipatory, passionate and intuitive. The Cordis portfolio will include new built designs, resorts and contemporary residences. The brand will be developed through a combination of new-build and conversion projects in key cities in Asia and North America, with the first hotel to fly the Cordis flag 2015 in Hong Kong.

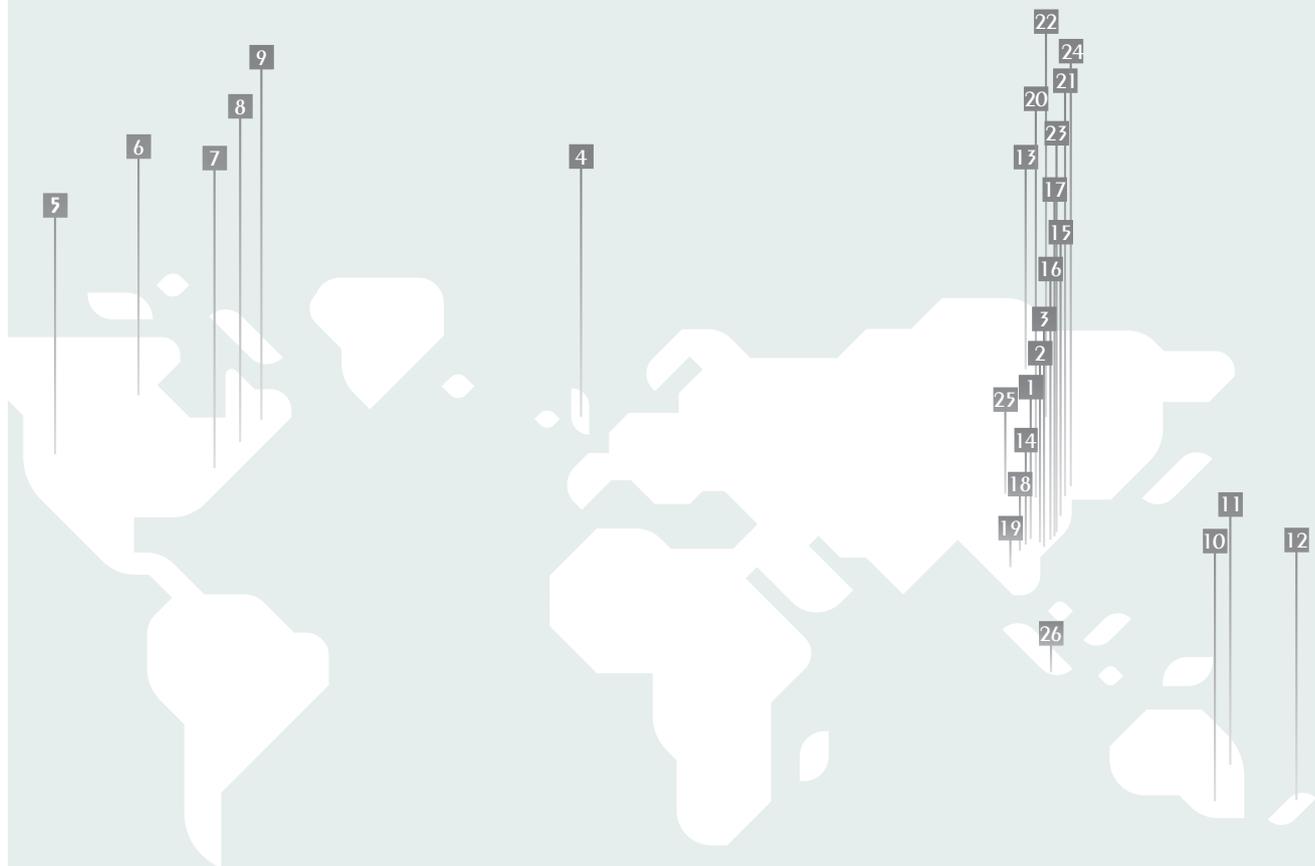
EATON

Eaton HK is the physical arm of Eaton Workshop, a new global purpose-driven company and creative lab from Katherine Lo at the intersection of culture, media, hospitality, wellness, and progressive social change. With distinct parts—Hotel, House, Media, Wellness, and Impact Eaton Workshop transcends the notion of a traditional hotel to provide a physical, digital, and analog platform to artists, activists, healers, and leaders in their pursuit of making the world a better place.

LANGHAM

HOSPITALITY GROUP

- | | | |
|---|--|-------------------------------------|
| 1 The Langham, Hong Kong | 9 The Langham, Boston | 18 The Langham, Shenzhen |
| 2 Cordis, Hong Kong | 10 The Langham, Melbourne | 19 The Langham, Haikou |
| 3 Eaton HK | 11 The Langham, Sydney | 20 The Langham, Xintiandi, Shanghai |
| 4 The Langham, London | 12 Cordis, Auckland | 21 Cordis, Hongqiao, Shanghai |
| 5 The Langham, Huntington Pasadena, Los Angeles | 13 Cordis, Beijing Capital Airport | 22 The Langham, Hefei |
| 6 The Langham, Chicago | 14 Langham Place Guangzhou | 23 Cordis, Dongqian Lake, Ningbo |
| 7 Eaton Washington DC | 15 Langham Place, Ningbo Culture Plaza | 24 Cordis, Hangzhou, Sci-Tech City |
| 8 The Langham, Fifth Avenue, New York | 16 Langham Place, Xiamen | 25 Langham Place, Changsha |
| | 17 Langham Place, Haining | 26 The Langham, Jakarta |



Note:

The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK are existing hotel properties owned by the Trust Group. Apart from the said Hotels, the Trust Group does not own any other hotels in the above list.

CORPORATE INFORMATION AND FINANCIAL CALENDAR

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

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
Mizhuo Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited

CORPORATE INFORMATION AND FINANCIAL CALENDAR

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 2702, 27th 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

FINANCIAL CALENDAR

Event	Date
2021 Interim Results Announcement	17 August 2021
2021 Annual Results Announcement	15 February 2022
Closure of Registers for ascertaining the entitlement to attend and vote at the 2022 Annual General Meeting	5 May 2022 – 12 May 2022 <i>(both days inclusive)</i>
2022 Annual General Meeting	12 May 2022
Ex-distribution Date	17 May 2022
Closure of Registers for ascertaining the entitlement to the proposed 2021 Final Distribution	19 May 2022 – 24 May 2022 <i>(both days inclusive)</i>
Record Date for 2021 Final Distribution	24 May 2022
Payment of 2021 Final Distribution of HK2.7 cents per Share Stapled Unit	7 June 2022

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.

FINAL DISTRIBUTION

The Trustee-Manager Board has recommended the payment of a final distribution of HK2.7 cents per Share Stapled Unit (2020: Nil) for the year ended 31 December 2021, representing a payout ratio of 90%, to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 24 May 2022. Subject to the approval of the Holders of Share Stapled Units at the 2022 AGM, the payment of the final distribution will be made on 7 June 2022. Since no interim dividend was made for the six month ended 30 June 2021 (2020: Nil), distribution per Share Stapled Unit for the year was HK2.7 cents. Based on the closing Share Stapled Unit price of HK\$0.84 as at 31 December 2021, Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 3.2%.

The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the Auditor of the Trust has reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per Share Stapled Unit and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unitholders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.

DISTRIBUTION NOTICE

CLOSURE OF REGISTERS

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed (collectively, the “Registers”) will all be closed during the following periods and during these periods, no transfer of Share Stapled Units will be registered:

(i) To attend and vote at the 2022 AGM

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2022 AGM, the Registers will be closed from Thursday, 5 May 2022 to Thursday, 12 May 2022, both days inclusive.

In order to be eligible to attend and vote at the 2022 AGM, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 4 May 2022.

(ii) To qualify for the proposed 2021 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2021 final distribution, the Registers will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, both days inclusive.

In order to qualify for the proposed 2021 final distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 18 May 2022.

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2021	2020	Change
Revenue of hotel portfolio	753.1	587.9	28.1%
Total rental income for the Trust Group after netting service fees	224.3	208.3	7.7%
Profit/(loss) attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	66.8	(20.1)	432.3%
Distributable Income	98.5	6.0	1541.7%
*90% of Distributable Income	88.7	N/A	n.m.
Interim Distribution per Share Stapled Unit	–	–	–
Final Distribution per Share Stapled Unit	HK2.7 cents	–	n.m.
Annual Distribution per Share Stapled Unit	HK2.7 cents	–	n.m.

* The present distribution policy of the Trust Group is to distribute not less than 90% of total distribution income to its Holders of Share Stapled Units.

As at	31 Dec 2021	30 Jun 2021	31 Dec 2020
Gross Value of Hotel Portfolio (in HK\$ million)	14,407	14,270	14,802
Net Asset Value per Share Stapled Unit	HK\$2.41	HK\$2.36	HK\$2.52
Gearing Ratio	43.2%	44.1%	42.6%

CHAIRMAN'S STATEMENT



2021 continued to be a challenging year for the hospitality sector globally. 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. Overnight visitor arrivals have been almost non-existent since the catastrophic plunge in early 2020. To cope with stringent travel restrictions and border closures, we had to pivot our offer toward Hong Kong residents with staycation promotions. Compared with last year, our hotels delivered higher occupancies, especially in the second half of the year.

Higher occupancy rates have resulted in a 38.8% increase in Revenue Per Available Room ("RevPAR") for our hotels for the full year of 2021, which is much higher than the year-on-year growth of 6.4% for the first half of 2021. RevPAR comparisons for our hotels with the hotels of Hong Kong Tourism Board ("HKTB") are not meaningful this year, given that the quarantine hotel business artificially inflates that of many of our competitors.

CHAIRMAN'S STATEMENT

All our hotels witnessed a good improvement in the Food and Beverage ("F&B") operating performance in the second half of 2021, driven by banqueting, all day dining as well as Chinese restaurants. The partial and on-going relaxation of government-imposed social distancing measures, including the move to "Type D" operation for restaurants with banqueting business, underpinned this second half performance. Overall, F&B revenue rose 51.4% for the full year of 2021. The increase was 20.9% year-on-year for the first half of 2021.

Total revenue from our hotels rose 28.1% year-on-year. Excluding the decrease in government subsidies of HK\$70.3 million, total revenue from our hotels actually rose 45.7% year-on-year. Due to the strong performance in F&B and improvements in both occupancy and average room rates in the second half of 2021, the portfolio generated an aggregate gross operating profit before deduction of global marketing fee amounting to HK\$31.1 million for the year, compared with an aggregate gross operating loss before deduction of global marketing fee of HK\$13.2 million last year.

Apart from the fixed rental income from GE (LHIL) Lessee Limited (the "Master Lessee") amounting to HK\$225.0 million in 2021, we received HK\$21.7 million in variable rental income representing our share of the aggregate gross operating profit before deduction of global marketing fee. Overall, total gross rental income after accounting for service fees expenses incurred an increase of 7.7% to HK\$224.3 million in 2021, whereas the Trust Group's net property income increased 13.2% year-on-year to HK\$203.6 million.

During the year, finance costs dropped 33.8% to HK\$115.5 million as interest rates declined and the total loan fell following partial prepayment in late 2020. There was a gain in fair value of derivative financial instruments amounting to HK\$62.0 million booked during the reporting period. Nonetheless, there was a HK\$475.4 million fall in

the fair value of investment properties (hotel portfolio), resulting in a net loss of HK\$346.6 million for the year. Net profit, excluding the non-cash fair value changes of investment properties and derivative financial instruments, was HK\$66.8 million, representing an increase of 432.3% as compared with last year (2020: net loss of HK\$20.1 million). This increase was mainly accounted for by the lower finance costs. After adjusting the non-cash items, distribution income came to HK\$98.5 million for 2021. Despite the very difficult operating environment for Hong Kong's hotel market, the Trustee-Manager Board recommended distributing 90% of this income, representing HK\$88.7 million or HK2.7 cents per Share Stapled Unit, be distributed to the Holders of Share Stapled Units, in line with the present distribution policy of the Trust Group.

Valuation of the hotel portfolio was HK\$14,407.0 million as at the end of December 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 net proceeds of HK\$1,019.1 million, HK\$810.0 million was 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 covenants in October 2020; and the remainder was set aside for general working capital. During the year, HK\$41.0 million was withdrawn from the designated bank account for the partial repayment of revolving loans upon satisfying the requirements of the mitigation mechanism under the loan facilities agreements. In December 2021, revolving loans of totalling HK\$100.0 million was repaid. As at 31 December 2021, total outstanding borrowings, before accounting for the loan front-end fee, amounted to HK\$6,317.0 million, which implied a gearing ratio of 43.2%. Net Asset Value ("NAV") of the Trust Group amounted to HK\$7,799.8 million or HK\$2.41 per Share Stapled Unit as at 31 December 2021.

CHAIRMAN'S STATEMENT

OUTLOOK

The emergence of the more contagious but less virulent Omicron COVID-19 variant towards the end of 2021 has continued to hamper the global economy. The pace of economic growth as a result may be slower than expected.

Due to the fifth wave of COVID-19, a series of measures were implemented in Hong Kong to further safeguard the community, such as flight suspensions, increasing compulsory quarantine, closing restaurants and bars after 6:00 p.m. and the closure of recreational facilities and services. Since the outbreak is still ongoing, there is no sign indicating when these stringent measures will be lifted. However, the city has not been effective in pushing for higher community vaccination rate. A higher vaccination rate should give better protection from severe illness and death, and should allow economic activities to be revived.

Since there are still too many uncertainties as to gauge when a sustainable recovery of the Hong Kong hospitality sector will eventually take hold, The Langham, Hong Kong will operate as a designated quarantine hotel for five months from 1 March 2022. We hope that both occupancy and average room rate will be stabilised by operating

in this environment, while F&B services in this hotel will operate as normal notwithstanding any government restrictions under such schemes. Nonetheless, in view of the unprecedented surge in confirmed cases recently, we will stay flexible and be ready to respond to changes. Meanwhile, we will cooperate with the Government and participate in any other Government schemes and plans available to our hotels from time to time to battle the pandemic.

Cordis, Hong Kong and Eaton HK will continue to rely on local business for an extended period in 2022, continuing to focus on the domestic staycation, as well as the local long-stay market.

Furthermore, not until F&B restrictions are a thing of the past and travel to and from Hong Kong is open, and there is no longer the need for extensive quarantine, will we see any significant uptick in our business volumes and results. For January 2022, RevPAR and F&B business in our hotels continue to be dramatically affected by the extended mandatory quarantine requirements and the ban on dine-in evening services.



Lo Ka Shui
Chairman

CEO'S REVIEW

OPERATIONAL REVIEW

As the Hotels of the Trust Group are leased to the GE (LHIL) Lessee Limited (the "Master Lessee"), an indirect wholly-owned subsidiary of Great Eagle Holdings Limited, the Trust Group receives rent in the form of a pre-determined fixed rental income (pro-rata at HK\$225.0 million per annum) and a variable rent calculated at 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fee. 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.

The Trust Group continued to receive a fixed rental income of HK\$225.0 million for 2021. Since there was an aggregate gross operating profit before deduction of global marketing fee, variable rental income amounted to HK\$21.7 million. Combined with a modest HK\$2.0 million in rental income from the retail shops at Eaton HK, total rental income received by the Trust Group before service fees was HK\$248.7 million for the year, representing a growth of 9.6% year-on-year. After netting off HK\$24.4 million in service fees incurred, total rental income was HK\$224.3 million, representing a year-on-year increase of 7.7%.

(in HK\$ million)	2021	2020	Change
Variable rental income	21.7	–	n.m.
Fixed rental income	225.0	225.0	–
Rental income from retail shops	2.0	2.0	–
Total rental income before service fees	248.7	227.0	9.6%
Service fees expenses	(24.4)	(18.7)	30.5%
Total rental income for the Trust Group	224.3	208.3	7.7%

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 of 5.0% of adjusted gross operating profit of the relevant hotel. The licence fee is calculated based on 1.0% of the total revenue of the relevant hotel, and global marketing fee is calculated at 2.0% of total room revenue of the relevant hotel. It should be noted that when calculating distributable income, global marketing fee is paid in cash. As for hotel management and licence fees, the Hotel

Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both. A specific mandate relating to the issue of Share Stapled Units as payment of the hotel management and licence fees for the three financial years ending 31 December 2023 was approved by the majority of Independent Holders of Share Stapled Units in the extraordinary general meeting held on 12 May 2021. For the year ended 31 December 2021, the Hotel Manager has elected to be paid wholly in the form of Share Stapled Units for the payment of hotel management and licence fees.

CEO'S REVIEW

In 2021, reflecting the improvement in the operating performance of the Hotels as compared with 2020, hotel management fees rose by 30.0% to HK\$13.0 million, the licence fee rose by 27.1% to HK\$7.5 million and the global

marketing fee rose by 39.3% to HK\$3.9 million. Total service fees payable to the hotel management company increased 30.5% year-on-year to HK\$24.4 million in 2021.

(in HK\$ million)	2021	2020	Change
Hotel management fees	13.0	10.0	30.0%
Licence fee	7.5	5.9	27.1%
Global marketing fee	3.9	2.8	39.3%
Total service fees	24.4	18.7	30.5%

Property-related expenses declined by 27.1% year-on-year to HK\$20.7 million in 2021, which was primarily due to the lower rateable value of the Hotels and resulted in

lower government rates. Overall, the net property income of the Trust Group came to HK\$203.6 million in 2021, representing a year-on-year increase of 13.2%.

(in HK\$ million)	2021	2020	Change
Total rental income after service fees	224.3	208.3	7.7%
Hotel properties related expenses	(20.7)	(28.4)	-27.1%
Net property income	203.6	179.9	13.2%

Finance costs dropped 33.8% year-on-year to HK\$115.5 million, as average HIBOR dropped significantly in 2021, and 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 expenses on the floating rate loan and other borrowing costs dropped 50.5% to HK\$60.5 million during the year. However, part of the savings was offset by an increase in net interest expenses incurred on interest rate swaps in 2021. Loan front-end fee amortisation, which is a non-cash item, remained the

same as last year at HK\$11.3 million.

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

(in HK\$ million)	2021	2020	Change
Breakdown of Finance costs			
Interest expense and other borrowing costs	(60.5)	(122.2)	-50.5%
Loan front-end fee amortisation	(11.3)	(11.3)	-
Interest expense income on interest rate swaps	(43.7)	(41.1)	6.3%
Total Finance costs	(115.5)	(174.6)	-33.8%

CEO'S REVIEW

There was a decrease in fair value of investment properties (Hotel portfolio) amounting to HK\$475.4 million in 2021 amid the reduction in the Hotels' business from the impacts of the COVID-19 pandemic. On the other hand, there was a gain of HK\$62.0 million due to an increase in market value of derivative financial instruments (interest swap contracts). The decrease in administrative and other expenses was mainly due to the legal and professional

fees incurred for the rights issue in the third quarter of 2020. Loss attributable to Holders of Share Stapled Units was HK\$346.6 million in 2021. Excluding the fair value changes of investment properties and derivative financial instruments, a net profit of HK\$66.8 million in 2021 is noted, as compared with a net loss of HK\$20.1 million in 2020.

(in HK\$ million)	2021	2020	Change
Net property income	203.6	179.9	13.2%
Interest and other income	1.9	2.0	-5.0%
Decrease in fair value of investment properties (Hotel portfolio)	(475.4)	(2,722.3)	-82.5%
Change in fair value of derivative financial instruments (interest rate swaps)	62.0	(90.4)	168.6%
Finance costs	(115.5)	(174.6)	-33.8%
Administrative and other expenses	(13.9)	(21.3)	-34.7%
Loss before tax	(337.3)	(2,826.7)	-88.1%
Income tax expense	(9.3)	(6.1)	52.5%
Loss attributable to Holders of Share Stapled Units	(346.6)	(2,832.8)	-87.8%
Profit/(loss) attributable to Holders of Shares Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	66.8	(20.1)	432.3%

CEO'S REVIEW

To derive the Trust Group's distributable income, loss attributable to Holders of Share Stapled Units was adjusted for the non-cash items. Items adjusted included decrease in fair value of investment properties, change 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, depreciation and the cash contribution to furniture, fixtures and equipment reserve.

(in HK\$ million)	2021	2020	Change
Loss attributable to Holders of Share Stapled Units	(346.6)	(2,832.8)	-87.8%
Adjustments:			
Decrease in fair value of investment properties	475.4	2,722.3	-82.5%
Change in fair value of derivative financial instruments	(62.0)	90.4	-168.6%
Hotel management fees and licence fee payable in form of Share Stapled Units	20.5	15.9	28.9%
Loan front-end fee amortisation	11.3	11.3	–
Deferred tax	9.3	5.9	57.6%
Depreciation	1.9	1.8	5.6%
Reserve for furniture, fixtures and equipment	(11.3)	(8.8)	28.4%
Distributable income	98.5	6.0	1541.7%
90% of Distributable income	88.7	N/A	n.m.

CEO'S REVIEW

The present policy of the Trust Group is to distribute not less than 90% of total distributable income to its Holders of Share Stapled Unites. Distributable income of the Trust Group based on a 90% distribution payout ratio for 2021 was HK\$88.7 million. In 2021, distribution per Share

Stapled Unit was HK2.7 cents (based on Share Stapled Units outstanding as at end of 2021). In comparison, distributable income in 2020 was only HK\$6.0 million and as a result no distribution was declared in 2020.

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2021	2020	2021	2020	2021	2020	2021	2020
The Langham, Hong Kong	498	498	30.1%	16.3%	1,103	1,342	332	219
<i>year-on-year growth</i>			+13.8ppt		-17.8%		+51.6%	
Cordis, Hong Kong	667	667	36.0%	22.5%	996	1,165	358	262
<i>year-on-year growth</i>			+13.5ppt		-14.5%		+36.6%	
Eaton HK	465	465	48.8%	37.4%	534	543	261	203
<i>year-on-year growth</i>			+11.4ppt		-1.7%		+28.6%	
Hotel Portfolio	1,630	1,630	37.9%	24.8%	852	933	322	232
<i>year-on-year growth</i>			+13.1ppt		-8.7%		+38.8%	

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2021	2020	2021	2020	2021	2020
High Tariff A	45.0%	24.0%	1,455	1,617	655	388
<i>year-on-year growth</i>	+21.0ppt		-10.0%		+68.8%	
High Tariff B	65.0%	45.0%	641	608	417	274
<i>year-on-year growth</i>	+20.0ppt		+5.4%		+52.2%	

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

CEO'S REVIEW

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	60.4	87.2	44.2	191.8
Food & Beverages	159.1	206.7	156.7	522.5
Others	6.9	14.2	17.7	38.8
Total revenue	226.4	308.1	218.6	753.1

Year-on-year change	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	51.6%	36.6%	27.8%	38.7%
Food & Beverages	57.4%	55.4%	41.2%	51.4%
Others*	-78.9%	-65.0%	-43.6%	-62.9%
Total revenue	30.4%	29.8%	23.5%	28.1%

* Figures included government subsidies (2020: Employment Support Scheme and other government subsidies) due to COVID-19.

CEO'S REVIEW

Performance of the individual hotels

The Langham, Hong Kong, witnessed continued pressure on demand for rooms as quarantine restrictions on inbound travellers continued throughout the year. As a result of weak demand from traditional segments during the year, the Hotel Manager targeted the local staycation market as well as long-stay business, producing an improvement in occupancy in the second half of 2021. As a result, the hotel posted a 30.1% occupancy for the full year, as compared with a 20.6% occupancy witnessed in the first half of 2021. Average room rate dropped 17.8% for the full year, as compared with a decrease of 23.7% in the first half of 2021.

F&B revenue for the hotel increased by 57.4% year-on-year in 2021. The increase was due to the improved revenue across our restaurants as government restrictions eased and larger banqueting business was able to return towards the end of the year. Note that The Food Gallery was closed for three months at the beginning of the COVID-19 lockdown in 2020.

Excluding the decrease of HK\$24.8 million in the Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 52.3% year-on-year in 2021.

Cordis, Hong Kong, with minimal demand from international markets amid ongoing border restrictions, the Hotel Manager focused on targeting the local staycation and long-stay businesses. The hotel managed to improve its occupancy to 36.0% for 2021, as compared with a 26.2% occupancy in the first half of 2021. Average room rate dropped 14.5% in 2021, as compared with a decrease of 22.0% in the first half of 2021.

Revenue from F&B witnessed an increase of 55.4% year-on-year in 2021, with strong spent-up demand from the local market. All the restaurants witnessed an improvement in business as government restrictions eased. In addition, the catering segment performed well in the third and fourth quarters on the back of eased restrictions that allowed the holding of larger functions and wedding banquets.

Excluding the decrease of HK\$29.5 million in Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 48.2% year-on-year in 2021.

Eaton HK, managed to deliver a 48.8% occupancy for 2021, as it captured a good share of the staycation market by its value-for-money pricing. Room rate remained relatively stable dropping only 1.7% year-on-year in 2021, as compared with a drop of 10.6% year-on-year in the first half of 2021.

Revenue from F&B at the Eaton HK performed relatively well with an increase of 41.2% year-on-year in 2021. The growth was particularly strong at The Astor buffet restaurant. All the restaurants continued to build a strong reputation after renovations.

Excluding the decrease of HK\$15.9 million in Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 36.1% year-on-year in 2021.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the year ended 31 December 2021 was HK\$98,522,000 (2020: HK\$5,967,000). It is the policy of the Trust Group to distribute not less than 90% of total distributable income to its Holders of Share Stapled Units. It has been decided to distribute HK\$88,670,000, representing 90% of the total distributable income for the year ended 31 December 2021 whereas no distribution was declared in last year.

Distribution per Share Stapled Unit for financial year ended 31 December 2021 based on 90% payout ratio is HK2.7 cents. Since no interim dividend was made for the six month ended 30 June 2021 (2020: Nil), distribution per Share Stapled Unit for the year was HK2.7 cents. Based on the closing Share Stapled Unit price of HK\$0.84 as at 31 December 2021, distribution per Share Stapled Unit is equivalent to a distribution yield of 3.2%.

CEO'S REVIEW

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$7,799.8 million or HK\$2.41 per Share Stapled Unit as at 31 December 2021 (2020: HK\$8,129.6 million or HK\$2.52 per Share Stapled Unit) which represents a 186.9% premium to the closing Share Stapled Unit price of HK\$0.84 as at 31 December 2021.

Use of Proceeds from Rights Issue

In September 2020, the Trust Group 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 2021, the use of net proceeds from the rights issue is as follows:

(in HK\$ million)	Utilised			Unutilised			
	Estimated amount for intended use	At 31 December 2020	Movement during the year	At 31 December 2021	At 31 December 2020	Movement during the year	At 31 December 2021
Intended use							
Utilise at least 80% of the net proceeds in prepayment of part of the outstanding loans	809.0	810.0	-	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	(41.0)	-	-	-	-
Utilise the remainder of the net proceeds for general working capital	-	-	116.3	116.3	160.2	(75.3)	84.9
Total	1,011.2	851.0	75.3	926.3	160.2	(75.3)	84.9

During the year, HK\$41.0 million of security bank balance was released upon satisfying the requirements of the mitigation mechanism under the loan facilities agreement. The utilisation of HK\$116.3 million during the year represented the repayment of revolving bank loans and payments of finance costs of HK\$100.0 million and HK\$16.3

million, respectively. As at 31 December 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\$84.9 million is expected to be utilised by 31 December 2022.

CEO'S REVIEW

Debt Profile

Total outstanding borrowings, before accounting for the loan front-end fee, of the Trust Group as at 31 December 2021 were HK\$6,317.0 million (2020: HK\$6,417.0 million). The secured term loans of HK\$5,990.0 million (2020: HK\$5,990.0 million) were on a floating-rate interest basis and repayable in full in December 2023 (2020: in December 2023). The secured revolving loans of HK\$327.0 million (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 transactions totaling HK\$5,700.0 million during 2017 to 2020. Upon the expiry of five interest rate swap transactions totalling HK\$2,500.0 million in the first half of 2021, HK\$3,200.0 million (2020: HK\$5,700.0 million) out of the total outstanding bank loans, before accounting for the loan front-end fee, of HK\$6,317.0 million (2020: HK\$ 6,417.0 million) or 50.7% (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 31 December 2021, total gross assets of the Trust Group were HK\$14,612.6 million (2020: HK\$15,079.6 million). Gearing ratio, calculated at total outstanding borrowings as a percentage of gross assets, was 43.2% (2020: 42.6%).

Cash Position

During the year, security bank balance of HK\$41.0 million was released upon satisfying the requirements to mitigation mechanism under the loan facilities agreement (2020: security bank balance of HK\$41.0 million was placed for the requirements of the mitigation mechanism). As at 31 December 2021, the Trust Group had a cash balance of HK\$179.2 million (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\$373.0 million as of 31 December 2021 (2020: HK\$273.0 million).

Pledge of Assets

As at 31 December 2021, all investment properties (2020: 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 31 December 2021, the Trust Group has authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$40.6 million (2020: HK\$2.4 million), of which HK\$30.4 million (2020: Nil) was contracted for.

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



Brett Stephen Butcher
Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 75, 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 62, 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 AND SENIOR MANAGEMENT

Professor CHAN Ka Keung, Ceajer **Independent Non-executive Director**

Professor CHAN Ka Keung, Ceajer, aged 65, 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 Director of The One Country and Two Systems Research Institute. He is an Independent Non-executive Director of Guotai Junan International Holdings Limited, China Overseas Land & Investment Limited, NWS Holdings Limited and Hong Kong Aerospace Technology Group Limited, all companies are listed on the Main Board of Stock Exchange. He is an Independent Non-executive Director of CMB International Capital Corporation Limited and Greater Bay Area Homeland Investments Limited as well as a Non-executive Director of Trivium Holdings Limited. 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 AND SENIOR MANAGEMENT

Mr. 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.

Mr. 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 AND SENIOR MANAGEMENT

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 IncitAdv Consultants Ltd., Chairman and a Director of Hong Kong Grand Opera Company Limited, an advisor to the Chamber of Hong Kong Listed Companies, 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 Subcommittee 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.

Interests of the Directors of the Trustee-Manager and the Company in the Share Staple Units and/or the substantial Holders of Share Stapled Units are set out in the Report of the Directors in this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LI Man Wai, Alexander **Chief Financial Officer**

Mr. LI Man Wai, Alexander, aged 67, has been the Chief Financial Officer of the Company since 2013. He joined the Great Eagle Group in 1999 as the financial controller of The Langham, Hong Kong and was promoted to regional director of finance – Hong Kong of the Hotel Manager in 2012 overseeing the finance department of all Hong Kong properties, namely The Langham, Hong Kong, Cordis, Hong Kong, Eaton HK and Eaton serviced apartments, as well as the Chinese restaurant, Ming Court, in Wanchai. He has extensive experience in the hospitality industry of around 40 years and held various positions in the finance department in international hotel chains including Mandarin Oriental, Shangri-la and Regal before joining the Great Eagle Group.

Ms. WONG May Po, Mabel **Financial Controller**

Ms. WONG May Po, Mabel, aged 50, Financial Controller of the Company, joined the Group in February 2020. With over 25 years of financial and auditing experience gained from various companies, Ms. Wong is primarily responsible for the financial and accounting affairs of the Group. Ms. Wong holds a Bachelor of Commerce in Accounting from the University of New South Wales, Australia, and is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

COMPANY SECRETARY

Ms. WONG Mei Ling, Marina

Ms. WONG Mei Ling, Marina, aged 55, has been the Company Secretary of the Trustee-Manager and the Company since 2013. She is responsible for the company secretarial and compliance function of the Trust Group. Ms. Wong is the Company Secretary of Great Eagle Holdings Limited. She is also a Non-executive Director and the officer in charge of the corporate secretary of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) principally responsible for the governance, compliance and corporate secretarial matters. Prior to that, she was a senior management of a red chip listed company in Hong Kong and served as the Company Secretary and a member of the Investment Appraisal Committee. With over 30 years solid working experience, her expertise lies in the development of governance and compliance policies and corporate secretarial and administration. Ms. Wong is a Fellow both of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Ms. Wong received a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration from the University of Wales and the University of Manchester jointly and a Bachelor Degree in Accountancy from City University of Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Chairman's Message

2021 was another challenging year as the world moves into its third year of fighting the pandemic and businesses and people continue to adapt to the new world.

Despite the constraints, our sustainability mission remains a key priority. We continued to move forward with our sustainability efforts and hold steadfast to our pledge of integrating sustainability into the core purpose of our business. The goal to protect the world we live in for future generations is a responsibility we must take ownership of and proactively strive to achieve.

Responding to climate change forms the core of our sustainability roadmap. Starting with food, we can contribute a significant impact on the environment. The action of promoting options for plant-based can already make an important difference. I am proud that Langham Hospitality Group's Michelin starred Cantonese restaurants in Hong Kong are leading the way in developing innovative plant-based dishes providing a healthier and more sustainable dining alternatives for our guests.

After a year-long comprehensive review and stakeholder engagement exercise, I am pleased that our Climate Leadership Strategy has been formulated. We aim to achieve net-zero impact by 2045 and contribute solutions and inspirations to combat climate change with three key strategic focuses in Asset, People and Capital, with a vision to become a well-recognised and respected climate leader in Hong Kong and Asia. As we move forward, we have identified eight pathways for implementation to drive impact, with clear directions and targets for each pathway to help us reach our goals.

Global issue demand concerted actions in order to build a sustainable future. We are firmly committed to doing our part to the climate agenda, working together with the community to secure a more sustainable tomorrow for us and generations to come.



Lo Ka Shui

Chairman and Non-Executive Director

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING APPROACH & BOUNDARY

This Environmental, Social and Governance (“ESG”) Report (“the Report”) is prepared in accordance with the HKEX’s ESG Reporting Guide and satisfies the “comply or explain” provisions of it. The report follows the four Reporting Principles, namely Materiality, Quantitative, Balance and Consistency as stipulated in the ESG Reporting Guide.

Reporting boundary of the report covers all properties in full operation of LHIL during the reporting period. The reporting boundary is determined based on our control and significant influence with considerations in revenue contribution, management ownership, operating status, and sustainability impacts. The Hotel Manager annually issues its sustainability report, which reviews their current systems and performance and sets out their environmental and social objectives for the coming years.

SUSTAINABILITY APPROACH

At LHIL, together with the Hotel Manager (Langham Hospitality Group LHG), we are committed to being a sustainable company. Sustainability is embedded in our hotel operations by engaging our major stakeholders through CONNECT, the LHG corporate social responsibility programme. This report shares CONNECT activities and developments in four priorities areas; Environment, Community, Colleagues, and Governance.

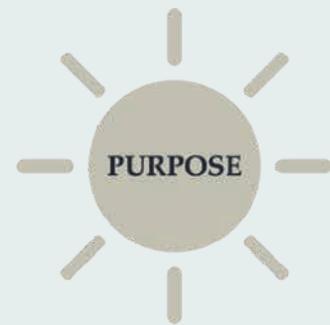
The Board of Directors oversees the broader sustainability trends and is responsible for LHIL’s ESG strategy and reporting. They delegate day-to-day responsibility for all sustainability-related matters, including identifying, evaluating and managing ESG related risks to the Hotels and Hotel Manager, which regularly reports the progress to the Board.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In recent years, we observed two things – the world (and the climate crisis) is developing much more rapidly, and our colleagues are prepared to challenge themselves in this evolving world. Therefore, the Hotel Manager conducted an extensive review of our CONNECT Strategy to meet the current and future stakeholders’ expectations. The full materiality assessment was completed, including a benchmarking exercise, an internal opinion survey, and two strategy review workshops with internal and external stakeholders.

The below diagram highlights our 2030 sustainability vision and strategy. For details of the materiality assessment, the long-term sustainability strategy and goals, please refer to the Hotel Manager’s Sustainability Report 2019. In the following years, we will report on our progress in delivering our CONNECT vision and goals.



Our purpose is to enhance the social interaction and bonding in an evolving world

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY-LINKED LOAN

The Trust and the Company signed a 4-year sustainability-linked loan facility totalling HK\$7.5 billion with 11 banks in Britain, China, Hong Kong, Japan and Singapore in 2019. The syndicated sustainability-linked loan is the first raised by a listed company in the Asian hospitality

sector. We are eligible for interest rates reduction when specific sustainability objectives have been met. On the contrary, the initial interest margin will be increased if we underperform. This sustainability-linked loan facility reflects our commitment to creating a positive change for the environment and holding ourselves financially accountable for the impact on the environment.

The table below summarises the sustainability performance for 2020 and 2021.

Sustainability Objectives	Baseline performance 2018	Effect on Initial interest margin			Our performance (x)	
		Positive	Passive	Negative	2021 ^(b)	2020 ^(c)
Energy Consumption ^(a) (MJ per sq meter)	1,802	$x < 1,773$	$1,773 \leq x \leq 2,050$	$x > 2,050$	1,486	1,389
Waste Sent to Landfill ^(a) (Liters/Guest Night)	3.5	$x < 3.25$	$3.25 \leq x \leq 7.00$	$x > 7.00$	2.5	3.2
EarthCheck Achievement Level	The Langham – Gold Cordis – Gold	All Platinum	Either one cannot achieve Platinum	Either one does not have rating	All Platinum	All Platinum

(a) Average performance for The Langham, Hong Kong and Cordis, Hong Kong.

(b) Subject to the issue of EarthCheck report at the second half of 2022.

(c) Based on EarthCheck report.

During the year, we have reduced our initial interest margin by 0.03% per annum upon achieving all sustainability objectives for 2020. Based on the initial

performance in 2021, we again achieved all sustainably objectives and we expect the adjusted interest margin to remain unchanged in 2022/23.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT

The Hotel Manager has implemented a systematic approach to managing environmental issues at the hotels through a partnership with EarthCheck. EarthCheck is the leading international sustainability benchmarking and certification service for the travel and tourism industry. The EarthCheck standards align with global frameworks such as the UN Sustainable Development Goals (UNSDGs), the IPCC Guidelines for National Greenhouse Gas Inventories, International Organisation for Standardisation (ISO), Global Reporting Initiatives (GRI) and industry practices such as the Global Sustainable Tourism Criteria (GSTC). The EarthCheck standards stipulated requirements that cover the following key performance areas of hotel operations:

- greenhouse gas emissions;
- energy efficiency, conservation and management;
- management of freshwater and stormwater resources;
- ecosystem conservation and management;
- management of social and cultural issues;
- land-use planning and management;
- air quality and noise control;
- wastewater management;
- solid waste management; and
- environmentally harmful substances.

By embracing the EarthCheck requirements in the hotels' operations, environmental policies were developed to identify the material issues related to our hotel operations. Each hotel conducts an environmental risk assessment to investigate and assess all known and potential risks that may cause ecological and social harm. Independent third-party verification by EarthCheck ensures our compliance with the relevant legislation and continuous improvement

in our environmental and social performance, including energy and water consumption, carbon emission, and waste management on an annual basis.

EarthCheck certification is a key performance indicator for LHG hotels. In 2020, all three hotels achieved EarthCheck Platinum Certification as their sustainability efforts have been recognised for at least ten years. Besides, Eaton HK achieved the Gold Rating of LEED v4 Interior Design and Construction Hospitality Certification by the US Green Building Council. Cordis, Hong Kong is accredited with an ISO 14001:2015 certification. Eaton HK received the Silver Award – Hotels and Recreation Clubs sector of Hong Kong Awards for Environmental Excellence 2020 organised by the Environmental Campaign Committee, and the Certificate of Excellence of Hong Kong Sustainability Award 2020/21 by the Hong Kong Management Association.

The Hotels also participated in various programmes and charters by the Environment Bureau and Environmental Protection Department of HKSAR Government, including the following:

- Foodwise Charter
- Energy Saving Charter
- Charter on External Lighting
- Carbon Neutrality Partnership



Carbon Neutrality Partnership

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Energy Efficiency Taskforce Site visit

Climate Change and Energy

Climate crisis is the biggest global challenge in the current century. If an average global temperature increase of more than 2 °C from pre-industrial levels, we will encounter catastrophic consequences for human beings and nature. Scientists have warned us that we have already reached 1°C and do not have much time to make it to the tipping point. Therefore, the Hotel Manager is setting targets to minimise our direct and indirect carbon emissions, in line with the Paris Agreement to help our planet stay below the 1.5 °C global warming limit.

The use of power in the hotel operation is one of our most significant environmental aspects and is the largest contributor to greenhouse gas emissions. We have been focusing on operating our hotels with maximising energy efficiency to minimise our greenhouse gas emission. From time to time, our Engineers identify energy-saving opportunities through optimising the operational efficiency of plant and equipment, and upgrading systems when there is a major refurbishment. In 2021, the multi-million dollars chiller plant replacement and noise enhancement works at The Langham has commenced. This project aims to adopt the best applicable technology that can ensure our guest's thermal comfort and most energy-efficient air conditioning system for our hotel.



Eaton HK promotes plant-based dining

The Hotel Manager and the Hotels, together with the Property Management Division form the cross-division Energy Efficiency Taskforce. The Taskforce is dedicated to bringing our engineering leaders together to focus and improve the energy efficiency and renewable energy application at the Hotels and properties in Hong Kong.

The Hotel Manager also believes that our influence on our stakeholders, especially our guests and supply chain, can boost the climate action altogether. We are keen to working with different partners to help spread the low-carbon dining messages and most importantly, turn these messages into action. In 2021, Eaton HK embraces plant-based dining as the brand further commits to sustainability. The hotel has bolstered its already plentiful vegetarian menu with more than 20 new plates featuring the best of nature's bounty, as well as alternative-meats in the form of Omnipork and IMPOSSIBLE™ Meat.

Performance on Energy Consumption and GHG Emission

Total electricity consumption of the Hotels was 131,420 GJ in 2021, representing a 5.7% increase compared to 2020 (124,300 GJ). Total gas/fuel consumption of the Hotels in 2021 was 38,988 GJ, an increase of 13% compared to 2020 (34,457 GJ). Total Greenhouse Gas emission (Scope 1 and Scope 2) of the Hotels in 2021 was 20,310 tonnes CO₂-eq, an increase of 6% compared to 2020 (19,082 tonnes CO₂-eq). The increase in consumption is mainly due to the increase of room and F&B guests with the ease of social distancing restriction in 2021 compared to 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste and Water

Waste generation is unavoidable in all business operations. The Hotels have been implementing waste minimisation initiatives including recycling/reusing (paper, metal, plastics, cardboard, glass bottles, cooking oil, printer cartridges, wet amenities, soap, wine corks), food waste donation and composting, and donated items (furniture, fabric items, electronic equipment). Reducing the use of single-use plastic product is one of the key objectives for the Hotels. In addition to Eaton, both The Langham and Cordis replace serving plastic bottle of water by in-house refillable glass bottle of water to our guests. By filtering tap water through the patented technology by our partner, Nordaq, and bottling the water in-house in dedicated glass bottles that can be used repeatedly, it would contribute to the end of disposable PET-bottles. The bottling system, installed in Cordis, has been in trial run since October 2021 and will be fully implemented at the beginning of 2022.



Cordis, Hong Kong was the first hotel partner in The Nature Conservancy (TNC) Oyster Reef Restore Program. Instead of ending up in landfills, oyster shells from our restaurants are upcycled into substrates for new, living reefs that serve as habitats for juvenile fishes and other marine life, amongst other benefits they bring. A trail run has been arranged for Alibi in November 2020 and then it has been extended to The Place, our buffet restaurant since 1 August, 2021. So far we recycled an average of 650kg of oyster shells per month with this program.



Eaton HK created a vibrant, functional olive green box for mooncake. With a stylish, reusable design, this wooden case is environmentally friendly and works perfectly as a day-to-day handbag.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Hotels continue our yearly tradition of building our own sustainable Christmas tree from recycled and waste materials to engage our colleagues and guests in our commitment to sustainability. Cordis, Hong Kong creates the wooden reindeers which were made using dead branches collected from our Shanghai Garden and recycled timber donated by two local eco-social enterprises. At Eaton HK, a mirrored Christmas tree is

built from the green coloured, used items donated by the community. All items will be further reused or donated after being used as part of the Christmas tree. The Langham, Hong Kong uses 1,254 water bottle caps and 65 pieces of used guestroom key card holders to build the core tree. The tree is decorated with used ribbons, slippers and topped with a recycled The Langham Christmas teddy bear.



Sustainable Christmas trees created by the Hotels

The Hotels are responsible for reducing the water footprint by installing water-efficient equipment and raising staff awareness on water conservation. We continue to actively seek energy and water-saving initiatives to ensure an even more efficient operation.

Performance on Water Consumption and Waste Disposal

Total water consumption was 407,512 CuM, representing a 30% decrease compared to 2020 (311,444 CuM). The increase in consumption is mainly due to the increase of room and F&B guests with the ease of social distancing restriction in 2021 compared to 2020. In 2021, the total waste disposed of at landfill was 878 tonne.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Engagement – Colleagues and Guests

The Hotels actively engage with colleagues, guests and suppliers who are our key stakeholders to drive continuous improvement in the sustainability journey. “Loving Earth Month” is the featured CONNECT environment event introduced in 2015. Throughout the month, the Hotels offer meatless dishes at restaurants and colleague cafeterias to promote a healthy and sustainable diet. Colleagues are also encouraged to walk more and use less transportation with the Hotels’ 10,000 steps challenge.



Earth Hour celebration at The Langham, Hong Kong

The Hotels promote dishes with sustainable seafood and plant-based alternative ingredients to invite our guests to join our sustainability journey. In partnership with Green Monday, the Michelin-starred Cantonese restaurants in the Hotels presented vegetarian menus created with OmniPork series which offered diners plant-based fine-dining experience.



Plant-based Menu
Tang Court at the Langham, Hong Kong



Winter Melon, OmniPork, Fox Nut, Water Chestnut, Steamed
Ming Court at Cordis, Hong Kong



Healthy Vegetarian Set Menu
Yat Tung Heen at Eaton HK

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



This year, the Hotels also extend their eco-friendly experience with their staycation guests. Cordis, Hong Kong partners Earth-friendly cosmetics brand LUSH to create and promote green experiences — from eco-friendly staycation packages with LUSH products and vegan afternoon teas to a LUSH pop-up store and complimentary DIY workshops at the hotel. Eaton HK offers sustainable staycation package that features plant-based meals and vegan snacks. As part of the package, Eaton would make a donation to Zero Foodprint, an organisation committed to helping farmers “turn bad carbon into good carbon” through regenerative agriculture.



Alibi at Cordis is one of the founding members of Food Made Good Hong Kong, a chapter of the UK’s Sustainable Restaurant Association, dedicated to making every meal served out of home as sustainable as possible. In 2021, Alibi receives a 3-Star Sustainability Rating 2021 by Food Made Good Hong Kong. Led by Chef James Oakley, the culinary team creates the menus reflecting the responsible dining concept and featuring sustainable seafood and free-range meats for years, as well as encouraging a higher proportion of vegetarian and vegan options for diners to consider. It also joined forces with various NGOs to support local community and green projects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY

Serving the community is an integral part of our CONNECT culture to drive social bonding internally and stimulate interaction with the local community. The Hotel Manager's Community Engagement Policy offers guidance on how to contribute to local communities, not merely through philanthropy, but also in other ways, including donations and visits, free or in-kind sponsorships and employee volunteering. Art, Children, Environment and Local Issues are the key themes of our employee volunteering programmes. This year, the Hotels and the Hotel Manager gather our effort to support those people and families affected by the pandemic of COVID-19 in Hong Kong.

The following sections highlight some of the major community engagement activities in 2021:

On the International Day of Happiness on 20 March, The Langham, Hong Kong launches the 'Celebrate Our #EverydayHeroes' campaign. The team delivered 125 sets of the brand's signature afternoon tea sets to doctors, nurses, and staff across the six COVID-19 testing centres in Kowloon, together with customised pink surgical masks embossed with a smiley face, and handwritten thank-you notes and well wishes from the hotel's executive committee team.



Since 2020, Eaton HK has been partnering with Sister Bento which supports vulnerable single mothers of low income groups and underprivileged children living in the Jordan and Sham Shui Po area. This year, the partnership creates the Giftntake project which provides community cabinets facilitating non-perishable goods donation from donors to those who need these supplies and can retrieve the goods from the cabinets at their wish. Cordis, Hong

Kong collaborated with Yau Ma Tei Kei To Church to donate hundred nutritional meal boxes to the homeless once every week. Volunteers from the church helped distribute the meal boxes in Yau Tsim Mong area to share the warmth and delicious food with the community under the pandemic situation.



Chefs preparing meal boxes for donating to the community

Building strategic partnerships for community investment enables us to witness and measure our lasting impacts on the local community. The Langham, Hong Kong launched In The Pink afternoon tea to support Breast Cancer Awareness Month for the third consecutive year, which benefits the Hong Kong Breast Cancer Foundation. As an official Pink Partner of the Foundation, we donate HK\$10 for every afternoon tea set sold during the promotional period to the Hong Kong Breast Cancer Foundation, to support their dedicated effort to mitigate the threat of breast cancer the local community.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We raised our colleagues' awareness of protecting the environment and promoting the beauty of nature. In addition to our on-going support for global environmental events such as Earth Hour and Earth Day, the Hotels also organised different volunteer activities for green groups such as meal box preparation at Food Angel and beach clean-up. This year, Eaton HK launched a community campaign and curated exhibition honouring the spirit of the trees of our city. We invited the public to digitally submit portraits of trees in the form of photographs, drawings, and works on paper. These images were featured in the Breathe Deep exhibition celebrating the trees of Hong Kong. During the Breathe Deep Public Submission period, we hosted diverse off-site events aimed at deepening ways of engaging with plants in our city. One artwork was selected as the winner and presented on Eaton HK and National Geographic Asia social media.



Breathe Deep exhibition at Tomorrow Maybe gallery

Performance on Community Investment

In 2021, our colleagues delivered over 1,047 hours of support to charitable and other social initiatives. The Hotel Manager and the Hotels have received accreditation for the past decade and are recognised as Caring Companies.

COLLEAGUES

The Hotel Manager and the Hotels are committed to fostering an engaging and respectful work environment for our colleagues to unleash their full potential and inspire them to become our true ambassadors. Our commitment is supported by the following systems that set out the guiding principles, review our performance, promote an open dialogue culture, grow our talents and put them in the right direction to advance their careers.

- Human Resources policies stipulate a global framework for an ethical workforce and colleague engagement;
- Training programmes enable our colleagues to deliver their job and embrace the company culture;
- A workplace health and safety management system ensures the safety of our colleagues;
- Internal communication channels connect our colleagues at different levels and across functions to strengthen teamwork;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Performance appraisals review performance of individual colleagues to set clear goals aligned with their hotel's objectives;
- A KPI system monitors the effectiveness of our systems in achieving our commitments.

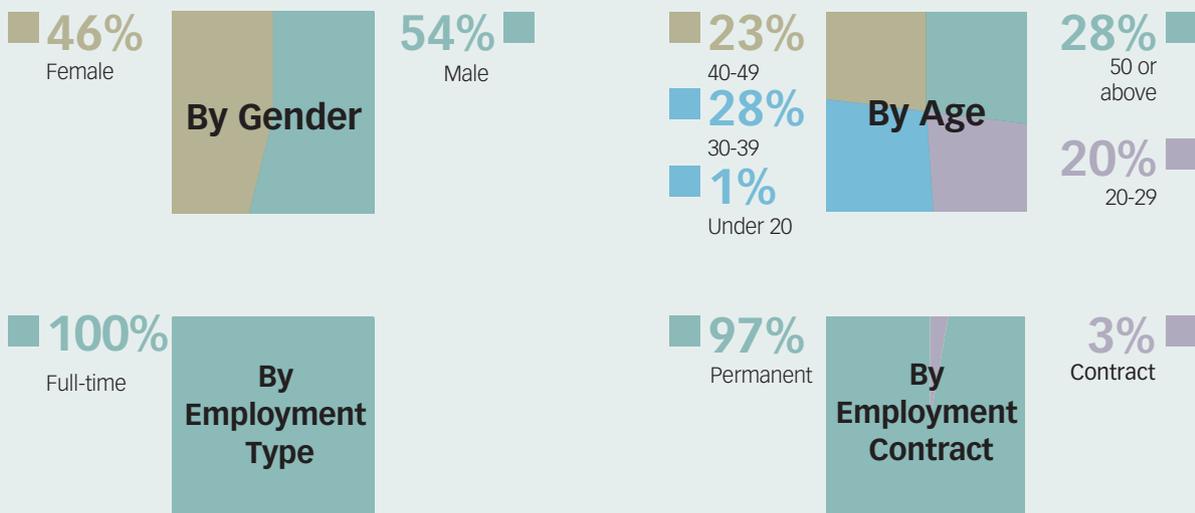
Child labour and forced labour across our operation and supply chain are strictly prohibited. Human Resources Division would monitor the employment practices and investigate if there is any violation in the operations. The Hotel Manager was recognised by the Employees Retraining Board (ERB) as Super Manpower Developer (MD), which means an organisation demonstrates outstanding performance in manpower training and development for ten consecutive years.

In 2021, the Hotels also participated in the Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme by the Labour and Welfare Bureau. Eaton HK received the Gold Award of the Equal Opportunity Employer Recognition Scheme by the Equal Opportunity Commission. One of our practices is the partnership of the Hotels with Hong Chi Association and

Hong Kong Lutheran Social Service. The trainees work in our hotels' back of house areas and support day-to-day operations (e.g. housekeeping, cleaning and laundry services). The teamwork between the trainees and the colleagues has successfully built a culture of respecting people differences in the workplace.

This year, Eaton HK teamed up with United Nations High Commissioner for Refugees UNHCR, the UN Refugee Agency for an internal training session on their work in Hong Kong and Fostering Inclusion for Refugees in the Workplace, to raise awareness of the various ways we can protect and help refugees, forcibly displaced communities, and stateless people integrate into Hong Kong life and in the workplace.

As of 31 December 2021, the number of employees in the Hotels decreased slightly to 1,085 (1,163). Our overall turnover rate in 2021 was 55% (48% male and 61% female) and employees under 30 is the demographic with the highest turnover rate of 88% (48% for 30-49 years old, 36% for 50 years old or above). The following charts show the composition of employees of the Hotels as of 31 December 2021:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Colleague Wellness

The health, safety and wellness of our colleagues remain a top priority. The Hotels maintain their health and safety systems with policies, committees, training and incident reporting. These systems were overseen by the senior management, human resources directors and security departments. The effectiveness of the system is monitored in conjunction with the Key Performance Indicators (KPI) system so that our improvement teams can analyse the data, find the root of the problems, implement improvement action plans and follow up on the results.

Health and wellness are a priority for all of us during the COVID-19 pandemic. We measured every colleague's body temperature upon arrival of staff entrance and rearranged the staff canteen's seating to keep everyone dining in a safe distance. Also, we ensured sufficient supply of the necessary personal protective equipment such as medical masks and hand sanitisers. The Hotel Manager organised the global fitness challenge among our colleagues to spread positivity. Eaton HK arranged the sound bath meditation for their colleagues to balance and maintain a positive mind. We also offered flexible working hours to our Corporate Office and back of house team members to minimise the risk of travelling during peak hours.

The Hotels organised the Colleague Wellness Week every year, as part of the global awareness programme initiated by the Hotel Manager. Starting in 2021, the week is extended to a month of activities that increase colleagues' awareness of their wellbeing and support them in developing a healthy lifestyle. Wellness promotion programmes included; departmental cycling competition, healthy food week and munchie bag, stress management and healing workshops, sports club, power-up station, and health consultation and body fat test measurement.



Departmental cycling competition



Wellness workshops for colleagues

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Performance on Colleagues' Health and Safety

In 2021, the health and safety-related key performance indicators (KPIs) were slightly increased, compared to the previous year due to an increase in sprain, struck and contusion cases. The Hotels proactively reinforced the colleagues' awareness of these topics during safety briefings and reviewed the overall training and awareness programme. There were no deaths due to work activities. The Hotels will continue to monitor the performance and enhance staff awareness in workplace health and safety.

KPI	2020	2021
Lost Time Injury Frequency Rate (LTIFR) ¹	26	34
Incident Rate ²	8.1	9.8

1. LTIFR is the number of reported lost-time accidents for every 1 million working hours.
2. Incident rate is the number of reported accidents per 100 employees.

Employee Learning and Development

The Hotel Manager is committed to creating an environment for our colleagues to achieve their career aspiration and at the same time, nurture a team of competent and motivated colleagues. The fundamental learning and development system comprises the First60 Certification programme, Langham Curriculum Certification (LCC), Advanced Programme for executives (APEX) and a Langham Leadership Trainee Program (LLTP). These programmes enable the colleagues to gain new skills and experiences which would advance them in their current and future jobs.

Eaton HK is committed to creating an environment for colleagues to achieve their career aspiration and at the same time, nurture a team of competent and motivated colleagues. We designed the 18 months MIT training programme and First90 days on boarding programmes. The MIT programme provides a career development opportunity to selected potential talent, and the First90 days' on boarding programme is to ensure the new joiner are settling well. Each of the MIT has also been assigned with projects of various topics to provide a fresh insight for the continuous growth of the Eaton brand.

In 2021, the Hotels are scrambling to recruit and retain talents as the industry is gradually recovering from the pandemic outbreak. Culture diversity and teamwork play an important role in creating the synergy to maintain the competitiveness of the business. To stand out in a tight workforce market, Cordis, Hong Kong devise the "Survival of the Fittest" programme to strengthen the bonding and relationship among colleagues. The philosophy of the programme is to understand how the new style of training works through experiential learning activities. As traditional training focuses on providing suggestions and facilitating teamwork, but less on the discussion or root cause analysis. Whilst experiential learning is an engaged learning process whereby participants "learn and do" and self-reflect from the activities. Colleagues are able to understand the self-defence mechanism caused by inflexibility through games, and ultimately will be recommended by the trainer to improve self-awareness in order to eliminate the mind-set boundaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Performance on Employee Learning and Development

The Hotels achieved an average of 21 training hours per colleague (16 in 2020) and 100% of colleagues received training in 2021. The average training hour for Executive Committee and Head of Department was 65, and the average training hour for Manager, Supervisor and General Colleague was 20 in 2021. There is an increase in the training hours per employee compared to the previous reporting year due to the enhanced training programme and more new hires in the Hotels.

GOVERNANCE AND ETHICAL BUSINESS

Governance in the Hotel Manager's CONNECT programme is about how we run our business and do the right thing. We are accountable and act responsibly at all times on behalf of our stakeholders – from our guests, partners, suppliers and colleagues, to governments, regulators and the local community. We value the trust of our stakeholders in pursuit of expanding our business and operations sustainably. To maintain trust, we must ensure we always conduct our business ethically and responsibly.

Ethical Standards

The Hotel Manager pledges to adhere to good corporate governance and business integrity in our business activities. The Board from time to time monitors and reviews the Group's corporate governance practices according to the regulatory requirements and the needs to underpin the engrained value of integrity and accountability. We have clearly articulated the principles in our Code of Conduct which explains the basic standards of behaviour expected of our colleagues in line with their official duties. The Code of Conduct guides the acceptance, soliciting or offering of advantages, declaration of conflicts of interest, fraud and bribery, gambling, fair dealing, and handling confidential information.

All new colleagues receive the Code during the induction training at the First60 Certification programme. Depending on each colleague's job responsibilities, they will also receive regular communication, refresher training, and team briefings on various aspects of our compliance programme. All colleagues are also aware that they have a duty to report any breaches of our Code of Conduct. In addition to the standard training, the Hotels invite representative from Independent Commission Against Corruption (ICAC) to arrange the talk of "ICAC Anti-Corruption in Hotel Industry" regularly to our colleagues.

The Code outlines the Group's expectations on colleagues regarding conflicts of interest and whistleblowing procedure. Any colleagues who have engaged or considered engaging in activities that might have conflict with the Group's interests are required to make full disclosure. During the year, we did not receive any non-compliance or fines in this regard.

For more information on our corporate governance performance, please refer to the separate Corporate Governance Report contained in this Annual Report.

Data Protection

In 2021, the Hotel Manager continued the rollout of our Data Protection Standards to the Hotels. In addition, an external consultancy firm has been engaged as an independent advisor to guide and monitor our compliance with data protection laws, and register and liaise as a point of contact to relevant data protection authorities. To mitigate the security risk resulting from the increased demand for remote access, additional measures had been put in place to strengthen user authentication to systems and network security. Phishing exercises had been performed to raise the information security awareness of all colleagues and the corporate management team. Furthermore, solutions to increase visibility on vulnerability were implemented, so as to enhance the overall data protection management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Responsible Supply Chain

Since 2013, the Hotel Manager and the Hotels have introduced sustainable supply chain management in phases following our parent company's initiative. They focused on raising our significant suppliers' corporate social responsibility awareness by communicating with them about our Supplier Code of Conduct. Major suppliers are also required to fill in the checklist based on the Supplier Code of Conduct every three years to keep us informed of their sustainability performance status. The Hotel Manager also developed the Responsible Purchasing Policy, which manages most strategic environmental and social issues in our supply chain.

Service Quality Standard

The Hotels and the Hotel Manager are committed to increasing guest loyalty by continuously improving and delivering excellent services. They aim to anticipate even the guests' unspoken needs and provide genuine services in a timely and reliable manner. Colleagues are encouraged to take ownership of guest satisfaction, innovation, and excellence.

The Hotel Manager implements Mystery Shopper Programme and Online Guest Satisfaction Survey to help them to understand what their guests are experiencing, discover which colleague's behaviour should be acknowledged or rewarded, and find out where the sales or customer service journey could be improved.

We also adopt the Total Quality Management approach to engage every colleague in pursuit of excellence. In the spirit of continuous improvement through innovation, the Hotel Manager reviews the current quality systems and programmes to simplify the processes. The new approach enables them to build a more resilient and more agile team.

This year, the Hotel Manager developed an internal Best Practice Sharing platform to encourage sharing of best practices as an effective way to improve our hotels' performance continuously. It helps our colleagues in finding and using the best methods of work to achieve our company objectives. The system also makes it easy for colleagues to discuss crucial topics related to our hotels' everyday challenges and problems and provide a systematic approach to managing our company knowledge.

Building the Culture

The Hotel Manager continued its Risk Preparedness Video Competition as part of the annual Global CONNECT Event. The competition aims at developing the culture on risk preparedness in hotels for our colleagues and relevant stakeholders. Each hotel created fun videos to promote how colleagues can prepare and manage to minimise health and hygiene risks during the COVID-19 pandemic.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Reporting Guide Content Index

Aspect	KPI	Content	Report Page/ Comment
A. Environmental			
A1 Emissions	A1	General disclosure	37
	A1.1	The types of emissions and respective emissions data	37
	A1.2	Greenhouse gas emissions in total and intensity	37
	A1.3	Total hazardous waste produced and intensity	Not applicable due to business nature
	A1.4	Total non-hazardous waste produced and intensity	39
	A1.5	Description of measures to mitigate emissions and results achieved	37-41
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	38-39
A2 Use of resources	A2	General disclosure	37
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	37
	A2.2	Water consumption in total and intensity	39
	A2.3	Description of energy use efficiency initiatives and results achieved	37
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	38-39
	A2.5	Total packaging material used for finished products and with reference to per unit produced	Not applicable due to business nature
A3 The environment and natural resources	A3	General disclosure	36
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	36
A4 Climate Change	A4	General disclosure	37
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	37
B1 Employment	B1	General disclosure	43-45
	B1.1	Total workforce by gender, employment type, age group and geographical region	44
	B1.2	Employee turnover rate by gender, age group and geographical region	44
B2 Health and safety	B2	General disclosure	45-46
	B2.1	Number and rate of work-related fatalities	46
	B2.2	Lost days due to work injury	46
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	45-46

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	KPI	Content	Report Page/ Comment
B3 Development and training	B3	General disclosure	46-47
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	47
	B3.2	The average training hours completed per employee by gender and employee category.	47
B4 Labour standard	B4	General disclosure	43-45
	B4.1	Description of measures to review employment practices to avoid child and forced labour	44, 48
	B4.2	Description of steps taken to eliminate such practices when discovered	44, 48
B5 Supply chain management	B5	General disclosure	48
	B5.1	Number of suppliers by geographical region.	About 360 suppliers in Hong Kong, none from outside Hong Kong.
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	48
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	48
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	48
B6 Product responsibility	B6	General disclosure	47-48
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable due to business nature
	B6.2	Number of products and service related complaints received and how they are dealt with	No major complaints received
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable due to business nature
	B6.4	Description of quality assurance process and recall procedures	48
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	47

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

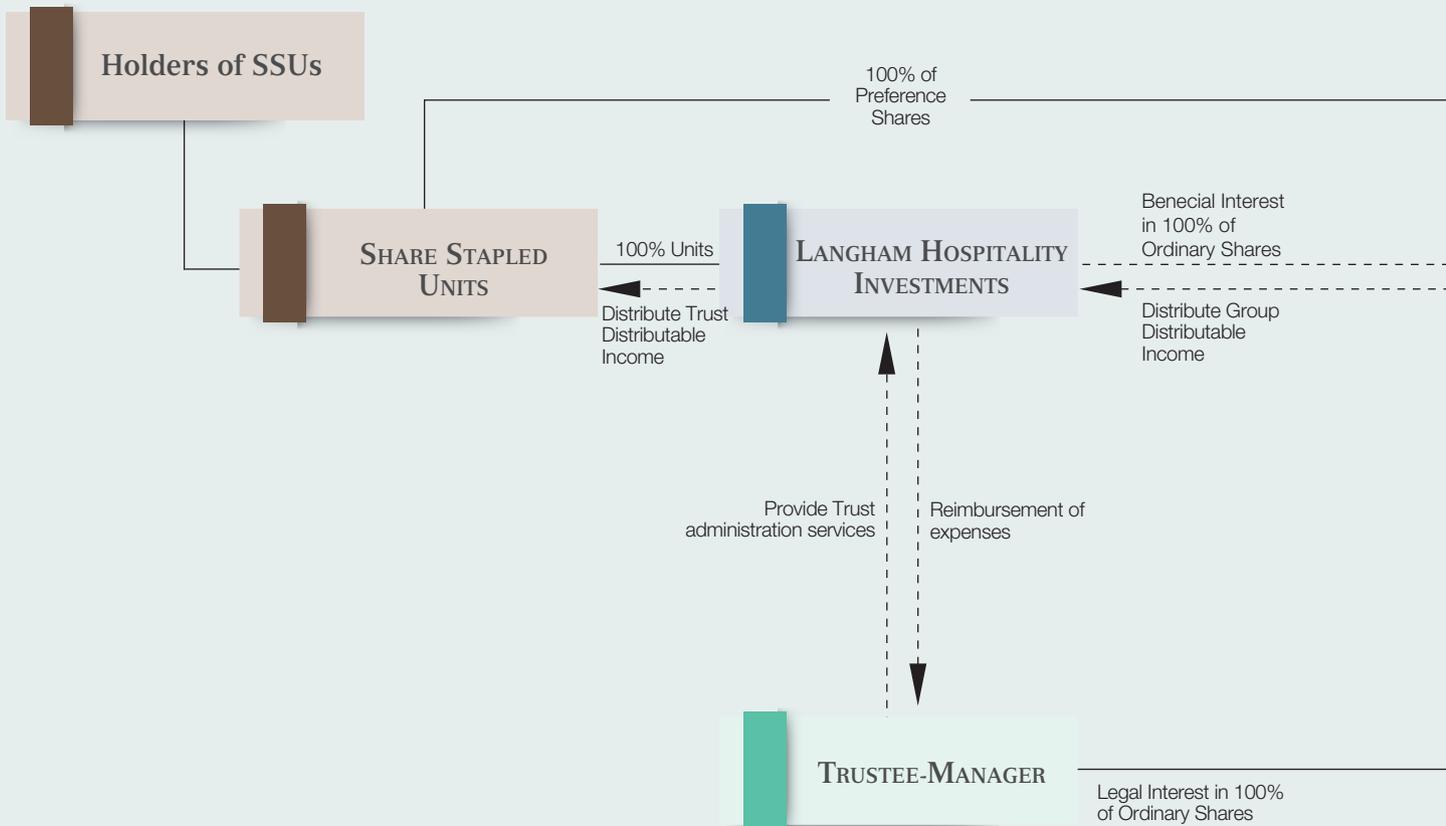
Aspect	KPI	Content	Report Page/ Comment
B7 Anti-corruption	B7	General disclosure	47
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issue or its employees during the reporting period and the outcomes of the cases	Zero
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	47
	B7.3	Description of anti-corruption training provided to directors and staff.	47
B8 Community investment	B8	General disclosure	42-45
	B8.1	Focus areas of contribution	42-45
	B8.2	Resources contributed to the focus area	42-45

CORPORATE GOVERNANCE REPORT

Langham Hospitality Investments, LHIL Manager Limited and Langham Hospitality Investments Limited are committed to maintaining and developing high standards of corporate governance practices that are designed to enhance corporate image, create value for our Unitholders, minimize risk in fraudulent practices and address potential conflict of interest issues. This combined Corporate Governance Report of the Trust and the Company set out a summary of the key processes, systems and measures that have been used in implementing this corporate governance framework being adopted by the Trust, Trustee-Manager and the Company for the year ended 31 December 2021.

STRUCTURE OF THE TRUST GROUP

The chart below illustrates a simplified version of the structure of the Trust Group



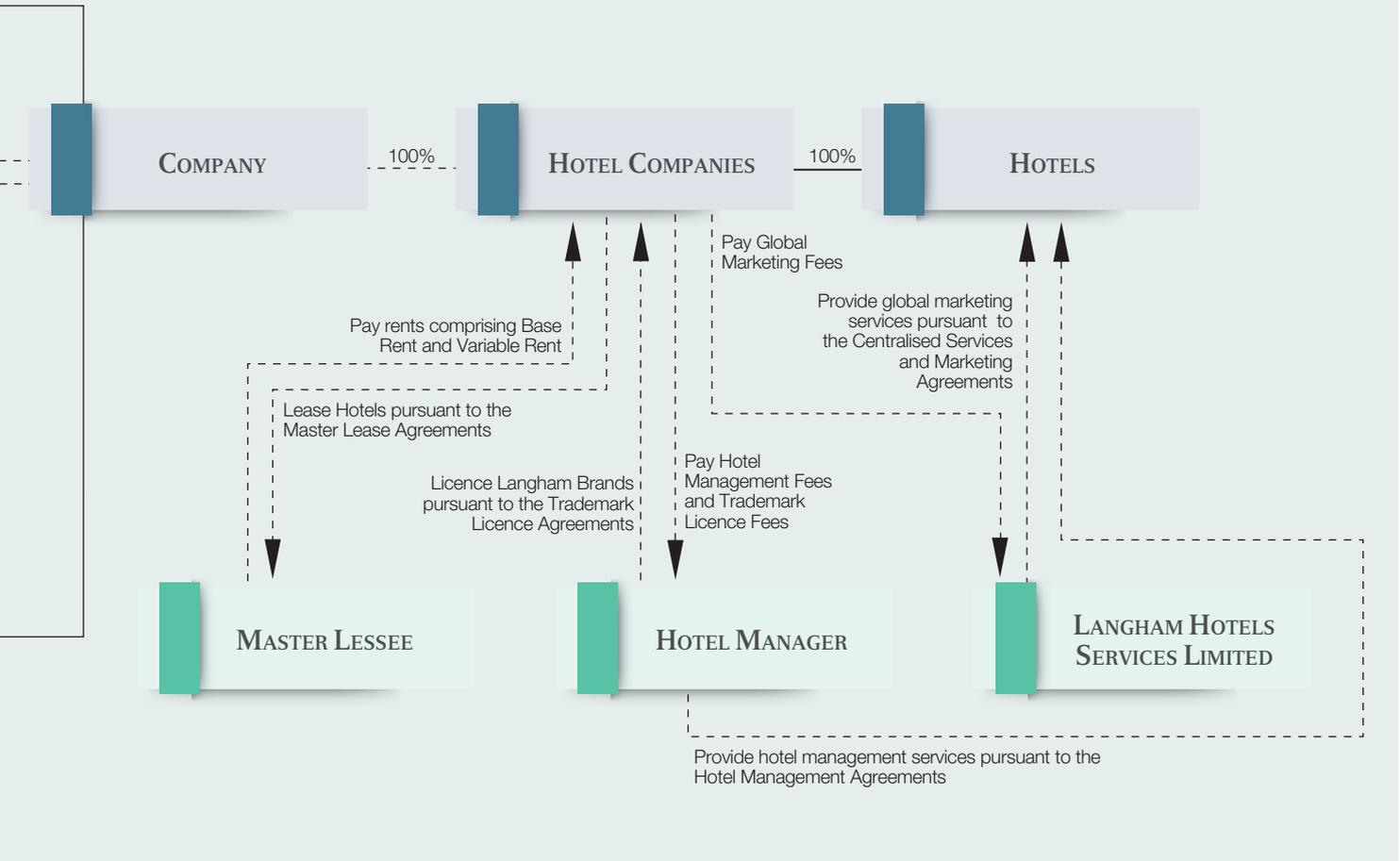
CORPORATE GOVERNANCE REPORT

The major activities during the year 2021 and subsequent change up to the date of this report are set out below:

- Specific Mandate relating to the Issue of Share Stapled Units as Payment of Manager Fees of the Trust and the Company**

Specific Mandate relating to the issue of Share Stapled Units as payment of the Manager Fees under the Hotel Management Agreements and Trademark Licence Agreements for the three

financial years ending 31 December 2023 was approved by independent Holders of Share Stapled Units at the extraordinary general meeting of the Trust and the Company held on 12 May 2021. Unless otherwise requested by the Hotel Manager in writing in accordance with the provisions of the Hotel Management Agreements and Trademark Licence Agreements, the fees payable therefrom for the three financial years ending 31 December 2023 shall be settled by way of the issue of Share Stapled Units.



CORPORATE GOVERNANCE REPORT

- **General Mandate to Issue Share Stapled Units of the Trust and the Company**

General mandate to allot, issue and deal with no more than 20% of the issued Share Stapled Units of the Trust and the Company was granted by the Holders of Share Stapled Units at the AGM of the Trust and the Company held on 12 May 2021. The mandate shall only remain in effect until the conclusion of the next AGM of the Holders of Share Stapled Units, or the expiration of the period within which such AGM is required to be held, or until revoked, renewed or varied by an ordinary resolution of Holders of Share Stapled Units, whichever occurs first.

- **Establishment of Director Independence Policy**

A director independence policy (the "Director Independence policy") was established to ensure independent views and input are available to the Boards. The Director Independence Policy sets out mechanisms for maintaining a strong independent element and determining the independence of individuals who serve on or may serve on the Boards.

- **Establishment of Anti-Fraud, Bribery and Corruption Policy**

An anti-Fraud, bribery and corruption policy (the "Anti-Fraud, Bribery and Corruption Policy") was established to uphold high standards of business integrity, honesty and transparency in all business dealings of the Trust Group. Minimum standards of conduct to which all employees are required to adhere and guidance on accepting and offering business courtesies are set out in the Anti-Fraud, Bribery and Corruption Policy as well as the employee code of conduct.

Langham Hospitality Investments is constituted by laws of Hong Kong governing the Trust Deed 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 in 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 only in the administration of the Trust and is not involved in the management of the operations of the Group.

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability. It is the holding company of the hospitality business carried on 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 the 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.

CORPORATE GOVERNANCE REPORT

Business Relationship with Great Eagle

Apart from the parent-subsidary 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 groups as summarized in the chart on pages 52 to 53. 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 are provided in the Report of the Directors contained in this Annual Report on pages 95 to 101.

From the revenue perspective, each of the Hotels (excluding certain retail shops at Eaton HK) is leased to the Master Lessee, an indirect wholly-owned subsidiary of Great Eagle, pursuant to the Master Lease Agreements. In return, the Master Lessee pays rents, which represents the major source of income, to the Trust Group. Based on the rental review of Vigers in accordance with the provisions in the Master Lease Agreements, Vigers determined that the market rental package for the Hotels for the period from 1 January 2020 to 31 December 2023 is the same as the one for the previous period and comprised of (i) a Base Rent being fixed at HK\$225 million per annum under the Master Lease Agreements, and (ii) a Variable Rent being 70% to the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies on an annual basis.

From the expense perspective, all the Hotels are managed by the Hotel Manager, another indirect wholly-owned subsidiary of Great Eagle, pursuant to the Hotel Management Agreements, and the Trust Group pays hotel management fees to the Hotel Manager. In addition, the Trust Group has entered into the Trademark Licence Agreements and the Centralised Services and Marketing Agreements in respect of each of the Hotels with the Hotel Manager and Langham Hotels Services Limited (an indirect wholly-owned subsidiary of Great Eagle) respectively and thus incurs licence fee and global marketing fees when carrying on the hospitality business.

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 interests between the Group and the Great Eagle Group. The Trustee-Manager Board and the Company Board believe that the potential conflicts can be sufficiently reduced as follows:

- the Group focuses on optimizing 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 capitalizing on its resources and expertise in developing its hotel management services operations and brand building.
- 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 to the Company a Deed of Right of First Refusal pursuant to which the Trust Group will have the first right to participate and to acquire completed stand-alone hotels in Asia (excluding Australia and New Zealand) should Great Eagle Group wish to sell or have the opportunity to invest in these hotels.
- various corporate governance measures are established seeking to address any potential conflicts of interest thereby safeguarding the interests of independent Unitholders. Details of which are set out in the section headed "Corporate Governance Measures to address Potential Conflicts of Interest" in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Trustee-Manager Board and the Company Board play a central support and supervisory role in the respective corporate governance duties of the Trust and the Company. The Boards are responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report prepared on a combined basis.

Corporate Governance Practices

Taking into account the structure of the Trust Group, in particular the business relationship with its holding company, the following policies and procedures are established and constituted the core elements of the governance framework of the Trust Group:

- Schedule of Matters Reserved for the Board
- Segregation of Duties between Chairman and Chief Executive Officer
- Reporting and Monitoring Policy on Connected Transactions
- Policy on the Preservation and Prevention of Misuse of Inside Information
- Whistleblowing Policy
- Anti-Fraud, Bribery and Corruption Policy

- Unitholder Communication Policy
- Employee Code of Conduct
- Code of Conduct regarding Securities Transactions by Directors and Relevant Employees
- Corporate Governance Measures in respect of the operation of the Right of First Refusal granted by Great Eagle

Compliance with Corporate Governance Code

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

Throughout the year under review, the Trust (via the Trustee-Manager) and the Company had complied with all applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code. The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employee.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

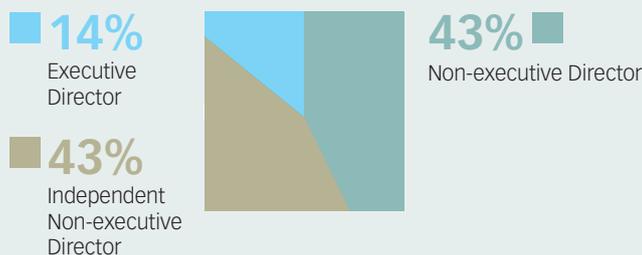
Corporate Strategy

The objective of the Company and the Trust as a fixed single investment trust is to focus principally on distributions to Holder of Share Stapled Units. It is also the Group's objective to provide Holders of Share Stapled Units with the potential for sustainable long-term growth of distributions and enhancement in the value of the hotel portfolio. The Group has been established primarily to own and invest in a portfolio of hotels, with an initial focus on completed hotels located in Asia, and the Group will look to grow and expand its hotel portfolio through active asset management strategy, acquisition growth strategy, and capital and risk management strategy. The Group supervises proactively the Master Lessee and the Hotel Manager in order to seek to maintain and improve the

quality and the value of the Hotels and achieve organic growth. Furthermore, the Group identifies and pursues hospitality asset acquisition opportunities with focuses on total return requirements, geographical locations, strong fundamentals, organic growth and asset enhancement potential. The Group may also acquire hospitality assets from the Great Eagle Group pursuant to the Great Eagle ROFR Deed. To maintain a strong financial position and an appropriate gearing ratio, the Group may use a combination of bank loans, bonds and other types of debt and equity instruments to fund future acquisitions and asset enhancements. Through implementing various investment and strategies, the Group is committed to enhancing Unitholders' value and delivering long-term return for its stakeholders.

Board Composition

Pursuant to the Trust Deed, the Directors of the Trustee-Manager shall at all times be the same individuals who serve as Directors of the Company.



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, namely 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 respectively. Throughout 2021, the number of Independent Non-executive Directors represents more than one-third of the Boards and meets the requirement under the Listing Rules.

Biographical details of the Directors of the Trustee-Manager and the Company are set out in this Annual Report on pages 27 to 30.

Dr. Lo Ka Shui, being the Non-executive Chairman of the Trustee-Manager and the Company and also a substantial shareholder, the Chairman and Managing Director of Great Eagle, the holding company of the Trust Group, is the father of Mr. Lo Chun Him, Alexander and uncle of Mr. Lo Chun Lai, Andrew. Saved as disclosed above, there are no other financial, business, family or other material or relevant relationships between board members.

CORPORATE GOVERNANCE REPORT

Set out below is a summary of expertise and responsibilities of each Board member:

	Expertise	Responsibilities
Non-executive Directors		
LO Ka Shui (<i>Chairman</i>)	Property and hotel development and investment both in Hong Kong and overseas	Overseeing the operations and affairs of the Board's effectiveness and the relationships among the Board, management and stakeholders; leading the Board in formulating the corporate and financial strategy in the best interest of the Group by taking into account, among other things, the opportunities and risks of the business of the Group; enhancing further synergies between the Group and Great Eagle; and for the overall supervision of the policies governing the conduct of the Group's business
LO Chun Him, Alexander	Property development, financial investments, business and project development	Formulation of strategic directions and high level oversight of the financial management and operations of the Group
LO Chun Lai, Andrew	Business planning, financial stewardship and asset management	Formulation of strategic directions and high level oversight of the financial management and operations of the Group
Executive Director		
Brett Stephen BUTCHER (<i>Chief Executive Officer</i>)	Hotel business experience in both hotel operations and sales and marketing in Asia, the Pacific and North America	Responsible for all day-to-day management decisions and for leading the development and implementing the long and short term strategy and plans; identifying potential risks and opportunities of the Group and implementing appropriate policies; developing procedures designed to ensure compliance with the overall risk management policies; acting as a direct liaison between the Board and management and communicating to the Board on behalf of management

CORPORATE GOVERNANCE REPORT

	Expertise	Responsibilities
Independent Non-executive Directors		
CHAN Ka Keung, Ceajer	Specialised in assets pricing, evaluation of trading strategies and market efficiency	Chairing the Remuneration Committee; scrutinizing and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance
LIN Syaru, Shirley	International affairs and global investment	Chairing the Nomination Committee; scrutinizing and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance
WONG Kwai Lam	Commercial and investment banking	Chairing the Audit Committee; scrutinizing and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance

The Boards recognize the importance and benefits of diversity in the boardroom. The Nomination Committee of the Company is responsible for reviewing Board composition, identifying candidates and making recommendations to the Company Board. Further details on the Nomination Policy and Board Diversity Policy are set out in the section headed "Nomination Committee" of this report.

Board Responsibilities

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 as mentioned above, the Trustee-Manager Board and the Company Board have distinct responsibilities.

It is the responsibility of the Trustee-Manager Board to ensure that the Trustee-Manager discharges its duties under the Trust Deed, which include but not limited to administering the Trust, keeping safe custody of all the property and rights of any kind whatsoever that are held on trust for the Unitholders and exercising all due diligence and vigilance in protecting the rights and interests of the Unitholders. A Director of the Trustee-Manager shall act in good faith in the best interests of all unitholders. The Trustee-Manager Board exercises a number of reserved powers such as approval of the financial statements of the Trust and the Trustee-Manager, approval of the annual and interim reports and results announcements of the Trust and the Company, declaration of distributions to the Unitholders, approval of terms of reference of the Trustee-Manager's Board Committee(s), and monitoring of the corporate governance of the Trust.

CORPORATE GOVERNANCE REPORT

The Company Board, on the other hand, is responsible for setting out the overall strategies and business objectives of the Group and providing oversight of their implementation by the management team to promote the long-term success of the Group and create sustainable value for the Unitholders. While day-to-day management and operation of the business activities of the Group are delegated to senior management who is accountable for the execution of business strategies and initiatives adopted by the Company Board, specific functions reserved to the Company Board are set out in the Schedule of Matters Reserved for the Board and where appropriate shall also be applicable to the Trustee-Manager Board. The schedule is reviewed periodically to ensure that the arrangements remain appropriate to the Group's needs. Provided below is a summary of the key reserved matters which should be discharged by the full Board:

- Approval of long-term objectives and corporate strategy
- Extension of business activities into new business of material nature
- Decision of ceasing to operate all or any material part of the business
- Approval of the annual and interim reports and results announcements of the Trust and the Company
- Declaration of distributions to the Trust
- Approval of any significant changes in accounting policies or practices
- Approval of substantial acquisitions or disposals
- Approval of connected transactions
- Approval of major capital expenditures

- Approval of terms of reference of the Company's Board Committees
- Approval of governance policies
- Review of corporate governance arrangements
- Appointment of membership of the Company's Board Committees
- Appointment or removal of the Company Secretary

Board Independence

Independence is a vital element for Directors fulfilling their duty in overseeing the management of the business and affairs of the Trust and the Company. The Director Independence Policy was established to ensure independent view and input are available to the Board. To maintain a strong independent element and determining the independence of the Independent Non-executive Directors, mechanisms to ensure a strong independent element on the Board including number of Independent Non-executive Directors in the Board and their time contribution, recruitment process of Independent Non-executive Directors, nominee evaluation process and evaluation of contribution of Independent Non-executive Directors are in place. The Independent Non-executive Directors may obtain independent advice at the expense of the Trust Group upon reasonable request. The Nomination Committee of the Company is accountable for assessing whether any relationships or circumstances would likely to interfere with the exercise of objective and unfettered judgment by relevant Directors. It reviews all relevant facts and circumstances in making an independence determination such as length of service, interlocking directorship, competing businesses and other significant commitment that might potentially impose an impact on Directors' judgment. To be considered independent, an Independent Non-executive Director must also meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Currently, three out of a total of seven Board members are Independent Non-executive Directors. Their participation brings independent and objective judgment on the affairs of the Trust Group including but not limited to issues relating to the Trust Group's strategy, performance, conflicts of interest and management process, thus ensuring that the Trust Group operates in the best interests of Unitholders. Besides, all the Independent Non-executive Directors have the appropriate accounting or related financial management expertise for the purpose of Rule 3.10 of the Listing Rules, which can provide further assurance to the Unitholders that the financial performance of the Trust Group shall be professionally reviewed and monitored. The Independent Non-executive Directors are required to declare his/her independence in respect of the independence guidelines set out in Rule 3.13 of the Listing Rules on an annual basis.

Chairman and Chief Executive Officer

Dr. Lo Ka Shui and Mr. Brett Stephen Butcher hold the positions of Chairman and Chief Executive Officer respectively. The Chairman is responsible to oversee the operations and affairs of the Board's effectiveness and the relationships among the Board, management and stakeholders. He is accountable to the Board for leading the Board in formulating the corporate and financial strategy in the best interest of the Group by taking into account, among other things, the opportunities and risks of the business of the Group and enhancing further synergies between the Group and its parent company and for the overall supervision of the policies governing the conduct of the Group's business. Chief Executive Officer is ultimately responsible for all day-to-day management decisions and for leading the development and implementing the long and short term strategy and plans. He is accountable for identifying potential risks and opportunities of the Group and implementing appropriate policies, and developing procedures designed to ensure compliance with the overall risk management policies. He also acts as a direct liaison between the Board and management and communicating to the Board on behalf of management.

Appointment, Re-election and Rotation of Directors

According to the Company's Articles, no less than one-third of all the Directors shall retire from office by rotation at each AGM of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years and any Director appointed either to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following AGM and shall then be eligible for re-election. The provisions of retirement by rotation applicable to the Company Board are also applied, indirectly, to the Trustee-Manager Board in accordance with the Trust Deed. Each of the Non-executive Directors (including the Independent Non-executive Directors) has entered into a letter of appointment with the Company for an initial term of 3 years, renewable automatically for a further term of 3 years on the expiry of such term and every successive period of 3 years thereafter, subject to the provisions of the Company's Articles, the Trust Deed and the Listing Rules. The Nomination Committee of the Company will make recommendations to the Board on the appointment or re-appointment of directors.

According to the rotation record, Dr. Lo Ka Shui, Mr. Lo Chun Him, Alexander and Mr. Wong Kwai Lam will retire as the Directors at the forthcoming AGM and are eligible for re-election.

Directors' Orientation and Continuing Development

The Company Secretary shall assist the Chairman and the Chief Executive Officer to manage and oversee the induction process for a new director and continuing development of Directors and senior management. An induction pack will be provided to the new Director to ensure he/she has a proper understanding of the Trust Group's operations and business. To keep Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Trust Group's business and operating environment, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director are provided to each Director by the Company Secretary periodically to foster the continuous development and ongoing updating of Board members' skills and knowledge.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, information packages were provided the Directors to keep them abreast of the subject areas of legal and regulatory, corporate governance, financial reporting and current trends pertaining to the Trust Group's business. Apart from the continuous development program organized by the Trust Group internally, individual Director also attended

seminars or workshops relevant to his/her profession and duties as director. All Directors had provided confirmation on their respective training records to the Trustee-Manager and the Company and each of them had participated in no less than 10 training hours during the year ended 31 December 2021. Trainings attended by the Directors during the year are as follow:

Name of Directors	Subject Areas			Industry News and Updates
	Legal and Regulatory	Corporate Governance	Financial Reporting	
Non-executive Directors				
LO Ka Shui (<i>Chairman</i>)	✓	✓	✓	✓
LO Chun Him, Alexander	✓	✓	✓	✓
LO Chun Lai, Andrew	✓	✓	✓	✓
Executive Director				
Brett Stephen BUTCHER (<i>Chief Executive Officer</i>)	✓	✓	✓	✓
Independent Non-executive Directors				
CHAN Ka Keung, Ceajer	✓	✓	✓	✓
LIN Syaru, Shirley	✓	✓	✓	✓
WONG Kwai Lam	✓	✓	✓	✓

The senior management had provided confirmation on their respective training records to the Trustee-Manager and the Company and each of them had participated in no less than 10 training hours during the year ended 31 December 2021.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Directors attend Board meetings and make fruitful contribution by sharing views, advices and experiences on matters material to the Trust Group's affairs, on the basis of the shared goal in further enhancing the interests of the Trust Group and the Unitholders as a whole. Board meetings of the Trustee-Manager and the Company are held regularly at least four times a year at approximately quarterly intervals. Proposed dates of the regular Board and Board Committee meetings for each new calendar year are set out in a schedule and notified to all Board members before the beginning of the year concerned to facilitate their attendance. Additional meetings are convened as and when circumstances warrant.

Board Committees

To provide effective oversight, the Trustee-Manager Board and the Company Board have established the following Board Committees with their own terms of reference that have been approved by the respective Boards and are reviewed periodically to ensure that they comply with the latest legal and regulatory requirements and reflect developments in recommended best practices. Each Committee reports its decisions and recommendations to the respective Board. The terms of reference of the Committees setting out in detail their duties and responsibilities are posted on our website and the HKEXnews website.

Audit Committee

The composition of each of the Audit Committees of the Trustee-Manager and of the Company comprises three Independent Non-executive Directors:

Chairman:

Mr. Wong Kwai Lam

Members:

Professor Chan Ka Keung, Ceajer
Professor Lin Syaru, Shirley

None of the Audit Committee members is a former or existing partner of the external auditor of the Trustee-Manager and the Company.

The Audit Committee of the Trustee-Manager and the Company shall, amongst other things, review the reports and proposals from management and make recommendations to the respective 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 to fulfill their duties in relation to risk management, internal control and financial management.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, the Audit Committee of the Trustee-Manager and the Company held two meetings with all members present. The following is a summary of the major work done categorized by the primary areas of duties of the Committee:

Primary areas of duties	Summary of major work done of the Audit Committee in 2021
Disclosure of financial information	<ul style="list-style-type: none"> • reviewed and approved the draft 2021 Interim Report and interim results announcement of the Trust and the Company for the period ended 30 June 2021 • reviewed and approved the draft 2020 Annual Report and final results announcement of the Trust and the Company for the year ended 31 December 2020 • reviewed the unaudited financial statements of the Trust and the Company and the unaudited financial statements of the Trustee-Manager for the period ended 30 June 2021, and the audited financial statements of the Trust and the Company and the audited financial statements of the Trustee-Manager for the year ended 31 December 2020, with particular regard to the qualitative aspects of the Trust Group's accounting practices including the following major judgmental issue: <ol style="list-style-type: none"> (1) the methods of valuation of the three investment properties of the Trust Group; (2) the valuation technique for determining the fair value of derivate financial instrument that is not quoted in active markets; and
Risk management and internal control	<ul style="list-style-type: none"> • reviewed the significant findings and recommendations from the internal auditor • reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager
Reports from external auditor	<ul style="list-style-type: none"> • considered the reports from Deloitte Touche Tohmatsu on interim review of the financial information and annual audit of the financial statements of the Trust and the Company and of the Trustee-Manager
Re-appointment of external auditor	<ul style="list-style-type: none"> • reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the external auditor and approved its remuneration
Connected Transaction	<ul style="list-style-type: none"> • reviewed and monitored connected transactions through half-yearly reports submitted by management to ensure compliance with the terms of the waivers granted by the Stock Exchange and all other applicable rules and regulations
Legal and Regulatory Compliance	<ul style="list-style-type: none"> • reviewed the legal and regulatory, and governance and compliance issues including but not limited to compliance with Listing Rules, the Trust Deed and SFO, the Corporate Governance Code for the year ended 31 December 2021 and disclosures in the Corporate Governance Report
Great Eagle ROFR Deed	<ul style="list-style-type: none"> • reviewed and adopted the corporate governance measures in respect of the operation of the Great Eagle ROFR Deed • reviewed the implementation and compliance of the Great Eagle ROFR Deed

CORPORATE GOVERNANCE REPORT

Nomination Committee

The composition of the Nomination Committee of the Company currently comprises three Independent Non-executive Directors and one Non-executive Director:

Chairperson:

Professor Lin Syaru, Shirley*

Members:

Professor Chan Ka Keung, Ceajer*

Dr. Lo Ka Shui#

Mr. Wong Kwai Lam*

* Independent Non-executive Director

Non-executive Director

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 nomination, appointment or re-appointment of Directors and board succession.

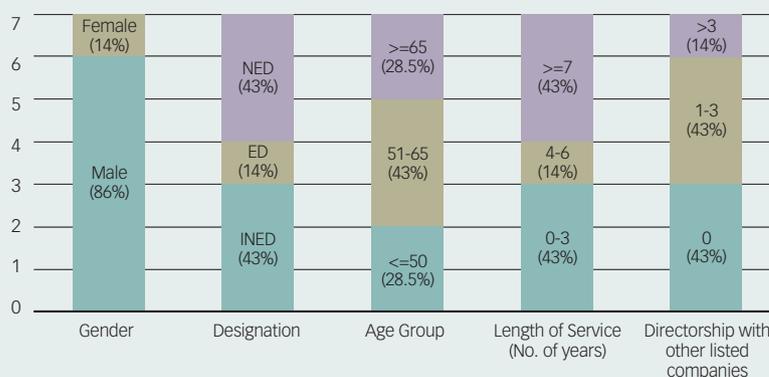
Board Diversity Policy

The Nomination Committee adopted a diversity policy (the "Diversity Policy") during the year. The Company believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments to the Board shall be 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 like 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 Directors. 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 Diversity Policy and, if appropriate, make recommendations on proposed changes to the Board to complement the Company's corporate strategy.

Currently, the Board has a diversity of perspectives appropriate to the requirements of the business of the Trust Group. The Board comprises a range of expertise including hotel development and investment, financial investments, hotel operations, sales and marketing, assets pricing, international affairs and global investment and commercial and investment banking. The mix of the skills and background of the Directors are appropriate taking into account the business nature, corporate strategy and structure of the Trust Group. Besides, the Board is made up of different age groups and both genders. The Board considers that its current board composition is diversified with appropriate balanced professional background, skill, experience, gender and age. The following chart shows the diversity profile of the Board as at 31 December 2021:

Number of Directors



Remarks:
ED - Executive Director
NED - Non-executive Director
INED - Independent Non-executive Director

CORPORATE GOVERNANCE REPORT

- **Nomination Policy**

The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates. The Nomination Committee was responsible to maintain the Nomination Policy of the Company and review 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 and the Trust Deed. The Nomination Committee may also undertake

its own search process 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 personal interviews, background checks, written submission by the candidates and third party references. As far as practicable, nominees for each election or appointment of Directors shall be evaluated using a substantially similar process. The Nomination Committee shall review the Nomination Policy from time to time.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, two Nomination Committee meetings were held with full attendance of the Committee members. The following is a summary of the major work done categorized by the primary areas of duties of the Committee:

Primary areas of duties	Summary of major work done of the Nomination Committee in 2021
Board composition	<ul style="list-style-type: none">• reviewed the size, structure and composition of the Company Board by taking into account the diversity of skills, knowledge and experience of the Board members• reviewed Directors' time commitment to the affairs of the Trust and the Company through, inter alia, their meeting attendance and other listed companies' directorships
Independence of Independent Non-executive Directors	<ul style="list-style-type: none">• assessed independence of all the Independent Non-executive Directors
Appointment or re-appointment of Directors	<ul style="list-style-type: none">• reviewed and approved the nomination of Mr. Brett Stephen Butcher, Professor Chan Ka Keung, Ceajer and Professor Lin Syaru, Shirley, all being the retiring Directors, and Mr. Lo Chun Lai, Andrew, being the newly appointed Director, for re-election at the 2021 AGM

The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager as 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.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The composition of the Remuneration Committee of the Company comprises three Independent Non-executive Directors and one Non-executive Director:

Chairman:

Professor Chan Ka Keung, Ceajer*

Members:

Dr. Lo Ka Shui#

Professor Lin Syaru, Shirley*

Mr. Wong Kwai Lam*

* Independent Non-executive Director

Non-executive Director

The Remuneration Committee sets up formal and transparent procedures for setting policy on Executive Director's remuneration and for fixing the remuneration packages for all Directors and senior management and to ensure remuneration levels are sufficient to attract and retain Directors to run the Company successfully without paying more than necessary.

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of individual Executive Director and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors.

During the year ended 31 December 2021, one physical Remuneration Committee meeting was held with full attendance of the Committee members. Below is a summary of major work done categorized under the primary areas of duties of the Committee:

Primary areas of duties	Summary of major work done of the Remuneration Committee in 2021
Remuneration packages of Executive Director and senior management	<ul style="list-style-type: none">approved the salary review and discretionary bonus distribution for the year 2021 and other remuneration packages of the Executive Director and senior management of the Company
Remuneration of Directors	<ul style="list-style-type: none">reviewed the market trend of the remuneration package generally offered to non-executive directors and independent non-executive directors of comparable companies listed in Hong Kong. Reviewed the remuneration package offered to non-executive directors and independent non-executive directors of the Company and recommended that no adjustment should be made for the year 2021.

The requirement to establish of a Remuneration Committee is not applicable to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust nor the Trustee-Manager, and the Trustee-Manager does not have any employees.

CORPORATE GOVERNANCE REPORT

Board and Board Committee Meetings

Apart from understanding the respective responsibilities of the Trustee-Manager Board and the Company Board, the Directors must be able and willing to devote the required amount of time to the affairs of the Trust and the Company, including attendance at Board meetings and Board committee meetings. The Non-executive Directors and the Independent Non-executive Directors had confirmed to the Trustee-Manager and the Company that they had given sufficient time and attention to the affairs of the Trust and the Company throughout 2021.

Board Proceedings for Board and Board Committee Meetings

- At least 14 days' formal notice of regular Board and Board Committee Meetings will be given to all Directors, and all Directors are invited to include any matters for discussion in the agenda.
- Directors are provided with the meeting agenda and the relevant board papers at least 3 days in advance of every regular Board and Board Committee meeting, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings.
- To safeguard the interests of the Trust Group and the Unitholders, Directors are required to declare their direct/indirect interests, if any, in any business proposals to be considered at the meetings and, where appropriate, they are required to abstain from voting.
- Minutes of all Board and Board Committee meetings recording key deliberations and decisions taken are kept by the Company Secretary and are available for Directors' inspection. Draft and final versions of minutes are sent to all Directors in a timely manner for their comment and record.

In addition to Board meetings, the Chairman schedules a meeting annually with Independent Non-executive Directors without the presence of other Directors to discuss the affairs of the Trust Group.

During the year under review, each of the Trustee-Manager and the Company held four physical Board meetings. In view of the ongoing COVID-19 pandemic, Board and Board Committee meetings of the Trustee-Manager and the Company were held either by means of telephone conference or video conference during the year. The attendance of individual Directors at all the Board and Board Committee meetings and AGM held during the year ended 31 December 2021 is set out below:

CORPORATE GOVERNANCE REPORT

Number of Meeting(s) Attended/Eligible to Attend in 2021

Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	2021 AGM
Non-executive Directors					
LO Ka Shui (<i>Chairman</i>)	4/4	–	1/1	1/1	1/1
LO Chun Him, Alexander	4/4	–	–	–	1/1
LO Chun Lai, Andrew	4/4	–	–	–	1/1
Attendance Rate	100%	–	100%	100%	100%
Executive Directors					
Brett Stephen BUTCHER (<i>Chief Executive Officer</i>)	4/4	–	–	–	1/1
Attendance Rate	100%	–	–	–	100%
Independent Non-executive Directors					
CHAN Ka Keung, Ceajer	4/4	2/2	1/1	1/1	1/1
LIN Syaru, Shirley	4/4	2/2	1/1	1/1	1/1
WONG Kwai Lam	4/4	2/2	1/1	1/1	1/1
Attendance Rate	100%	100%	100%	100%	100%
Overall Attendance Rate	100%	100%	100%	100%	100%

Note: The Board and Board Committee meetings of the Trustee-Manager and the Company were held on a concurrent basis

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

The framework of the remuneration offered to the Executive Director and senior management of the Company is a combination of pre-determined elements plus discretionary components:

Remuneration Framework

Basic compensation	<ul style="list-style-type: none">• includes basic salary, retirement benefits and other allowances• it is fixed and set to be at the level sufficient to retain and motivate employees, taking into account the scope and complexity of responsibilities, individual performance as well as market pay levels
Bonus and incentives	<ul style="list-style-type: none">• vital to align the interest of the executives with that of Unitholders• the level is determined by reference to factors such as the financial performance and profitability of the Trust and the Company, individual performance, prevailing market conditions and remuneration benchmark in the industry

As discussed above, Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust nor the Trustee-Manager. The Directors' fees entitled to be received by each Director of the Company and the members of the respective Board Committees of the Company for the year 2021 are set out hereinbelow. The remuneration levels were proposed with reference to the time involved, specific duties and services of individual directors and the prevailing market conditions.

Further details of Directors' emoluments are provided in note 14 to the consolidated financial statements of the Trust and the Company.

Director's Fee and Board Committee Remuneration

Capacity	Annual Fee (HK\$)
Board of Directors	
• Executive Director	50,000
• Non-executive Director	170,000
• Independent Non-executive Director	220,000
• Chairman	270,000
Audit Committee	
• Chairman	100,000
• Committee Member	50,000
Remuneration Committee	
• Chairman	50,000
• Committee Member	25,000
Nomination Committee	
• Chairman	30,000
• Committee Member	20,000

CORPORATE GOVERNANCE REPORT

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 seek to address any potential conflicts of interest and competition between the two groups so as 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 Trust Group and the existing continuing connected transactions (other than exempt continuing connected transactions and those transactions qualifying for an exemption) are reviewed and reported annually by the Independent Non-executive Directors and auditors of the Company;
 - 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 to those Directors who do not have a material interest in the matter; and
- 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, each of the Trustee-Manager and the Company will, through the internal audit function, review 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 will include an examination of supporting documents and such other information deemed necessary by the Audit Committee; and
 - (iv) the Independent Non-executive Directors will review on an annual basis compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and will disclose in the annual report of the Trust and the Company their findings on the 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.

CORPORATE GOVERNANCE REPORT

The Audit Committees of the Trustee-Manager and the Company shall be responsible for overseeing the implementation of the above measures. During the year 2021, there were no properties or investment opportunities being acquired by or made available to the Great Eagle Group that were subject to the Great Eagle ROFR Deed.

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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Trustee-Manager Board and the Company Board are entrusted with the overall responsibility on an ongoing basis for ensuring that adequate and effective risk management and internal control systems are established and maintained for the Trustee-Manager and the Company. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure there are adequate and effective risk management and internal control systems within the Trustee-Manager and the Company:

- (a) a good control environment including well defined organizational structure, limit of 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 the 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.

Through the Audit Committees of the Trustee-Manager and the Company and the Great Eagle Group's Internal Audit Department, the Trustee-Manager Board and the Company Board have conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

A risk management framework is implemented that provides a structured basis where all key risks (including but not limited to governance and strategy, regulatory compliance, people and talent, technology and operations, financial, economic, legal and ESG) are identified, analysed, evaluated, treated, monitored and reported in a consistent manner at all levels across the Company. Risk Register is maintained to summarize the significant risks faced by the Company and the relevant risk mitigating activities.

CORPORATE GOVERNANCE REPORT

With adoption of a risk-based approach, the Internal Audit Department takes the lead to evaluate 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 3-year audit plan of the Internal Audit Department is approved by the Audit Committees. The Head of Internal Audit Department reports directly to the Audit Committees and the Chairman of the Trustee-Manager and the Company. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committees for discussion at the 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.

Based on the results of the internal audit reviews for the year ended 31 December 2021 and the assessment of the Audit Committees thereon, no significant irregularity or deficiency in the risk management and internal control systems has drawn the attention of the Audit Committees.

The Trustee-Manager Board and the Company Board therefore are satisfied that the Trust (together with the Trustee-Manager) and the Company have maintained adequate and effective risk management and internal control systems for the year ended 31 December 2021.

INVESTOR RELATIONS

Constitutional Documents

During the year ended 31 December 2021, there was no change to the Trust Deed and the Company's Articles, the current version of which are available for download from our website and the HKEXnews website.

Unitholder Communication Policy

We recognize the importance of maintaining an ongoing dialogue with our Unitholders. The Unitholder Communication Policy has been reviewed during the year to promote effective engagement with individual Unitholders, institutional investors and other stakeholders. Below is a summary of the Unitholder Communication Policy.

Our corporate website (www.langhamhospitality.com) is one of the key channels by which the Unitholders and potential investors can find a wealth of information about the Trust Group. All corporate communications of the Trust and the Company, including but not limited to annual and interim reports, announcements, circulars, key corporate governance policies, terms of reference of the various Board Committees, press releases and other corporate information, are made available on this website. For Unitholders who have supported the use of environmentally-friendly means in receiving corporate communications, our website provides the most convenient way for locating the desired information. We also address the needs of those Unitholders who are more accustomed to reading offline by sending corporate communications to them in printed form free of charge upon receipt of their election in writing as such.

CORPORATE GOVERNANCE REPORT

To facilitate a two-way dialogue with Unitholders and other stakeholders, the corporate communications and website are supplemented by various briefings and conferences. The management and the Head of Investor Relations meet existing and potential investors, financial analysts and media regularly at road shows, analyst briefings, investor conferences and one-on-one group meetings where our senior executives can exchange and share views and opinions with the participants and address any queries that they may have about the business development and corporate strategies of the Trust Group based on publicly available information. Relevant presentation materials from analyst briefings on annual and interim results are also posted on our website so as to deliver a more in-depth understanding on the Trust Group's financial performance and position.

Unitholders may at any time direct their enquiries about the Trust and the Company to the Trustee-Manager Board and the Company Board by writing to the Company's principal place of business in Hong Kong or by email to enquiry@langhamhospitality.com.

The Board reviewed the implementation and effectiveness of the Unitholder Communication Policy in February 2022. During the year under review, the corporate website was updated on a regular basis to maintain an effective ongoing communication with Unitholders and Unitholders could access the latest information of the Trust and the Company through the corporate website. Information released by the Trust and the Company to the Stock Exchange was also posted on the corporate website as soon as reasonably practicable thereafter. Unitholders were provided with the opportunities to communicate with the Directors and senior management directly at general meeting. Enquires from Unitholders were responded within a specific timeframe. Based on the above, the Board was of the view that the Unitholder Communication Policy was effective.

General Meeting

The Trustee-Manager Board and the Company Board recognise the significance of general meetings which provide the best opportunity for a genuine dialogue between the Directors and our Unitholders. In light of the continuous development of COVID-19, the Trust and the Company implemented a number of precautionary measures for the 2021 AGM, including distant seat arrangement and restricting the number of Unitholders in the 2021 AGM venue.

The 2021 AGM of the Trust and the Company was held on 12 May 2021 at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The matters resolved thereat are listed below:

- Received and adopted the audited consolidated Financial Statements of the Trust and the Company for the year ended 31 December 2020, the audited Financial Statements of the Trustee-Manager for the year ended 31 December 2020, together with their respective Reports of the Directors and the Independent Auditor.
- Re-elected Mr. Brett Stephen Butcher as an Executive Director, Mr. Lo Chun Lai, Andrew as a Non-executive Director and Professor Chan Ka Keung, Ceajer and Professor Lin Syaru, Shirley as Independent Non-executive Directors.
- Authorized the Directors of the Company to fix their remuneration.
- Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor of the Trust, the Trustee-Manager and the Company, and authorized the Directors of the Trustee-Manager and the Company to fix their remuneration.
- Approved the grant of a general mandate to the Directors of the Trustee-Manager and the Company to allot, issue and deal with additional Share Staped Units not exceeding 20% of the issued number of Share Staped Units.

CORPORATE GOVERNANCE REPORT

The General Mandate will remain in effect until the conclusion of the next AGM of the Holders of Share Stapled Units, or the expiration of the period within which such AGM is required to be held, or until revoked, renewed or varied by an ordinary resolution of Holders of Share Stapled Units, whichever occurs first. Although the General Mandate granted may not be utilized during the valid period as mentioned above, this gives the Company the flexibility when needed without proposing second and subsequent refreshments of a general mandate in any one year. The Company will use the mandate sparingly and in the interest of the Holders of Share Stapled Units. Set out below is the utilization rate of the General Mandate granted by the Holders of Share Stapled Units for the last five validity periods:

Year of AGM	Mandate Validity Period	Number of Issued Share Stapled Units under Granted Mandate	% of Utilized Mandate⁽¹⁾
2016	22/4/2016 to 25/4/2017	21,644,050	1.052
2017	25/4/2017 to 18/4/2018	20,287,099	0.976
2018	18/4/2018 to 10/5/2019	22,678,703	1.080
2019	10/5/2019 to 12/5/2020	23,725,692	1.118
2020	12/5/2020 to 12/5/2021	14,258,483	0.665

Note:

(1) This percentage is based on the number of issued Share Stapled Units as at the dates of the relevant annual general meetings.

CORPORATE GOVERNANCE REPORT

General meetings of the Trust and the Company are held on a combined basis, proceedings of general meetings as summarized hereinbelow are reviewed from time to time to ensure that the best appropriate corporate governance practices are followed.

Proceedings of General Meetings

- Notice of general meetings together with other relevant corporate communications in printed form (or the notification letters for receiving the said corporate communications by electronic means through our corporate website, as the case may be) will be despatched to Holders of Share Stapled Units (i) no less than 20 clear business days prior to the AGM and general meeting where a special resolution is proposed for consideration and (ii) no less than 10 clear business days for all other general meetings.
- The Chairman of the Trustee-Manager Board and the Company Board as well as the chairmen of each of the Board Committees or, in their absence, their duly appointed delegates or other members of the respective Committees are available to answer questions at the general meetings.
- The chairman of the independent board committee or, in his/her absence, his/her duly appointed delegates or other member(s) of the committee will be available to answer questions at any general meetings at which approval for a connected transaction or approval from independent Holders of Share Stapled Units for any other transaction is sought.
- The external auditor will attend the AGM to answer questions relating to the audit.
- To safeguard the interests and rights of the Holders of Share Stapled Units, separate resolutions are proposed at the general meetings on each substantial issue, including the election/re-election of each individual Director.
- Holders of Share Stapled Units will be provided opportunities to ask questions for each of the proposed resolutions at general meetings.
- All votes of the Holders of Share Stapled Units at general meetings will be taken by poll. The procedures for conducting a poll will be clearly explained at the meeting.
- Poll results will be made available by way of an announcement, which will be published on our corporate website and the HKEXnews website on the same day after the general meeting.

CORPORATE GOVERNANCE REPORT

Rights of Holders of Share Stapled Units

Right to Convene/Call a General Meeting

Pursuant to Article 12.3 of the Company's Articles, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists hold as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 10% of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Within 21 days from the date of deposit of the requisition, the Company Board shall proceed to convene the meeting to be held with such notice in accordance with Article 12.4.

Right to Appoint/Remove Trustee-Manager

Pursuant to Clause 23.1 of the Trust Deed, holders of Units of the Trust may (i) by requisition convene a meeting to vote on a resolution to remove the trustee-manager and (ii) nominate a company which has consented in writing to serve as the replacement trustee-manager for appointment at general meeting by serving the requisition/nomination on the incumbent trustee-manager, provided

that the holders of Units making such requisition and/or nomination hold not less than 5% of the total voting rights of all holders of Units at the date of the requisition/nomination.

Proposing a Person for Election as a Director

Pursuant to Article 16.5 of the Company's Articles, two members of the Company (not including the person to be proposed) together representing not less than 10% of the total voting rights of all the members are entitled to propose a person for election as a Director of the Company at the general meeting by lodging a written notice with the principal office of the Company in Hong Kong of their such intention together with the consent of the nominated person at least 7 days before the date of the general meeting.

EXTERNAL AUDITORS

Auditor's responsibilities for the financial statements

The statement by the Auditor about its reporting responsibilities for the Trust Group and the Trustee-Manager are set out in the Independent Auditor's Report on pages 106 to 110 and pages 182 to 184 respectively of this Annual Report.

Auditor's Remuneration

During the year ended 31 December 2021, the total fees in respect of audit and non-audit services provided to the Trust Group and the Trustee-Manager by the external auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

Services rendered	For the year ended 31 December 2021	
	Trust Group HK\$'000	Trustee-Manager HK\$'000
Audit services	1,414	20
Non-audit services		
Interim review fee	386	–
Other review fees including continuing connected transactions review, etc	98	2
Total	1,898	22

Note: The total amounts of Auditor's Remuneration as disclosed in note 13 to the consolidated financial statements of the Trust and the Company and note 4 to the financial statements of the Trustee-Manager are HK\$1,414,000 and HK\$20,000 respectively and do not include the fees in respect of non-audit services

CORPORATE GOVERNANCE REPORT

CONNECTED TRANSACTIONS AND/OR CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions and/or continuing connected transactions subsisted during the year under review and the annual review are set out in the Report of the Directors contained in this Annual Report on pages 95 to 101.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Trust Group has adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiries, all members of the Board and relevant employees of the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions during the year ended 31 December 2021. The Directors' interests in the securities of the Trust and the Company and the associated corporations (within the meaning of the SFO) as at 31 December 2021 are set out in the Report of the Directors.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Trustee-Manager Board and the Company Board, supported by the Accounts and Finance Department, are responsible for the preparation of the financial statements of the Trust Group and the Trustee-Manager for the year ended 31 December 2021.

DIRECTORS' AND OFFICERS' INSURANCE

During the year ended 31 December 2021, appropriate Directors' and Officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Trustee-Manager and the Company.

PUBLIC FLOAT

So far as the Trustee-Manager Board and the Company Board are aware of, as at the date of this report, the Trust and the Company had maintained a sufficient public float with more than 25% of the issued and outstanding Share Stapled Units being held by the public.

RELATED PARTY TRANSACTIONS

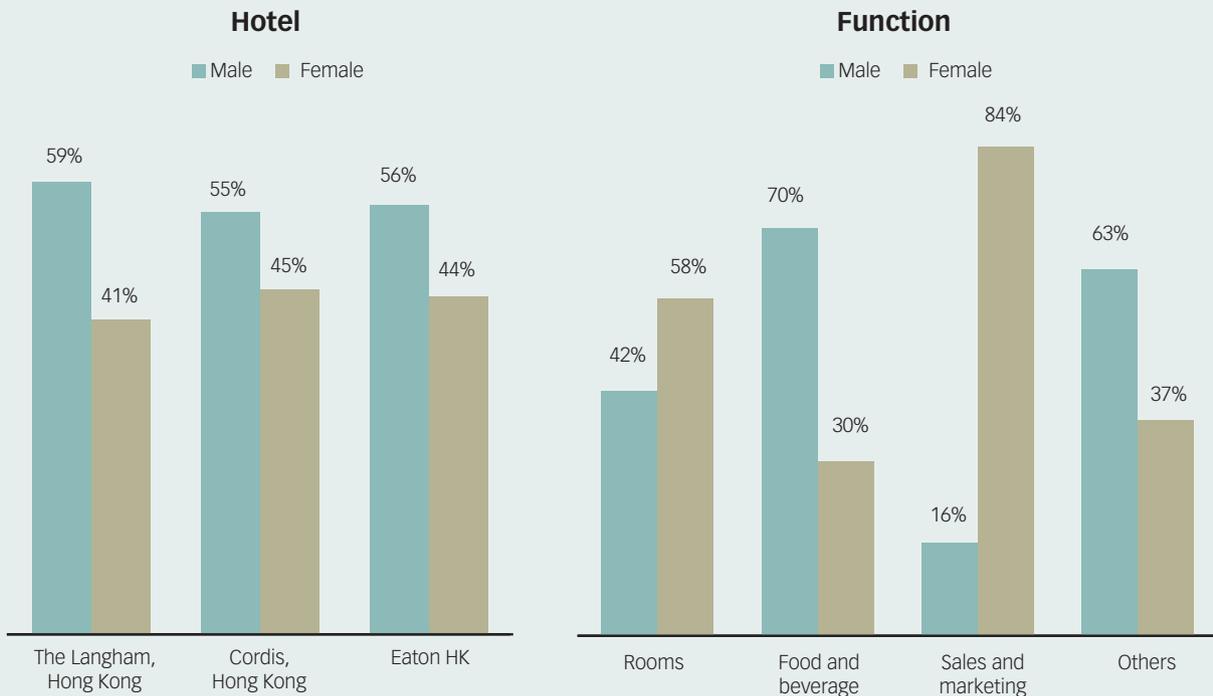
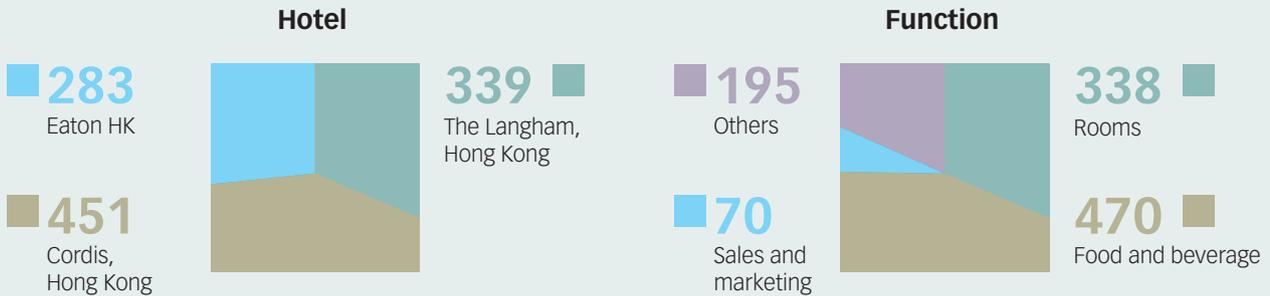
During the year ended 31 December 2021, certain transactions between the Trust Group, the Trustee-Manager and parties regarded as "related parties" under the applicable accounting standards subsisted. Several of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 36 to the consolidated financial statements of the Trust and the Company.

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 well-experienced operational staff exclusively dedicated in providing services to the Hotels. The Hotels control the payroll and related expense in accordance with the business level and also continuously review the process for higher efficiency. Comparing to 31 December 2020, there is a decrease of 105 headcounts as at 31 December 2021.

CORPORATE GOVERNANCE REPORT

The following charts show the breakdown and composition of the employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels as at 31 December 2021:

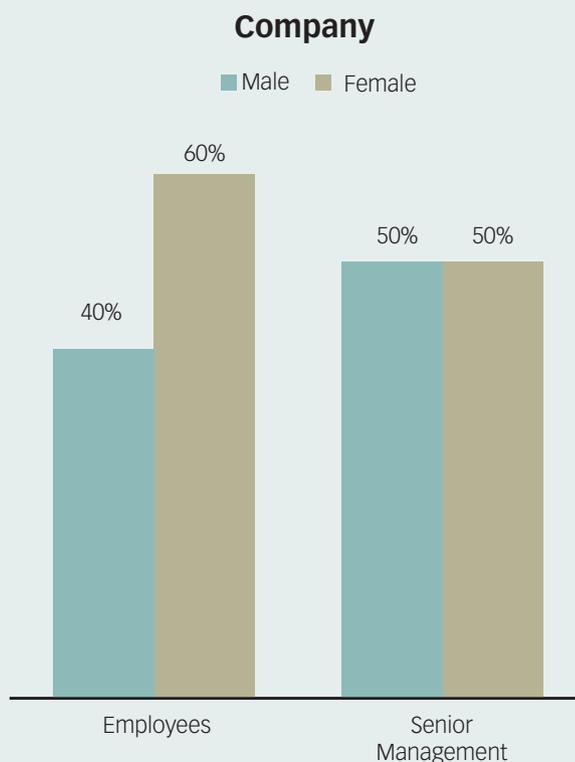


CORPORATE GOVERNANCE REPORT

Salary levels of the Hotel Manager's employees are competitive, and discretionary bonuses are granted based on performance of the Hotels as well as achievement of departmental key performance indicators. Other employee benefits include 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 mandatory contribution.

The Company has employed a team of five professional staff members 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 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.

The gender ratio of the employees and senior management of the Company are illustrated as below charts:



The total remuneration of the senior management (including the Chief Executive Officer) borne by the Company for the year ended 31 December 2021 are provided in note 14 to the consolidated financial statements of the Trust and the Company.

REPORT OF THE DIRECTORS

The Trustee-Manager Board and the Company Board have pleasure in presenting the annual report together with the audited consolidated financial statements of the Trust Group for the year ended 31 December 2021.

The Trustee-Manager Board also presents its audited financial statements of the Trustee-Manager for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Trust

The Trust is constituted, upon and subject to the terms and conditions of the Trust Deed entered into between the Trustee-Manager and the Company, as a fixed single investment trust in Hong Kong. The scope of activity of the Trust is limited to investing in the Company.

The Company

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

The principal activities and other particulars of the Company's principal subsidiaries as at 31 December 2021 are set out in note 37 to the consolidated financial statements of the Trust Group.

The Trustee-Manager

The Trustee-Manager has a specific and limited role to administer the Trust. The Trustee-Manager is not actively engaged in running the businesses operated by the Trust Group.

BUSINESS REVIEW

Business Performance and Future Prospects

A detailed review on the Trust Group's business performance during the reporting period, as well as the future prospects of the Trust Group are set out in the Chairman's Statement and CEO's Review on pages 15 to 26 of this Annual Report, the discussions thereof form part of this Directors' Report.

The Trust Group is committed to the preservation of its reputation and integrity through compliance with applicable laws, rules and regulations ("Laws"). Control procedures are in place to ensure compliance with Laws which have a significant impact on the Group in conduct of its business including Securities and Futures Ordinance, the Listing Rules, the Takeovers Code and those related to personal data privacy, copyrights and intellectual property, anti-money laundering, occupational health and safety, environmental protection, hotel operations and business licenses. The Trust Group will not be obliged to do anything if by doing so it would or might cause the Group to breach any applicable laws. The Trust Group has also adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

Risks and Uncertainties

The Trustee-Manager Board and the Company Board are aware that the Trust Group is exposed to various risks, including some which are specific to the Trust Group or the hospitality industry as well as others that are common to most if not all other businesses. The Trustee-Manager Board and the Company Board have established a practice to ensure that significant risks which may adversely affect the Trust Group's performance are identified, reported, monitored, and managed on a continuous basis. The following principal risks and uncertainties are considered to have the potential to adversely affect the Trust Group's performance if they are not managed effectively.

REPORT OF THE DIRECTORS

Stability of Revenue

The Trust Group's primary source of income is rental payments payable for the lease of the Hotels under the Master Lease Agreements, which comprise the Base Rent and the Variable Rent. The Variable Rent payable under the Master Leases is expected to constitute the majority of the Trust Group's total revenue and will vary according to the level of Gross Operating Profit before deduction of the Global Marketing Fee of each Hotel. The basis for calculating the amount of Variable Rent payable only applied until 31 December 2019 and thereafter the Variable Rent will be calculated on a basis to be determined by an independent property valuer, to be appointed by the Company.

In 2019, the Company appointed an independent property valuer, Vigers, acting as an expert and not as an arbitrator, to conduct a rental review to determine the market rental package of the Hotels (including the market rent of the Hotels and the applicable percentage of the Variable Rent) for the period from 1 January 2020 to 31 December 2023.

Based on the Rental Review of the Valuer in accordance with the provisions in the Master Lease Agreements, the Valuer determined that the market rental package for the Hotels for the period from 1 January 2020 to 31 December 2023 is comprised of (i) a Base Rent being fixed at HK\$225 million per annum under the Master Lease Agreements, and (ii) a Variable Rent being 70% to the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies on an annual basis as determined by Vigers. The market rental package of the Hotels for the period from 1 January 2020 to 31 December 2023 is the same as the one of the last period ended 31 December 2019. Under the Master Lease Agreements, a further rental review will be performed for the period from 1 January 2024 for the remaining term of the Master Lease Agreements.

The Master Lease Agreements will terminate in the event that the valuer determines that the Variable Rent payable under the Master Lease Agreements for the period from 1 January 2024 for the remaining term of the Master Lease Agreements, shall be calculated on the basis of less than 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies, and approval of independent Holders of Share Stapled Units is not obtained when the Company re-complies with the relevant Listing Rules requirements in respect of the Master Lease Agreements. Termination or non-renewal of a Master Lease Agreement may have a material adverse effect on our business, results of operations, financial condition and prospects as it would result in us ceasing to enjoy the guaranteed minimum revenue payable as the Base Rent under the Master Lease Agreement and therefore increase our exposure to the Hotels' actual financial performance. There can be no guarantee that we could enter into alternative leasing arrangements on similar terms as the Master Lease Agreements or at all, or that the actual revenue derived from the Hotels would be equivalent to the Base Rent and the Variable Rent payable under the Master Lease Agreements. It may also be difficult to enter into alternative leasing arrangement on similar terms to the Master Lease Agreements if the master lessee is not also the Hotel Manager.

In addition, we may be required to pay damages to the Master Lessee in respect of the termination of a Master Lease Agreement. Accordingly, the termination of the Master Lease Agreements may have a material adverse effect on our business, results of operations, financial condition and prospects.

There can be no assurance that the Variable Rent will be consistent from year to year. Variable Rent fluctuation depends on the actual performance of the hotels. The Trust Group's ability to comply with the interest cover covenant under the loan agreements will be adversely affected in the absence of Variable Rent. To mitigate the risk, we have adopted the Active Asset Management Strategy and the following are the major measures:

REPORT OF THE DIRECTORS

- Supervise the Master Lessee and the Hotel Manager to enhance the quality and value of the Hotels, and achieve growth in operating performance.
- Meeting with the Hotel General Manager to monitor and control hotels' performance.
- Regularly review on hotels' performance.
- Review future 3 months' outlook and booking pace.

Risks pertaining to Hotel Operations

A substantial portion of the Trust Group's revenue is derived from Variable Rent which provides exposure to the underlying performance of the hotels. Since hotel guests are short-term occupants of hotel rooms, they are generally not committed to contracts of medium-term or long-term rental payment. Consequently, a hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to factors including seasonality, social stability, politics, natural hazards, viral epidemics and economic condition as well as the nature of hotel business.

In this respect, the Trust Group regularly assesses changes in economic environment and keeps alert to market needs and competitors' reaction. The management closely monitors hotels performance and booking pace, and also promptly reviews and develops different marketing strategies in response to sudden events under unexpected situations such as social unrest and viral epidemics.

Prolonged COVID-19 Pandemic

The COVID-19 pandemic has continued to adversely affect the hospitality industry both in Hong Kong and globally. Following the rollout of the COVID-19 vaccines at the start of the year, the situation of the COVID-19 pandemic has seen steady improvement subsequent to the large-scale implementation of COVID-19 vaccination programme around the globe, with declining cases and governments of different countries lifting social distancing restrictions and loosening border controls and travel restrictions. Hong Kong, in spite of the seemingly stabilized situation of the pandemic, has maintained its strict quarantine system and recorded months-long of zero local cases. With the local consumer's pent-up demand and the government's consumption voucher disbursed as from the end of the third quarter, the struggling economy was on a rise for most part of the year.

The gradual recovery of the economy in Hong Kong has however taken a worrying turn when the fifth COVID-19 wave hit the city at the end of the year. The rapid spread of new COVID-19 variants and resurgence of new cases have sent the local community back to stringent social distancing requirements and renewed travel restrictions in response to new coronavirus strains that are potentially more contagious. The sudden downturn of the situation has led to an abrupt stop to the recovery of the domestic economy. Our business operations could be disrupted if any of our employees is suspected of having these or any other epidemic disease, since it could require our employees to be quarantined and/or our hotels to be closed for disinfection or other remedial measures.

The effects of the COVID-19 pandemic and the measures being taken by governments around the world in response to it could materially and adversely affect the Trust Group's business, financial condition, financial requirements, results of operations and prospects. The Trust Group has been active in responding to the extremely difficult environment. In addition to tightening expense control and deferring various renovation plans, the Trust Group has taken precautionary measures in stepping up the hygiene standard at the Hotels and workplace.

REPORT OF THE DIRECTORS

The COVID-19 pandemic will continue to cause a prolonged global economic crisis or recession, which may disrupt the Trust Group's business operations and consequently have a material adverse effect on the Trust Group's financial condition and results of operations. At the current time, there is no clarity as to how long the domestic or the global economies, and within the domestic economy the hospitality sector, will continue to be impacted by the effects of the COVID-19 pandemic or as to how severe the impact will be. Even when restrictions are lifted, there might be a period of significantly reduced economic activity, potential increased unemployment and reduced consumer spending.

The Trust Group will continue to monitor the development of COVID-19 pandemic closely and adjust the mitigation measures when necessary.

Hong Kong Hospitality Industry

The Hong Kong hospitality industry has been, and will continue to be, significantly impacted by potential customers travelling to Hong Kong and is closely linked to the development of tourist activity in Hong Kong. Potential customers' desire and willingness to travel to and stay in Hong Kong may be affected by a number of external factors which are outside our control, including adverse global, regional or local economic conditions, social factors, travel warnings issued by other countries, travel disruptions, viral epidemics and fluctuations in the Hong Kong dollar exchange rate against other currencies. The Trustee-Manager Board and the Company Board cannot predict the occurrence of these events and the extent to which they will, directly or indirectly, impact the hospitality industry in Hong Kong.

The attractiveness of Hong Kong to corporations and firms and their employees and the associated business-related travel is influenced by economic conditions, political and economic stability of Hong Kong and China, Hong Kong's regulatory, legal, tax and financial framework, Hong Kong's environment, levels of pollution, transport, infrastructure and other amenities. In addition, travel disruptions arising from viral epidemics, natural disasters, adverse weather conditions, terrorist acts, riots or civil commotions may have an adverse impact on the number of travellers coming to Hong Kong.

The Trust Group's revenue from Variable Rent relies heavily and mainly on the inflow of tourists to Hong Kong. The performance of the Hotels was hard hit by the outbreak of COVID-19. According to the Visitor Arrivals Statistics provided by Hong Kong Tourism Board, Hong Kong has in 2021 recorded a 90%-decrease in number of tourists for the second consecutive year. Following the assault of the fifth COVID-19 wave, hopes of reopening of cross-border travel were busted. The Hotels shall continue to aim their marketing focus on the domestic market.

The Trust Group has launched numerous promotional staycation packages with innovative ideas to capture demand and increased its share in the staycation market. The Trust Group will also participate in the government's Designated Quarantine Hotel Scheme and have one of the Hotels to serve as a quarantine hotel in order to utilize the idle hotel rooms. We will continue to cooperate with the government and participate in any other government schemes and plans available to our hotels from time to time to battle the pandemic.

The development of the pandemic stays unpredictable and there is no assurance that Hong Kong and the world will see an end to the pandemic within a short period of time. The Trust Group will adopt Active Asset Management Strategy as mentioned above to monitor the situation.

REPORT OF THE DIRECTORS

Risk of Cyber-Attacks

Loss of data and leakage of confidential information are the largest costs from cyber-crime that the hotels are facing. The cost of recovering from cyber-attacks, including reputational damage, where the trust in a company decreases and their brand loses value, is considerable. To mitigate the risk of cyber-attacks, the vulnerabilities of the hotel's IT infrastructure are regularly scanned and patched. Risky external IP addresses are blocked. All servers and user computers are equipped with antivirus or endpoint protection. Emails are filtered for spam and malware. Password control and user access to the systems and network elements are regularly updated and reviewed. System backup and DR facilities provide additional layers of protections. All these measures increase the difficulty for a hacker. In addition, the respective business units have also acquired appropriate insurance which also help mitigating risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event.

Risks associated with the Trust Group's financial instruments

The Trust Group's major financial instruments include derivative financial instruments, other receivables, bank balances, trade creditors, other payables, construction fee payables and secured bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with the Groups' financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. Details of the same and the policies on how to mitigate these risks are set out in note 29 to the consolidated financial statements contained in this Annual Report. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Valuation of the Hotels

The Hotels are classified as investment properties of the Trust Group in its financial statement. The Trust Group is required by Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants to reassess the fair value of its investments properties at each reporting date for which it issues financial statements. The amount of revaluation adjustments will be subject to market fluctuations. In the case of losses arising from changes in fair value of the investment properties of the Trust Group, this could have an adverse impact on its ability to comply with the financial covenants under the loan agreements, particularly the loan-to-value covenant, and may also lead to an adverse market perception of the performance of its business, even though such losses are not realised.

The valuation of the investment properties of the Trust Group is based on discounted cash flow analysis for the Hotels and income capitalisation approach for the retail shops. Under the discounted cash flow analysis, the periodic net operating income, along with where applicable an estimate of the terminal value anticipated at the end of the relevant projection period, is then discounted to its net present value. The income capitalisation approach for the retail shops is established based on the capitalisation of the property net rental income derived from the existing tenancies at appropriate term yield, and due allowance has been made for the reversionary interests.

Fair value gains (or losses) will not change the cash position of the Trust Group as long as the relevant investment properties are held by it and therefore do not increase or decrease respectively its liquidity in spite of the increased or decreased profit. Therefore, fair value gains would not generate a flow of funds from which distributions could be paid.

Material downward valuation adjustments could materially and adversely affect the Trust Group's financial condition, financing requirements and prospects.

REPORT OF THE DIRECTORS

The Trust Group will closely monitor its debt and cash position. Cash flow forecasts with sensitivity analysis will be prepared to ensure that all sources of liquidity risk are identified to evaluate the impact of different levels of business activity in relation to the existing loan facilities.

Funding for Renovation of Hotels

The Hotels may need to undergo renovation works from time to time to retain their attractiveness and may also require ad hoc maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations. Such repairs, redevelopment or renovation of the Hotels may have a material effect on our ability to attract hotel guests and customers for our catering business and restaurants and in some circumstances may require partial closure of a hotel or the restaurants or other facilities within that hotel. As a result, during the period of any such repairs, redevelopment or renovation, the Trust Group may experience a reduction in the occupancy rate and/or RevPAR of the Hotels and/or the number of customers using our restaurants and catering facilities.

The cost of maintaining the Hotels, the need to renovate or redevelop and the risk of unforeseen maintenance or repair requirements tend to increase over time as the Hotels age. If the operation of the Hotels or the restaurant or catering facilities is disrupted as a result of such repairs and/or maintenance, this will adversely affect the results of operations of the Hotels and reduce the level of Variable Rent payable to the Trust Group. In view of the above, the following control activities are identified and implemented by the Trust Group:

- The Trust Group has obtained additional revolving banking facility to meet the unforeseen renovations.
- The Trust Group will communicate with the Project Manager on cash requirements for hotel renovation on an on-going basis and the renovation progress report will be reviewed regularly.
- The cash position of the Trust Group will be reviewed on a regular basis.

The Trust Group shall continue to improve its hotel services and facilities to ensure the provision of unforgettable experience for our customers.

Stability of Distributions

The parent group had agreed, under the Distribution Entitlement Waiver Deed, to waive its entitlement to receive any distributions payable in respect of certain numbers of Share Stapled Units for the period ended 31 December 2017. The Distribution Waiver elevated the distribution of Share Stapled Units in respect of which distributions have not been waived to a level which is higher than would otherwise be the case based solely on the Trust Distributable Income. The Distribution Entitlement Waiver Deed had expired by the end of 2017. Pursuant to the Hotel Management Agreements and the Trademark Licence Agreements, the fees payable thereunder from 1 January 2018 onwards shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager. If the Hotel Manager elected the payment of the Manager Fees by way of cash, the amount that may be available for distribution to Holders of Share Stapled Units will decrease.

We had sought the approval from the independent Holders of Share Stapled Units to grant a specific mandate relating to the issue of Share Stapled Units as payment of the Manager Fees under the Hotel Management Agreements and the Trademark Licence Agreements on 12 May 2021. Unless otherwise requested by the Hotel Manager in writing in accordance with the provisions of the Hotel Management Agreements and Trademark Licence Agreements, the fees payable therefrom for the three financial years ending 31 December 2023 shall be settled by way of the issue of Share Stapled Units.

Active Asset Management Strategy as mentioned above has been adopted with an aim to further enhance the financial performance of the Trust Group.

REPORT OF THE DIRECTORS

DISTRIBUTION

Distributable Income

Total distributable income is the profit for the year attributable to Holders of Share Stapled Units as adjusted to eliminate the effects of adjustments (as set out in the Trust Deed). Details of which are set out in notes 11 and 12 to the consolidated financial statements to the Trust Group.

Distribution per Share Stapled Unit

The Trustee-Manager Board and the Company Board have recommended the payment of a final distribution of HK2.7 cents per Share Stapled Unit for the year ended 31 December 2021 to Holders of Share Stapled Units whose names appear on the Share Staples Units Register on 24 May 2022. Subject to the approval of the Holders of Share Stapled Units at the forthcoming 2022 AGM, the payment of the final distribution will be made on 7 June 2022.

FINANCIAL SUMMARY

A summary of the results and of the assets and/or liabilities of the Trust Group is set out on page 193 of this Annual Report.

MOVEMENTS IN RESERVES

Details of the movements in the reserves of the Trust Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity.

FIXED ASSETS

Details of the movements in the property, plant and equipment of the Trust Group during the year are set out in note 17 to the consolidated financial statements of the Trust Group.

INVESTMENT PROPERTIES

Movements in the investment properties of the Trust Group during the year ended 31 December 2021 are set out in note 18 to the consolidated financial statements. All of the Trust Group's investment properties were revalued by independent professional property valuer as at 31 December 2021 adopting income approach by using discounted cashflow analysis for the Hotels and income capitalization approach for the retail shops to arrive at the valuation of investment properties.

Details of the investment properties of the Trust Group as at 31 December 2021 are set out in the Schedule of Investment Properties on page 192 of this Annual Report.

ISSUED SHARE STAPLED UNITS

As at 31 December 2021, the total number of issued Share Stapled Units of the Trust and the Company was 3,240,973,711. A total of 15,806,973 new Share Stapled Units were issued during the year, representing 0.49% of the total number of issued Share Stapled Units as at 31 December 2021.

REPORT OF THE DIRECTORS

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 (collectively the "Hotel Manager's Fees") to the Hotel Manager of approximately HK\$9,228,000 for the second half of 2020	7,323,494
1 September 2021	Issue of new Share Stapled Units at the price of HK\$0.884 per Share Stapled Unit as payment of the Hotel Manager's Fees to Hotel Manager of approximately HK\$7,499,000 for the first half of 2021	8,483,479
31 December 2021	Total number of Issued Share Stapled Units	3,240,973,711

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

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

During the year ended 31 December 2021, none of the Trust, the Trustee-Manager, the Company nor the Company's subsidiaries had bought back, sold or redeemed any Share Stapled Units.

DIRECTORS

In accordance with clause 29.1(a) of the Trust Deed, the Directors of the Trustee-Manager shall be the same individuals who serve as Directors of the Company. The Directors of the Trustee-Manager Board and the Company Board during the year 2021 are set out as follows:

Non-executive Directors

Dr. LO Ka Shui (*Chairman*)
Mr. LO Chun Him, Alexander
Mr. LO Chun Lai, Andrew

Executive Director

Mr. Brett Stephen BUTCHER (*Chief Executive Officer*)

Independent Non-executive Directors

Professor CHAN Ka Keung, Ceajer
Professor LIN Syaru, Shirley
Mr. WONG Kwai Lam

In accordance with clause 29.2(m) of the Trust Deed and Article 16.21 of the Company's Articles, Dr. Lo Ka Shui, Mr. Lo Chun Him, Alexander and Mr. Wong Kwai Lam shall retire from office at the 2022 AGM and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors of the Trustee-Manager and the Company, and the Senior Management of the Company are set out on pages 27 to 31 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Trustee-Manager or the Company or any of the subsidiaries of the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensations).

DIRECTORS' EMOLUMENTS

Details of emoluments of the Directors of the Company are set out in note 14 to the consolidated financial statements of the Trust Group.

Pursuant to the terms of letters of appointment/employment contract, all emoluments of the Directors shall be borne by the Company.

PERMITTED INDEMNITY

The Trust Deed, the Company's Articles and the articles of association of Trustee-Manager provide that every Director is entitled to be indemnified out of the assets of the Trust or the Company against all losses or liabilities incurred or sustained by him/her as a Director of the Trustee-Manager and the Company.

Pursuant to the Trust Deed, the Trustee-Manager shall, save in the case of fraud, wilful default or negligence, be entitled to have recourse to the Trust Property (as defined in the Trust Deed) and shall incur no personal liability in respect of any losses or liabilities which may arise directly or indirectly from such engaging in any Authorised Business (as defined in the Trust Deed).

During the year ended 31 December 2021, appropriate Directors' and Officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and Officers of the Trustee-Manager and the Company.

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

As at 31 December 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:

REPORT OF THE DIRECTORS

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 Interests of Controlled Corporations	Personal Interests	31,584,000	0.97)	73.24
		Corporate Interests	2,252,067,633 ⁽¹⁾	69.49)	
	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	2,170,545	0.07	0.07
Lo Chun Lai, Andrew	Beneficial Owner	Personal Interests	300,000	0.01	0.01

Notes:

- (1) These 2,252,067,633 Share Stapled Units comprise the following:
- (i) 2,248,977,633 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 2,108,839,133 Share Stapled Units (65.07%), Fine Noble Limited as to 87,894,750 Share Stapled Units (2.71%), Great Eagle Nichemusic Limited as to 8,947,500 Share Stapled Units (0.28%) and The Great Eagle Company, Limited as to 43,296,250 Share Stapled Units (1.33%), 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 92; 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 3,240,973,711 Share Stapled Units of the Trust and the Company in issue as at 31 December 2021.

REPORT OF THE DIRECTORS

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS

Great Eagle

As at 31 December 2021, Great Eagle owned 69.39% 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 31 December 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	61,349,517 ⁽¹⁾	8.39)	63.71
	Interests of Controlled Corporations	Corporate Interests)	
			92,978,826 ⁽²⁾	12.72)	
	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	287,408 ⁽⁵⁾	0.04	0.04

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 who is also a director 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 31 December 2021.

REPORT OF THE DIRECTORS

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 31 December 2021, Great Eagle owned 67.64% 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 31 December 2021 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Underlying Units Held	Percentage of Issued Units ⁽²⁾	Total
Lo Ka Shui	Beneficial Owner	Personal Interests	3,592,007	0.06)	68.19
	Interests of Controlled Corporations	Corporate Interests	4,026,058,972 ⁽¹⁾	67.81)	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	19,115,000	0.32)	
)	
)	

Notes:

(1) These 4,026,058,972 units comprise the following:

- (i) 4,022,800,362 units (67.76%) 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 92; and
- (ii) 3,258,610 units (0.05%) 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 5,937,079,598 units of Champion REIT in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, Mr. Lo Chun Him, Alexander and Mr. Lo Chun Lai, Andrew, both being the Non-executive Directors of the Trustee-Manager and the Company, and Mr. Brett Stephen Butcher, being the Chief Executive Officer and Executive Director of the Trustee-Manager and the Company, hold directorships and/or senior management positions in Great Eagle and/or subsidiary(ies) of Great Eagle.

Great Eagle Group, as an associated corporation of the Trust and the Company and a controlling Holder of Share Stapled Units, develops, invests in and manages high quality residential, offices, retail and hotel properties in Asia, North America, Australasia and Europe. The interests of Dr. Lo Ka Shui, Mr. Lo Chun Him, Alexander, Mr. Lo Chun Lai, Andrew and Mr. Brett Stephen Butcher held in Great Eagle are disclosed in the section headed "Long Positions in Shares and Underlying Shares of Associated Corporations".

As mentioned in the Corporate Governance Report under the section headed "Business Relationship with Great Eagle", Great Eagle Group and the Trust Group have distinct business focuses of their own and adopt different development strategy. While the existing properties of the Trust Group are situated in Hong Kong where the Great

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

As for daily operation, the Executive Director and Chief Executive Officer of the Trustee-Manager and the Company is primarily responsible for the overall day-to-day management of the Group and has oversight of the performance of the Master Lessee and the Hotel Manager. The management team and staff of the Group report directly to the Executive Director and Chief Executive Officer and he is accountable to the Trustee-Manager Board and Company Board, operates and manages the Trust Group under various corporate governance measures and the Schedule of Matters Reserved for the Board with due care and in the best interest of the Trust Group and Unitholders.

In addition, the Trust Group has established various corporate governance measures to address any potential conflict of interest of the common Directors of the Trust Group and the Great Eagle Group. For details, please refer to the Corporate Governance Report.

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

REPORT OF THE DIRECTORS

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the connected transactions and continuing connected transactions are set out in this report and note 36 to the consolidated financial statements. Save as disclosed above, there was no transaction, arrangement or contracts of significance subsisted during or at the end of the year to which the Trustee-Manager, the Company or any of its subsidiaries, substantial Unitholders, holding company or fellow subsidiaries was a party and in which a Director of the Trustee-Manager and the Company or his/her connected entity is or was materially interested, either directly or indirectly.

MANAGEMENT AND/OR ADMINISTRATION CONTRACT

On 10 May 2013 (date of listing), the Company and Great Eagle entered into an Administrative Support Services Agreement pursuant to which Great Eagle Group provides certain administrative and non-management services to the Trust Group, including but 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 for an initial term of 3 years and shall be automatically renewed for a further term of 3 years each upon expiration of any such term, subject to compliance with the applicable disclosure and reporting requirements under the Listing Rules. The sharing of the above administrative services is an exempted connected transaction under Rule 14A.98 of the Listing Rules.

Great Eagle is a controlling Holder of Share Stapled Units of the Trust and the Company. Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, is a substantial Shareholder, the Chairman and Managing Director of Great Eagle. Mr. Brett Stephen Butcher, being the Chief Executive Officer and Executive Director of the Trustee-Manager and the Company, is the Chief Executive Officer of the hotel asset management arm of Great Eagle and the Chief Executive Officer of Langham Hospitality Group ("LHG"), the hospitality arm of Great Eagle. Mr. Lo Chun Him, Alexander, being a Non-executive Director of the Trustee-Manager and the Company, is an Executive Director of Great Eagle. Mr. Lo Chun Lai, Andrew, being a Non-executive Director of the Trustee-Manager and the Company, is the Senior Vice President – Finance at LHG. Details of the interests and shareholdings of Dr. Lo Ka Shui, Mr. Brett Stephen Butcher, Mr. Lo Chun Him, Alexander and Mr. Lo Chun Lai, Andrew in Great Eagle are disclosed in the sections headed "Directors' Interest in Competing Businesses" and "Long Positions in Shares and Underlying Shares of Associated Corporations".

Saved as disclosed above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Trustee-Manager or the Company were entered into or existing during the year.

DISCLOSURE OF CONNECTED TRANSACTION AND/OR CONTINUING CONNECTED TRANSACTIONS PURSUANT TO CHAPTER 14A OF THE LISTING RULES

Continuing Connected Transactions subject to Waivers granted by the Stock Exchange

As disclosed in the initial public offering prospectus dated 16 May 2013, agreements in relation to the continuing connected transactions as set out in paragraphs 1 to 4 below were entered prior to the listing of the Trust and the Company and waivers by the Stock Exchange from strict compliance with, if applicable, the announcement and approval of independent Holders of Share Stapled Units requirements of the Listing Rules had been granted. Principal details and conditions of the waivers are disclosed in the latter section headed "Waivers".

REPORT OF THE DIRECTORS

	Aggregate Transaction Amount for the year 31 December 2021 (HK\$'000)
1. Master Lease Agreements ^(a)	
– Base Rent	225,000
– Variable Rent ^(b)	21,756
2. Hotel Management Agreements ^{(a)(b)(c)}	
– Base fee	11,296
– Incentive fee	1,723
3. Centralized Services and Marketing Agreements ^{(a)(b)}	
– Reimbursement of Cost ^(d)	7,685
– Global Marketing Fee	3,836
– Reservation fees ^(d)	3,577
4. Trademark Licence Agreements ^{(a)(b)(c)}	7,531

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 Costs and Reservation fees are included in the operating expenses of the Hotels.

REPORT OF THE DIRECTORS

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 of 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 License Fee, the Global Marketing Fee, etc), and delegates the management and operations obligations to the Hotel Manager of the respective Hotels on 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. Until 31 December 2019, the variable rent was 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.

The basis for calculating the amount of Variable Rent payable only applied until 31 December 2019 and thereafter the Variable Rent will be calculated on a basis to be determined by an independent property valuer, to be appointed by the Company. In 2019, the Company appointed an independent property valuer, Vigers, acting as an expert and not as an arbitrator, to conduct a rental review to determine the market rental package of the Hotels (including the market rent of the Hotels and the applicable percentage of the Variable Rent) for the period from 1 January 2020 to 31 December 2023.

Based on the Rental Review of the Valuer in accordance with the provisions in the Master Lease Agreements, the Valuer determines that the market rental package for the Hotels for the period from 1 January 2020 to 31 December 2023 is comprised of (i) a Base Rent being fixed at HK\$225 million per annum under the Master Lease Agreements, and (ii) a Variable Rent being 70% to the Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies on an annual basis as determined by Vigers. The market rental package of the Hotels for the period from 1 January 2020 to 31 December 2023 is the same as the one of the last period ended 31 December 2019. Under the Master Lease Agreements, a further rental review will be performed for the period from 1 January 2024 for the remaining term of the Master Lease Agreements. In the event that the independent property valuer determines that the Variable Rent payable under the Master Lease Agreements for such periods shall be calculated on the basis of less than 70% of the Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fee payable, the Company shall re-comply with the reporting announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of Master Lease Agreements.

REPORT OF THE DIRECTORS

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 entered into among 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 relevant Listing Rules requirements 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.

3. **Centralized Services and Marketing Agreements** – three separate centralized services and marketing agreements each dated 10 May 2013 entered into among 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 Centralized Services and Marketing Agreements, the Service Provider has agreed to provide global marketing and advertising services, centralized reservations 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 relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Service Provider. Thereafter, the Centralized Services and Marketing Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. Each of the Centralized Services and Marketing Agreements shall be co-terminous with

REPORT OF THE DIRECTORS

the Hotel Management Agreement for the same Hotel. The fee and other amounts payable to the Service Provider under each Centralized 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 materialized reservation, depending on means through which 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 Centralized Services and Marketing Agreements are determined by reference to the formula for determining the Global Marketing Fee payable pursuant to the Centralized Services and Marketing Agreements as described above.

4. **Trademark Licence Agreements** – three separate trademark licence agreements each dated 10 May 2013 entered into among each Hotel Company, the Hotel Manager as the Licensor, the Master Lessee, the Trustee-Manager and the Company.

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 (date of listing) and may, subject to compliance with the relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Trademark Licence Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. Each of the Trademark Licence Agreements shall be coterminous with the Hotel Management Agreement for the same Hotel. 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 the Licence Fee payable under the Trademark Licence Agreements is determined by reference to the formula for determining the Licence Fee payable pursuant to the Trademark Licence Agreements as described above.

REPORT OF THE DIRECTORS

Waivers

Requirements to obtain approval of independent Holders of Share Stapled Units and make announcements

The transactions described in paragraphs 1 to 4 above constitute non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules and normally are required to be announced, reported on, subject to annual review and approved by independent Unitholders. Rule 14A.52 of the Listing Rules also requires that the period for the agreement in respect of non-exempt continuing connected transactions must be fixed and, except in special circumstances, must not exceed 3 years.

The Trustee-Manager and the Company applied for, and the Stock Exchange granted to the Trustee-Manager and the Company, a waiver from strict compliance with the announcement and, if applicable, the approval of independent Unitholders requirements of the Listing Rules in respect of each of the above non-exempt continuing connected transactions for the entire duration of each of those transactions, other than, in the case of the Hotel Management Agreements and the Trademark Licence Agreements, the payment of fees payable by way of Share Stapled Units, which shall only be subject to a waiver until 31 December 2017 (but the payment of fees in cash shall be subject to a waiver for the duration of the Hotel Management Agreements and the Trademark Licence Agreements).

From 1 January 2018 onwards, the fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination or both, at the election of the Hotel Manager. The Hotel Manager is a wholly-owned subsidiary of Great Eagle and Great Eagle is the controlling Holders of Share Stapled Units of the Trust and the Company. The Hotel Manager is therefore a connected person of the Trust and the Company under the Listing Rules. Pursuant to Rule 13.36(1) of the Listing Rules, in respect of the issue of the Share Stapled Units to the Hotel Manager for payment of the Manager Fees, approval from the independent Holders of Share Stapled Units shall be required.

An ordinary resolution to grant a specific mandate relating to the issue of Share Stapled Units as payment of the Manager Fees under the Hotel Management Agreements and the Trademark Licence Agreements for the three financial years ending 31 December 2023 was approved by independent Holders of Share Stapled Units. For details of the special mandate, please refer to the circular to the Holders of Share Stapled Units dated 12 March 2021. Unless otherwise requested by the Hotel Manager in writing pursuant to the Hotel Management Agreements and Trademark Licence Agreements, the fees payable therefrom for the three financial years ending 31 December 2023 shall be settled by way of the issue of Share Stapled Units.

Requirement to set a monetary cap

The Trustee-Manager and the Company also applied for, and the Stock Exchange granted to the Trustee-Manager and the Company, a waiver from the setting of a monetary cap for the variable rent payable under the Master Lease Agreements and the fees payable under the Hotel Management Agreements, the Centralised Services and Marketing Agreements and the Trademark Licence Agreements for the duration of these agreements more particularly set out in the description of these transactions in paragraphs 1 to 4 above.

Compliance with Rule 13.36(1)(a) of the Listing Rules

Note (1) to Rule 13.36(2)(b) of the Listing Rules provides further that independent shareholders' approval shall be obtained for an issue of securities to a connected person pursuant to a general mandate given to the directors of an issuer by the existing shareholders.

The Trustee-Manager and the Company applied for, and the Stock Exchange granted to the Trustee-Manager and the Company, a waiver from strict compliance with Rule 13.36(1)(a) of the Listing Rules in respect of the Share Stapled Units that may be issued to the Hotel Manager pursuant to the Hotel Management Agreements and the Trademark Licence Agreements, during the period from the Listing Date until 31 December 2017.

REPORT OF THE DIRECTORS

Further details and the conditions of the waivers are disclosed in the initial public offering prospectus.

From 1 January 2018 onwards, the fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager, subject to the approval of the independent Holders of Share Stapled Units for the issue of the Share Stapled Units. As disclosed in the announcement of Langham dated 15 December 2020, the Hotel Manager has elected the payment of the Manager Fees wholly by way of Share Stapled Units for the year ending 31 December 2021.

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

Review of Connected Transactions

The Internal Audit Department has conducted review on the connected transactions, including continuing connected transactions, of the Trust Group for the year ended 31 December 2021. It has confirmed to the Trustee-Manager Board and the Company Board that adequate and effective policies and procedures on checking, identifying, recording, monitoring and reporting connected transactions are in place and have been properly complied with during the year. Connected transactions are subject to the approval of the full Board as provided under the Schedule of Matters Reserved for the Board. Continuing connected transactions are reported monthly and reviewed by the Audit Committee half yearly.

In accordance with Rule 14A.55 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Trustee-Manager and the Company have reviewed the above continuing connected transactions for the period ended 31 December 2021 and confirmed they have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or on terms no less favourable to the Trust Group than terms available to or obtained from the independent third parties; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole.

The external auditor of the Trustee-Manager and the Company was engaged to report on the above continuing connected transactions of the Trust Group in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Trust Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Trustee-Manager and the Company to the Stock Exchange.

The Trustee-Manager Board has also confirmed that the charges paid or payable out of the Trust Property (as defined in the Trust Deed) of the Trust to the Trustee-Manager are in accordance with the Trust Deed; and they are not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the Holders of Share Stapled Units as a whole.

REPORT OF THE DIRECTORS

INTERESTS OF SUBSTANTIAL HOLDERS' OF SHARE STAPLED UNITS

As at 31 December 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	2,248,977,633 ⁽¹⁾	69.39
LHIL Assets Holdings Limited	2,108,839,133	65.07
HSBC International Trustee Limited	2,228,707,160 ⁽²⁾	68.77

Notes:

- (1) These 2,248,977,633 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) 43,296,250 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 several discretionary trusts held 43.09% interests in Great Eagle as at 31 December 2021.
- (3) This percentage has been compiled based on 3,240,973,711 Share Stapled Units of the Trust and the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 91) 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 X of the SFO, or which were recorded in the register required under Section 336 of the SFO.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands which would oblige the Company to offer new Share Stapled Units on a pro-rata basis to existing Holder of Share Stapled Units.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the combined value of the Trust Group's contracts with its five largest suppliers, which were not of a capital nature, was about 51.8% of the total value of supplies purchased. Purchase from the largest supplier was 36.0%. Among these five largest suppliers, three of them are wholly-owned subsidiaries of Great Eagle, a substantial Unitholder which indirectly owned 69.39% interest in the Trust and the Company as at 31 December 2021.

Total rental income under the adoption of HKFRS15 of the Trust Group for the year ended 31 December 2021 amounted to HK\$224,352,000, 99.1% of which were derived from the leases of the Hotels to the Master Lessee, GE (LHIL) Lessee Limited, a wholly-owned subsidiary of Great Eagle and no more than 1% of the rental income was received from lease of retail shops at Eaton HK. Breakdown of the revenue is set out in note 6 to the consolidated financial statements of the Trust Group contained in this Annual Report.

The business relationship with Great Eagle and the measures to mitigate the potential conflicts of interest between the Trust Group and Great Eagle are disclosed in the Corporate Governance Report.

Save as disclosed above, other suppliers and customers are independent third parties and none of the Directors, their associates or any Holders of Share Stapled Units (which to the knowledge of the Trustee-Manager Board and the Company Board own more than 5% of the issued Share Stapled Units) has any interest in the Trust Group's suppliers and customers.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Trustee-Manager and the Company will be proposed at the forthcoming AGM to be held on 12 May 2022.

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Trust, the Trustee-Manager and the Company embraced the importance of maintaining and developing a high standard of corporate governance practices to sustain and protect the interests of Holders of Share Stapled Units. Throughout the year ended 31 December 2021, the Trustee-Manager and the Company have complied with all the applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code.

Details on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 52 to 81 of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

The Environmental, Social and Governance ("ESG") Report ("the Report") is prepared in accordance with the HKEX's ESG Reporting Guide and satisfies the mandatory disclosure requirements and "comply or explain" provisions. The Report follows the four Reporting Principles, namely Materiality, Quantitative, Balance and Consistency as stipulated in the ESG Reporting Guide. The ESG Report is set out on pages 32 to 51 of this Annual Report. During the reporting period, the Trust Group made no charitable and other donations.

On behalf of the boards of

LHIL Manager Limited

**(as trustee-manager of the Trust) and Langham
Hospitality Investments Limited**



Lo Ka Shui

Chairman

Hong Kong, 15 February 2022

FINANCIAL INFORMATION

LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED

- 106 Independent Auditor's Report
- 111 Consolidated Statement of Profit or Loss and
Other Comprehensive Income
- 112 Consolidated Statement of Financial Position
- 113 Consolidated Statement of Changes In Equity
- 114 Consolidated Statement of Cash Flows
- 116 Notes to the Consolidated Financial Statements

LHIL MANAGER LIMITED

- 182 Independent Auditor's Report
- 185 Statement of Profit or Loss and
Other Comprehensive Income
- 185 Statement of Financial Position
- 186 Statement of Changes In Equity
- 187 Notes to the Financial Statements



INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

Deloitte.

德勤

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)

Opinion

We have audited the 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 111 to 181 (hereinafter collectively referred to as "the Trust and the Company's consolidated financial statements"). As explained in note 2 to the Trust and the Company's consolidated financial statements, the consolidated financial statements of the Trust Group and the consolidated financial statements of the Group are presented together. The Trust and the Company's consolidated financial statements together comprise the consolidated statement of financial position of the Trust Group and of the Group as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Trust Group and of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Trust and the Company's consolidated financial statements give a true and fair view of the consolidated financial position of the Trust Group and the Group as at 31 December 2021, and of the Trust Group's and the Group's consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Trust Group and the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to significance of the balance to the consolidated financial statements as a whole, combined with significant judgments associated with determining the fair value. As at 31 December 2021, the Trust Group and the Group's investment properties, comprising of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK, amounted to HK\$14,407 million and represented 99% of the Trust Group and the Group's total assets. Decrease in fair value of investment properties of approximately HK\$475 million was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

As disclosed in note 18 to the consolidated financial statements, these investment properties are stated at fair value based on a valuation carried out by an independent professional property valuer. In determining the fair value of investment properties, the independent professional property valuer used an income approach by using discounted cash flow analysis for the hotel properties based on an analysis of historical data and assumptions about future market conditions affecting supply, demand, income, expenses and the potential for risk. The valuation is dependent on certain key inputs that involve management and independent professional property valuer's judgment. The key inputs used in valuing the investment properties by the independent property valuer include discount rate as adopted in the valuation report and average daily rates per room per night. A table showing the Groups' (as defined in note 2) sensitivity to the fair value measurement is also disclosed in note 18.

Our procedures in relation to valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of the independent professional property valuer;
- Obtaining an understanding from the independent professional property valuer about the valuation methodology, the performance of the property markets, significant assumptions adopted, critical judgmental areas on key inputs and data used in the valuation;
- Assessing the integrity of information provided by management to the independent professional property valuer by comparing details of average daily rates per room on a sample basis to the hotel revenue; and
- Evaluating the reasonableness of the information provided by the management to independent professional property valuer by comparing with average daily rates per room and discount rate for valuation of other properties.

INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

Other Information

The LHIL Manager Limited (the "Trustee-Manager") and the directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustee-Manager and the Directors and Those Charged with Governance for the Consolidated Financial Statements

The Trustee-Manager and the Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Trustee-Manager and Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustee-Manager and the Directors are responsible for assessing the Trust Group and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee-Manager and the Directors either intend to liquidate the Trust Group and the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Group and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Group and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee-Manager and the Directors.
- Conclude on the appropriateness of the Trustee-Manager and the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Group and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Group and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust Group and the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Kuen.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 February 2022

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

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	6	224,352	208,256
Property related expenses		(20,737)	(28,369)
Net property income		203,615	179,887
Other income	8	1,863	1,987
Decrease in fair value of investment properties	18	(475,383)	(2,722,328)
Change in fair value of derivative financial instruments		61,970	(90,361)
Administrative and other expenses		(13,763)	(21,255)
Finance costs	9	(115,520)	(174,608)
Loss before tax		(337,218)	(2,826,678)
Income tax expense	10	(9,344)	(6,129)
Loss and total comprehensive expense for the year attributable to holders of Share Stapled Units	13	(346,562)	(2,832,807)
Loss per Share Stapled Unit			
Basic and diluted	16	(HK11 cents)	(HK112 cents)

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

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	17	1,611	3,484
Investment properties	18	14,407,000	14,802,000
Deposits	19	5,009	–
		14,413,620	14,805,484
Current assets			
Debtors, deposits and prepayments	19	19,676	15,481
Tax recoverable		98	–
Restricted bank balance	20	–	41,000
Bank balances		179,182	217,613
		198,956	274,094
Current liabilities			
Creditors, deposits and accruals	21	38,766	35,643
Derivative financial instrument	22	5,641	5,010
Secured bank loans due within one year	23	327,000	427,000
Lease liabilities due within one year	24	1,648	1,866
Tax payable		44,390	41,412
		417,445	510,931
Net current liabilities		(218,489)	(236,837)
Total assets less current liabilities		14,195,131	14,568,647
Non-current liabilities			
Derivative financial instruments	22	19,607	82,208
Secured bank loans due after one year	23	5,968,166	5,956,916
Lease liabilities due after one year	24	41	1,689
Deferred tax liabilities	25	407,531	398,237
		6,395,345	6,439,050
NET ASSETS		7,799,786	8,129,597
Capital and reserves			
Issued capital/units	26	3,241	3,225
Reserves		7,796,545	8,126,372
TOTAL EQUITY		7,799,786	8,129,597

The consolidated financial statements on pages 111 to 181 and the statement of financial position and reserves of the Company on pages 162 and 163 were approved and authorised for issue by the Board of Directors on 15 February 2022 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

Brett Stephen BUTCHER
DIRECTOR

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

For the year ended 31 December 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	2,136	7,381,680	(11,562,543)	988	12,598,157	1,569,369	9,989,787
Loss and total comprehensive expense for the year	-	-	-	-	-	(2,832,807)	(2,832,807)
Distribution paid	-	(72,946)	-	-	-	-	(72,946)
Recognition of equity-settled share based payments	-	-	-	167	-	-	167
Issue of Share Stapled Units upon rights issue of Share Stapled Units (note 26)	1,072	1,018,034	-	-	-	-	1,019,106
Issue of Share Stapled Units (note 26)	17	26,273	-	-	-	-	26,290
At 31 December 2020	3,225	8,353,041	(11,562,543)	1,155	12,598,157	(1,263,438)	8,129,597
Loss and total comprehensive expense for the year	-	-	-	-	-	(346,562)	(346,562)
Recognition of equity-settled share based payments	-	-	-	24	-	-	24
Issue of Share Stapled Units (note 26)	16	16,711	-	-	-	-	16,727
At 31 December 2021	3,241	8,369,752	(11,562,543)	1,179	12,598,157	(1,610,000)	7,799,786

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.

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

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Operating activities		
Loss before tax	(337,218)	(2,826,678)
Adjustments for:		
Hotel management fees and licence fee payable in form of Share Stapled Units	20,550	15,893
Change in fair value of derivative financial instruments	(61,970)	90,361
Decrease in fair value of investment properties	475,383	2,722,328
Interest expense	103,450	162,533
Interest income	(628)	(545)
Depreciation on property, plant and equipment	1,873	1,878
Loan front-end fee amortisation	11,250	11,250
Recognition of share-based payments	24	167
Operating cash flows before movements in working capital	212,714	177,187
(Increase) decrease in debtors, deposits and prepayments	(12,911)	6,710
(Decrease) increase in creditors, deposits and accruals	(7,399)	8,047
Cash generated from operations	192,404	191,944
Interest paid	(105,437)	(166,292)
Hong Kong Profits Tax refunded (paid)	2,830	(13,210)
Net cash from operating activities	89,797	12,442

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

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Investing activities		
Additions of investment properties	(67,862)	(39,264)
Interest received	603	498
Withdrawal (placement) of restricted bank balance	41,000	(41,000)
Additions of property, plant and equipment	–	(26)
Net cash used in investing activities	(26,259)	(79,792)
Financing activities		
Repayment of bank loans	(100,000)	(810,000)
Additions of bank loans	–	75,000
Distribution paid	–	(72,946)
Issue of Share Stapled Units upon rights issue	–	1,019,106
Repayment of lease liabilities	(1,866)	(1,774)
Interest paid for leases	(103)	(155)
Net cash (used in) from financing activities	(101,969)	209,231
Net (decrease) increase in cash and cash equivalents	(38,431)	141,881
Cash and cash equivalents at the beginning of the year	217,613	75,732
Cash and cash equivalents at the end of the year, represented by bank balances	179,182	217,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

1. GENERAL INFORMATION

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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 May 2013. The Company’s parent company is LHIL Assets Holdings Limited, a limited liability company incorporated in the British Virgin Islands. The Trustee-Manager and the directors of the Company (the “Directors”) consider the Trust and the Company’s ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered offices of the Trustee-Manager and of the Company and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust’s consolidated financial statements for the year ended 31 December 2021 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the “Trust Group”). The Company’s consolidated financial statements for the year ended 31 December 2021 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”).

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the year ended 31 December 2021 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust Group are identical to the consolidated financial statements of the Group with the differences being disclosures of capital. The Trustee-Manager and the Directors believe therefore that it is clearer to present the consolidated financial statements of the Trust Group and the Group together. The consolidated financial statements of the Trust Group and the consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as “the Trust and the Company’s Consolidated Financial Statements”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, significant accounting policies and the related explanatory information are identical to the Trust Group and the Group.

The Trust Group and the Group are referred as the “Groups”.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Groups have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Groups’ consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Groups have applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures” (“HKFRS 7”).

As at 1 January 2021, the Groups have several interest-bearing bank loans and derivative financial instruments denominated in Hong Kong dollars on the Hong Kong Interbank Offered Rate (“HIBOR”), the interests of which are indexed to benchmark rates that may be subject to interest rate benchmark reform. As at reporting date, the relevant counterparties have no intention to change the interest rate benchmark in the interest-bearing bank loans and derivative financial instruments. The transition is subjected to the negotiation between the Groups and the relevant counterparties.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Groups will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for interest-bearing bank loans and derivative financial instruments measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

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

Except as described below, the Trustee-Manager and the Directors anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” (continued)

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the consolidated financial position or performance of the Groups but may affect the disclosures of the Groups’ significant accounting policies. The impacts of application, if any, will be disclosed in the Groups’ future consolidated financial statements.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 4 to the consolidated financial statements, the Groups apply HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Groups will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$1,591,000 and HK\$1,689,000 respectively. The Groups are still in the process of assessing the full impact of the application of the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation to the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on 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\$327,000,000 which are revolving on a monthly basis with details disclosed in note 23.

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. The underlying performance of the Hotels has not yet recovered although it has been improved during the year and led to aggregate operating profit before deduction of global marketing fee and in turn a variable rent was derived and receivable by the Groups. In addition, there is a negative impact on the valuation of the Groups' investment properties. As such, the consolidated results of operations, cash flows of the Groups and fair value of the investment properties were impacted.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Groups take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases" ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Basis of preparation of consolidated financial statements (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Groups reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Groups obtain control over the subsidiary and ceases when the Groups lose control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Groups gain control until the date when the Groups cease to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Groups are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Groups recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Groups’ performance as the Groups perform;
- the Groups’ performance creates or enhances an asset that the customer controls as the Groups perform; or
- the Groups’ performance does not create an asset with an alternative use to the Groups and the Groups have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Groups determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Groups are principals) or to arrange for those goods or services to be provided by the other party (i.e. the Groups are agents).

The Groups are principals if the Groups control the specified good or service before that good or service is transferred to a customer.

The Groups are agents if the Groups’ performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Groups do not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Groups act as agents, the Groups recognise revenue in the amount of any fee or commission to which the Groups expect to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment including furniture and fixtures in the supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Groups assess whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Leases (continued)

The Groups as lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Groups; and
- an estimate of costs to be incurred by the Groups in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Groups present right-of-use assets in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

Lease liabilities

At the commencement date of a lease, the Groups recognise and measure the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Groups use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Leases (continued)

The Groups as lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Groups under residual value guarantees;
- the exercise price of a purchase option if the Groups are reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Groups exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Groups remeasure lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Groups present lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Leases (continued)

The Groups as lessor

Classification and measurement of leases

Leases for which the Groups are lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Rental income which are derived from the Groups' ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Groups apply HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Groups' estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Groups revise their estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

When the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after vesting period or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered the service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the service. All short-term employee benefits are recognised as an expenses unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised in respect for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Groups' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Groups are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Groups expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land which is always presumed to be recovered entirely through sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Groups recognise the right-of-use assets and the related lease liabilities, the Groups first determine whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Groups apply HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is presented as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Other financial assets are subsequently measured at fair value through profit or loss.

For financial assets at amortised cost, interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 "Financial Instruments" ("HKFRS 9")

The Groups performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other receivables, restricted bank balance and bank balances), and other item (receivable from Master Lessee) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Groups' historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 "Financial Instruments" ("HKFRS 9") (continued)

The Groups always recognise lifetime ECL for receivable from Master Lessee. The ECL on receivable from Master Lessee is assessed individually.

For other receivables, restricted bank balance and bank balances, the Groups measure the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Groups recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Groups compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Groups consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 "Financial Instruments" ("HKFRS 9") (continued)

- (i) Significant increase in credit risk (continued)
Irrespective of the outcome of the above assessment, the Groups presume that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Groups have reasonable and supportable information that demonstrates otherwise.
- (ii) Definition of default
For internal credit risk management, the Groups consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Groups, in full (without taking into account any collaterals held by the Groups).

Irrespective of the above, the Groups consider that default has occurred when a financial asset is more than 90 days past due unless the Groups have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

- (iii) Credit-impaired financial assets
A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
 - (a) significant financial difficulty of the issuer or the borrower;
 - (b) a breach of contract, such as a default or past due event;
 - (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
 - (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
 - (e) the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 "Financial Instruments" ("HKFRS 9") (continued)

(iv) Write-off policy

The Groups write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Groups' recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Groups in accordance with the contract and the cash flows that the Groups expect to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Groups recognise an impairment gain or loss in profit or loss for all financial instruments and other item by adjusting their carrying amount, with the exception of receivable from Master Lessee where the corresponding adjustment is recognised through a loss allowance account, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Groups derecognise a financial asset only when the contractual rights to the cash flows from the asset expire. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Trust and the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade creditors, other payables, construction fee payables and secured bank loans) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Groups derecognise financial liabilities when, and only when, the Groups' obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For 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, the Groups apply the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (continued)

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of 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).

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Groups' accounting policies, which are described in note 4, the Trustee-Manager and the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Trustee-Manager and the Directors have made in the process of applying the Groups' accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation liabilities arising from investment properties that are measured using the fair value model, the Trustee-Manager and the Directors have reviewed the Groups' investment property portfolios and concluded that the Groups' investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. One of the business objectives of the Groups is to enhance the value of hotel portfolios, therefore, in determining the Groups' deferred taxation on investment properties, the Trustee-Manager and the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Groups have not recognised any deferred taxation on changes in fair value of investment properties as the Groups are not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair values of investment properties

Investment properties are stated at fair value of HK\$14,407,000,000 (2020: HK\$14,802,000,000) based on the valuation performed by an independent professional valuer.

In determining the fair value of investment properties situated in Hong Kong, the valuer adopted income approach by using discounted cash flow analysis for the hotel properties which is an analysis of historical data and assumptions about future market conditions affecting supply, demand, income, expenses and the potential of risk. At 31 December 2020, market approach was also considered by using comparison method which is based on a per room basis to actual sales transactions and offering of comparable properties.

In relying on the valuation report, the Trustee-Manager and the Directors have exercised their judgments and are satisfied that the methods of valuation, assumptions and key inputs are reflective of the current market conditions taking into consideration the impact of Covid-19. The Groups use valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 18 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Derivative financial instruments

In addition, as described in note 29, the fair value of derivative financial instruments that is not quoted in active market is provided by the counterparty financial institutions and determined by using discounted cash flow method. Valuation technique commonly used by market practitioners is applied. Derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

In relying on the valuation provided by the financial institutions, Trustee-Manager and the Directors have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

Note 29 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of derivative financial instruments.

6. REVENUE

	2021 HK\$'000	2020 HK\$'000
Rental income from Master Lessee (note)		
Base rent	225,000	225,000
Variable rent	21,756	–
Service fees expense	(24,386)	(18,659)
	222,370	206,341
Rental income from retail shops in Eaton HK	1,982	1,915
	224,352	208,256

Note: Included in rental income from Master Lessee, service fees income of HK\$24,386,000 (2020: HK\$18,659,000) has been netted with the same amount of the corresponding service fees expenses. Details are set out in note 36(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

7. 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 operating segments under HKFRS 8 "Operating Segments".

Segment revenue and results

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

2021

	The Langham, Hong Kong HK\$'000	Cordis, Hong Kong HK\$'000	Eaton HK HK\$'000	Segment total HK\$'000	Reconciliation HK\$'000 (note)	Consolidated HK\$'000
Segment revenue	79,797	103,639	65,302	248,738	(24,386)	224,352
Segment results	67,163	83,288	53,164	203,615	–	203,615
Other income						1,863
Decrease in fair value of investment properties						(475,383)
Change in fair value of derivative financial instruments						61,970
Administrative and other expenses						(13,763)
Finance costs						(115,520)
Loss before tax						(337,218)
Income tax expense						(9,344)
Loss for the year attributable to holders of Share Stapled Units						(346,562)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

2020

	The Langham, Hong Kong HK\$'000	Cordis, Hong Kong HK\$'000	Eaton HK HK\$'000	Segment total HK\$'000	Reconciliation HK\$'000 (note)	Consolidated HK\$'000
Segment revenue	79,797	97,530	49,588	226,915	(18,659)	208,256
Segment results	66,062	75,810	38,015	179,887	–	179,887
Other income						1,987
Decrease in fair value of investment properties						(2,722,328)
Change in fair value of derivative financial instruments						(90,361)
Administrative and other expenses						(21,255)
Finance costs						(174,608)
Loss before tax						(2,826,678)
Income tax expense						(6,129)
Loss for the year attributable to holders of Share Stapled Units						(2,832,807)

Note: Reconciliation represents netting of service fees income of HK\$24,386,000 (2020: HK\$18,659,000) with the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee) that has been adjusted from revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

7. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

For the purpose of performance assessment, other than the fair value 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\$4,920,000,000, HK\$6,240,000,000 and HK\$3,247,000,000 (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.

Geographical information

All of the Groups' revenue is derived from activities and customers located in Hong Kong and the Groups' non-current assets are all located in Hong Kong.

Information about major customers

Revenue from the Master Lessee is HK\$222,370,000 (2020: HK\$206,341,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2021.

8. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Interest income on bank deposits	628	545
Management fee income	1,157	1,196
Sundry income	78	246
	1,863	1,987

9. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on bank borrowings	59,651	121,210
Net interest on interest rate swaps	43,696	41,168
Loan front-end fee amortisation	11,250	11,250
Interest on lease liabilities	103	155
Other borrowing costs	820	825
	115,520	174,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

10. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	149	287
Overprovision in prior years	(99)	(40)
	50	247
Deferred tax (note 25):		
Current year	9,247	5,882
Underprovision in prior years	47	–
	9,294	5,882
	9,344	6,129

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

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK\$'000	2020 HK\$'000
Loss before tax	(337,218)	(2,826,678)
Tax at Hong Kong Profits Tax rate of 16.5%	(55,641)	(466,402)
Tax effect of expenses not deductible for tax purposes	90,686	472,661
Tax effect of income not taxable for tax purposes	(25,649)	(90)
Overprovision in prior years	(52)	(40)
Tax charge for the year	9,344	6,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

11. TOTAL DISTRIBUTABLE INCOME

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

	2021 HK\$'000	2020 HK\$'000
Loss for the year attributable to holders of Share Stapled Units	(346,562)	(2,832,807)
Adjustments:		
Depreciation	1,873	1,878
Deferred tax	9,294	5,882
Loan front-end fee amortisation	11,250	11,250
Hotel management fees and licence fee payable in form of Share Stapled Units (notes 32 and 36(c))	20,550	15,893
Decrease in fair value of investment properties	475,383	2,722,328
Change in fair value of derivative financial instruments	(61,970)	90,361
Reserve for furniture, fixtures and equipment	(11,296)	(8,818)
Total distributable income	98,522	5,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

12. DISTRIBUTION STATEMENT

	NOTE	2021 HK\$'000	2020 HK\$'000
Interim distribution period (note a)			
Total distributable income in respect of the six months ended 30 June		35,980	36
Percentage of distributable income for distribution (note c)		–	–
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	11	98,522	5,967
Less: distributable income paid for interim distribution period (note b)		–	–
Distributable income available for final distribution period		98,522	5,967
Percentage of distributable income for distribution (note c)		90%	–
Distributable income for final distribution period		88,670	–
Final distribution (note d)		88,670	–
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June (note b)		–	–
Final distribution per Share Stapled Unit in respect of the six months ended 31 December (note d)		HK 2.7 cents	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

12. DISTRIBUTION STATEMENT (CONTINUED)

Notes:

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

The final distribution in 2021 and 2020 were based on total distributable income for the year ended 31 December 2021 and 2020, respectively.

- (b) Interim distribution

No distribution income was distributed in respect of the six months ended 30 June 2021 and 2020.

- (c) 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.

90% of the total distributable income will be distributed in respect of the financial year ended 31 December 2021.

- (d) Final distribution

Final distribution per Share Stapled Unit of HK2.7 cents in respect of the financial year ended 31 December 2021 was calculated based on distributable income available for final distribution period of HK\$88,670,000 and 3,240,973,711 Share Stapled Units as at 31 December 2021. Final distribution will be paid to holders of Share Stapled Unit on 7 June 2022.

The final distribution after 31 December 2021 has not been recognised as a liability as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

13. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO HOLDERS OF SHARE STAPLED UNITS

	2021 HK\$'000	2020 HK\$'000
Loss and total comprehensive expense for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	6,191	5,489
Share-based payment expenses (including directors' emoluments) (note)	24	167
Depreciation	6,215	5,656
Auditor's remuneration	1,873	1,878
	1,414	1,414

Note: The Groups recognised total expenses of HK\$24,000 (2020: HK\$167,000) for the year ended 31 December 2021 in relation to share options granted by the ultimate holding company under its share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2020: seven) directors and the chief executive were as follows:

	2021				2020	
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000 (note b)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000	Total HK\$'000
Executive Director and Chief Executive						
Mr. Brett Stephen BUTCHER	50	1,841	282	18	2,191	1,892
Non-executive Directors						
Dr. LO Ka Shui	315	–	–	–	315	315
Mr. LO Chun Him Alexander	170	–	–	–	170	170
Mr. LO Chun Lai, Andrew (note c)	170	–	–	–	170	31
Independent Non-executive Directors						
Professor LIN Syaru, Shirley	325	–	–	–	325	325
Mr. WONG Kwai Lam	365	–	–	–	365	365
Professor CHAN Ka Keung, Ceajer	340	–	–	–	340	340
	1,735	1,841	282	18	3,876	3,438

Notes:

- (a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Groups. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- (b) Discretionary bonuses are determined by the remuneration committee of the Company from time to time by reference to the prevailing market conditions, the performance of the Company as well as the individual performance.
- (c) Mr. Lo Chun Lai, Andrew was appointed as non-executive director on 27 October 2020.
- (d) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

15. FIVE HIGHEST PAID INDIVIDUALS

The three (2020: three) out of five highest paid individuals of the Groups during the year are directors, details of whose emoluments are set out in note 14 above. The emoluments of the remaining two (2020: two) highest paid employees are neither director nor chief executive of the Company. The emoluments of the remaining two (2020: two) individuals are as follow:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	1,298	1,096
Discretionary bonuses	220	71
Retirement benefits scheme contributions	42	41
	1,560	1,208

	2021 Number of employees	2020 Number of employees
Bands: Nil – HK\$1,000,000	2	2

Discretionary bonuses are determined with reference to the Groups' operating results and individual performance.

During both years, no emoluments were paid by the Groups to any of the five individuals with the highest emoluments as an inducement to join or upon joining the Groups or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

16. 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:

	2021 HK\$'000	2020 HK\$'000
Loss		
Loss for the year for the purposes of basic and diluted loss per Share Stapled Unit	(346,562)	(2,832,807)
	2021 '000	2020 '000
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purpose of basic and diluted loss per Share Stapled Unit	3,238,095	2,526,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

17. PROPERTY, PLANT AND EQUIPMENT

	Leased properties HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
COST			
At 1 January 2020	1,376	47	1,423
Additions	3,953	26	3,979
At 31 December 2020 and 2021	5,329	73	5,402
DEPRECIATION			
At 1 January 2020	–	40	40
Depreciation	1,872	6	1,878
At 31 December 2020	1,872	46	1,918
Depreciation	1,866	7	1,873
At 31 December 2021	3,738	53	3,791
CARRYING VALUES			
At 31 December 2021	1,591	20	1,611
At 31 December 2020	3,457	27	3,484

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives on the following basis:

Leased properties	Over the term of the lease
Furniture and fixtures	10% – 20% per annum

Note: Right-of-use assets are shown as leased properties under the property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

18. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
FAIR VALUE		
At the beginning of the year	14,802,000	17,500,000
Additions	80,383	24,328
Decrease in fair value recognised in profit or loss	(475,383)	(2,722,328)
At the end of the year	14,407,000	14,802,000

The fair value of the Groups' investment properties of HK\$14,407,000,000 as at 31 December 2021 (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 Groups engage independent professional property valuer to perform the valuation. Management works closely with the independent property valuer to establish the appropriate valuation techniques and inputs to the model. Management reports the valuation report and findings to the Trustee-Manager and the Directors half-yearly to explain the cause of fluctuations in the fair value of the assets.

The independent property valuer adopted income approach by using discounted cash flow analysis for the Hotels and income capitalisation approach for the retail shops to arrive at the valuation of investment properties at 31 December 2021 (31 December 2020: income approach by using discounted cash flow analysis and market approach by comparison method for Hotels and income capitalisation approach for retail shops). The discounted cash flow analysis for the hotel properties is established based on analysis of historical data and 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 stream 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.

The income capitalisation approach for the retail shops is established based on the capitalisation of the property net rental income derived from the existing tenancies at appropriate term yield, and due allowance has been made for the reversionary interests.

For market approach adopted at 31 December 2020, the comparison method was 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

18. INVESTMENT PROPERTIES (CONTINUED)

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

The key input used in valuing the investment properties by the independent property valuer under the aforesaid market approach at 31 December 2020 was market selling price per room, which is ranged from HK\$6,387,000 per room to HK\$10,703,000 per room. An increase in the market selling price per room used would result in an increase in fair value measurement of the investment properties, and vice versa.

The key inputs used in valuing the investment properties by the independent property valuer under the aforesaid income approach were the discount rate used at 8.50% (2020: 8.50%) and average daily rates, which ranged from HK\$729 to HK\$1,468 (2020: HK\$764 to HK\$1,600) per room. An increase in the average daily rate used would result in an increase in fair value measurement of the investment properties, and vice versa, holding all other variables constant. The following table details the Groups' sensitivity to a 50 basis points (2020: 50 basis points) increase/decrease in discount rate holding all other variables constant.

	2021		2020	
	50 basis points increase HK\$'000	50 basis points decrease HK\$'000	50 basis points increase HK\$'000	50 basis points decrease HK\$'000
The Langham, Hong Kong	(210,000)	220,000	(210,000)	220,000
Cordis, Hong Kong	(260,000)	260,000	(260,000)	270,000
Eaton HK	(130,000)	130,000	(130,000)	130,000
	(600,000)	610,000	(600,000)	620,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

18. INVESTMENT PROPERTIES (CONTINUED)

Details of the Groups' investment properties and information about the fair value hierarchy as at 31 December 2021 and 2020 are as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2021 HK\$'000
The Langham, Hong Kong	–	–	4,920,000	4,920,000
Cordis, Hong Kong	–	–	6,240,000	6,240,000
Eaton HK	–	–	3,247,000	3,247,000
	–	–	14,407,000	14,407,000

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2020 HK\$'000
The Langham, Hong Kong	–	–	5,200,000	5,200,000
Cordis, Hong Kong	–	–	6,430,000	6,430,000
Eaton HK	–	–	3,172,000	3,172,000
	–	–	14,802,000	14,802,000

There were no transfers into or out of Level 3 during the year.

The carrying amounts of investment properties comprise properties situated in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

19. DEBTORS, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Receivable from Master Lessee	17,121	–
Deferred rent receivable	106	152
Other receivables	91	675
Deposits and prepayments	7,367	14,654
	24,685	15,481
Less: deposits paid to contractors for hotels renovation classified as non-current assets	(5,009)	–
Debtors, deposits and prepayments classified as current assets	19,676	15,481

Receivable from Master Lessee is payable on presentation of invoices.

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

	2021 HK\$'000	2020 HK\$'000
Within 3 months	17,121	–

Receivables from Master Lessee represents an amount due from a fellow subsidiary of HK\$17,121,000 (2020: Nil) which was unsecured, interest free and payable on presentation of invoice.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

20. RESTRICTED BANK BALANCE

As at 31 December 2021, restricted bank balance carried fixed interest rates at 0.001% per annum, which represented an additional security deposit placed in a bank as required under the mitigation mechanism of the banking facilities agreement. The restricted bank balance was released during the year upon the satisfactory of the requirements to mitigation mechanism.

21. CREDITORS, DEPOSITS AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Trade creditors	13,587	17,481
Deposits received	958	654
Construction fee payables	12,550	3,761
Accruals and other payables	11,671	13,747
	38,766	35,643

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

	2021 HK\$'000	2020 HK\$'000
Within 3 months	7,808	6,044
More than 3 months and within 6 months	5,779	3,744
More than 6 months and within 12 months	–	7,693
	13,587	17,481

Trade creditors represent amounts due to fellow subsidiaries of HK\$13,587,000 (2020: HK\$17,481,000) which are unsecured, interest-free and payable on presentation of invoices.

Included in construction fee payables are retention money payables to contractors of HK\$2,937,000 (2020: HK\$287,000) which are payable within two years.

Included in accruals and other payables are amounts due to fellow subsidiaries of HK\$147,000 (2020: HK\$357,000) which are unsecured, interest-free and payable on presentation of invoices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2021 and 2020, all of 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 rates to fixed rates. No hedge accounting is adopted and there is no offsetting during the year.

Major terms of the interest rate swaps are as follows:

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

23. SECURED BANK LOANS

	2021 HK\$'000	2020 HK\$'000
Secured term loans	5,990,000	5,990,000
Secured revolving loans	327,000	427,000
Loan front-end fee	(21,834)	(33,084)
	6,295,166	6,383,916
Less: Amount due within one year shown under current liabilities	(327,000)	(427,000)
Amount due after one year shown under non-current liabilities	5,968,166	5,956,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

23. SECURED BANK LOANS (CONTINUED)

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

	2021 HK\$'000	2020 HK\$'000
Within one year	327,000	427,000
More than one year but not exceeding two years	5,968,166	–
More than two years but not exceeding five years	–	5,956,916
	6,295,166	6,383,916

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

Secured term loans of HK\$5,990,000,000 (2020: HK\$5,990,000,000) are variable-rate borrowings, bearing interest at HIBOR plus 0.88% (2020: HIBOR plus 0.81%) per annum and are repayable in one lump sum on maturity date which will fall due in 2023 (2020: 2023). Secured revolving loans of HK\$327,000,000 (2020: HK\$427,000,000) are variable rate borrowings, bearing interest at HIBOR plus 0.88% (2020: HIBOR plus 0.81%) per annum and are revolving on a monthly basis. All bank loans are secured by the Groups' investment properties (2020: the Groups' investment properties and restricted bank balance).

24. LEASE LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Within one year	1,648	1,866
More than one year but not exceeding two years	41	1,648
More than two years but not exceeding three years	–	41
	1,689	3,555
Less: Amount due for settlement within one year show under current liabilities	(1,648)	(1,866)
Amount due for settlement after one year show under non-current liabilities	41	1,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

25. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2020	404,145	(11,790)	392,355
Charge (credit) to profit or loss	27,817	(21,935)	5,882
Under(over)provision in prior years	925	(925)	–
At 31 December 2020	432,887	(34,650)	398,237
Charge (credit) to profit or loss	20,859	(11,612)	9,247
(Over)underprovision in prior year	(80)	127	47
At 31 December 2021	453,666	(46,135)	407,531

At the end of the reporting period, the Groups have unutilised tax losses of HK\$279,605,000 (2020: HK\$210,002,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$279,605,000 (2020: HK\$210,002,000) of such losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

26. ISSUED CAPITAL/UNITS

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

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 as shown below.

	Number of shares	Nominal value HK\$
Ordinary shares of HK\$0.0005 each (note a) At 1 January 2020	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	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
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	8,483,479	4,242
At 31 December 2021	3,240,973,711	1,620,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

26. ISSUED CAPITAL/UNITS (CONTINUED)

	Number of shares	Nominal value HK\$
Preference shares of HK\$0.0005 each (note d)		
At 1 January 2020	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 ordinary shares upon rights issue of Share Stapled Units (note c)	1,072,743,916	536,372
At 31 December 2020	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
Issue of preference shares as payment of hotel management fees and licence fee (note b)	8,483,479	4,242
At 31 December 2021	3,240,973,711	1,620,487
	2021 HK\$'000	2020 HK\$'000
Issued capital/unit as shown in the consolidated financial statements	3,241	3,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

26. ISSUED CAPITAL/UNITS (CONTINUED)

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 for both years as payment of hotel management fees and licence fee are as follows (notes 32 and 36(c)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$'000	Number of shares
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
1 September 2021	1 January 2021 to 30 June 2021	0.8840	7,499	8,483,479

- (c) On 14 September 2020, 1,072,743,916 Share Stapled Units were issued at HK\$0.95 each and 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 would be redeemed on termination at their par value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Investment in subsidiaries (note)	–	–
Amounts due from subsidiaries	7,794,863	8,124,460
	7,794,863	8,124,460
Current assets		
Prepayments	431	409
Bank balances	4,186	3,724
	4,617	4,133
Current liability		
Accruals and other payable	1,288	1,483
Net current assets	3,329	2,650
Non-current liability		
Amount due to a subsidiary	2,590	1,140
NET ASSETS	7,795,602	8,125,970
Capital and reserves		
Issued capital	3,241	3,225
Reserves	7,792,361	8,122,745
TOTAL EQUITY	7,795,602	8,125,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	Share premium HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2020	7,381,680	812,552	8,194,232
Distribution paid	(72,946)	–	(72,946)
Issue of ordinary and preference shares upon rights issue of ordinary and preference shares (note 26)	1,018,034	–	1,018,034
Issue of ordinary and preference shares (note 26)	26,273	–	26,273
Loss and total comprehensive expense for the year	–	(1,042,848)	(1,042,848)
At 31 December 2020	8,353,041	(230,296)	8,122,745
Issue of ordinary and preference shares (note 26)	16,711	–	16,711
Loss and total comprehensive expense for the year	–	(347,095)	(347,095)
At 31 December 2021	8,369,752	(577,391)	7,792,361

Note: As at 31 December 2021, investment in subsidiaries amounted to HK\$16 (2020: HK\$16).

28. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Groups manage their capital to ensure that entities in the Groups will be able to continue as a going concern while maximising the return to holders of Share Stapled Units through the optimisation of the debt and equity balances. The Groups' overall strategy remains unchanged from prior year.

The capital structure of the Groups consists of debt, which includes bank loans disclosed in note 23, net of cash and cash equivalents and equity attributable to holders of Share Stapled Units, comprising issued share capital, reserves and accumulated losses. The capital structure of the Trust and the Company consists of equity attributable to holders of Share Stapled Units, comprising issued share capital/units, reserves and accumulated losses.

The Trustee-Manager and the Directors review the capital structure on a regular basis. As part of this review, the Trustee-Manager and the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Trustee-Manager and Directors, the Groups will balance its overall capital structure through new share issues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
<i>Financial assets at amortised cost</i>		
Other receivables	91	675
Restricted bank balance	–	41,000
Bank balances	179,182	217,613
	179,273	259,288
Financial liabilities		
<i>Derivative financial instrument</i>		
Interest rate swaps	25,248	87,218
<i>Financial liabilities at amortised cost</i>		
Trade creditors	13,587	17,481
Construction fee payables	12,550	3,761
Other payables	6,505	9,092
Secured bank loans	6,295,166	6,383,916
	6,327,808	6,414,250
	6,353,056	6,501,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Groups' major financial instruments include derivative financial instruments, other receivables, restricted bank balance, bank balances, trade creditors, other payables, construction fee payables and secured bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with the Groups' financial instruments include market risk (currency risk and interest rate risk), credit risk and impairment assessment, liquidity risk and risk arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Groups have foreign currency bank balances, which expose the Groups to foreign currency risk.

The carrying amounts of the Groups' foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2021 HK\$'000	2020 HK\$'000
Renminbi	2	2
United States dollar	14	14

The Groups manage the foreign currency risk by closely monitoring the movement of the foreign currency rate.

(ii) Interest rate risk

The Group are exposed to fair value interest rate risk in relation to lease liabilities.

The Groups are exposed to cash flow interest rate risk in relation to pay-fixed/receive-floating interest rate swaps, restricted bank balance, bank balances and variable-rate secured bank loans. Interest rate risk is managed by the management on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Interest rate risk on restricted bank balance and bank balances is considered immaterial and therefore has been excluded from the sensitivity analysis below. The Groups' cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Groups' pay-fixed/receive-floating interest rate swaps and variable-rate secured bank loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) *Interest rate risk (continued)*

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“IBORs”) with alternative nearly risk-free rates. Details of the impacts on the Groups’ risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under “interest rate benchmark reform” in this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2020: 50 basis points) increase or decrease in pay-fixed/receive-floating interest rate swaps and secure bank loans is used which represents management’s assessment of the effect from possible change in interest rates.

If the interest rates had been 50 basis points (2020: 50 basis points) higher or lower and all other variables were held constant, the Groups’ loss for the year would increase/decrease by HK\$76,199,000 (2020: HK\$177,258,000). This is mainly attributable to the Groups’ exposure to interest rates on its floating rate secured bank loans and the changes in fair value of pay-fixed/receive-floating interest rate swaps.

Credit risk and impairment assessment

The Groups’ maximum exposure to credit risk which will cause a financial loss to the Groups due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Groups measure the loss allowance on restricted bank balance and bank balances equal to 12m ECL. The credit risk on restricted bank balance and bank balances is limited because counterparties are banks with external credit rating of at least A1 assigned by international credit-rating agencies.

As at 31 December 2021, other than concentration of credit risk on receivable from Master Lessee and bank balances (2020: restricted bank balances and bank balances), which are deposited with several banks with high credit-ratings, the Groups do not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

With respect to credit risk arising from the Groups' receivable from Master Lessee, the Groups' exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and the Groups do not expect to incur a significant loss arising from receivable from Master Lessee. In addition, the Groups perform impairment assessment under ECL model upon application of HKFRS 9. In this regard, the Trustee-Manager and the Directors consider that the Groups' credit risk is significantly reduced.

The Groups have concentration of credit risk as receivable from Master Lessee was due from a debtor.

The credit risk on derivative financial instrument is limited because the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.

Based on the ECL assessment, the credit exposures for all the financial assets, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2021 and 2020, no loss allowance provision for the amounts was recognised.

Liquidity risk

In management of the liquidity risk, the Groups monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Groups' operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Liquidity risk analysis

The following table details the Groups' contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the Groups can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity risk analysis (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2021 HK\$'000
Non-derivative financial liabilities							
Trade creditors	N/A	13,587	–	–	–	13,587	13,587
Construction fee payables	N/A	9,614	1,149	1,787	–	12,550	12,550
Other payables	N/A	6,505	–	–	–	6,505	6,505
Secured bank loans – variable rate	0.94	341,077	42,230	6,042,912	–	6,426,219	6,295,166
		370,783	43,379	6,044,699	–	6,458,861	6,327,808
Lease liabilities	3.85	492	1,190	41	–	1,723	1,689
		371,275	44,569	6,044,740	–	6,460,584	6,329,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity risk analysis (continued)

	Weighted average interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2020 HK\$'000
Non-derivative financial liabilities							
Trade creditors	N/A	17,481	–	–	–	17,481	17,481
Construction fee payables	N/A	3,761	–	–	–	3,761	3,761
Other payables	N/A	9,092	–	–	–	9,092	9,092
Secured bank loans – variable rate	1.89	455,303	84,908	113,211	6,096,387	6,749,809	6,383,916
		485,637	84,908	113,211	6,096,387	6,780,143	6,414,250
Lease liabilities	3.85	492	1,477	1,682	41	3,692	3,555
		486,129	86,385	114,893	6,096,428	6,783,835	6,417,805

In addition, the following table details the Groups' liquidity analysis for its derivative financial instruments based on its contractual maturity. For derivative financial instrument settled on a net basis, undiscounted cash inflows (outflows) are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total Undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
2021						
Derivatives net settlement						
Interest rate swaps	(8,192)	(17,495)	(1,081)	–	(26,768)	(25,248)
2020						
Derivatives net settlement						
Interest rate swaps	(11,006)	(28,664)	(29,734)	(18,301)	(87,705)	(87,218)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Interest rate benchmark reform

As listed in notes 22 and 23, several of the Groups' HIBOR derivative financial instruments and bank loans may be subject to the interest rate benchmark reform. The transition is subjected to the negotiation between the Groups and the relevant counterparties.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

The Groups are closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators, risks arising from the interest rate benchmark reform and the progress in completing the transition to alternative benchmark.

(c) Fair values

The fair values of the financial liabilities representing derivative financial instruments are determined as detailed in note 29(d).

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The Trustee-Manager and the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurements of financial instruments

One of the Groups' financial liabilities is measured at fair value at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2021				
<i>Derivative financial instruments</i>				
Liability				
Interest rate swaps	–	25,248	–	25,248
As at 31 December 2020				
<i>Derivative financial instruments</i>				
Liability				
Interest rate swaps	–	87,218	–	87,218

There were no transfers between Levels 1 and 2 in the current year.

The following table gives information about how the fair value of the financial liability is determined (in particular, the valuation techniques and inputs used).

Financial liability	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2021 HK\$'000	2020 HK\$'000		
Interest rate swaps classified as non-current	19,607	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 swap classified as current	5,641	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

29. FINANCIAL INSTRUMENTS (CONTINUED)

(e) **Financial liability subject to enforceable master netting arrangements**

The Groups have entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements (“ISDA Agreements”) signed with two banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Groups currently have no legally enforceable right to set off the recognised amounts.

As at 31 December 2021, the gross amount of financial liability that is subject to enforceable master netting arrangements are HK\$25,248,000 (2020: HK\$87,218,000). No deposit was placed with the counterparties.

30. PLEDGE OF ASSETS

As at 31 December 2021, all investment properties (2020: restricted bank balance and all investment properties) of the Groups 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 Groups.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

31. RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Groups' liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Groups' consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$'000	Interest payable HK\$'000	Secured bank loans HK\$'000	Derivative financial instruments HK\$'000	Distribution payable HK\$'000	Total HK\$'000
At 1 January 2020	1,376	12,271	7,107,666	(3,143)	–	7,118,170
Net cash flows	(1,929)	(166,292)	(735,000)	–	(72,946)	(976,167)
Interest expense	155	162,378	–	–	–	162,533
Other changes						
Front-end fees amortisation	–	–	11,250	–	–	11,250
Fair value adjustments	–	–	–	90,361	–	90,361
Distribution declared	–	–	–	–	72,946	72,946
New lease entered	3,953	–	–	–	–	3,953
At 31 December 2020	3,555	8,357	6,383,916	87,218	–	6,483,046
Net cash flows	(1,969)	(105,437)	(100,000)	–	–	(207,406)
Interest expense	103	103,347	–	–	–	103,450
Other changes						
Front-end fees amortisation	–	–	11,250	–	–	11,250
Fair value adjustments	–	–	–	(61,970)	–	(61,970)
At 31 December 2021	1,689	6,267	6,295,166	25,248	–	6,328,370

32. MAJOR NON-CASH TRANSACTIONS

The Groups incurred hotel management fees and licence fee payable to Langham Hotels International Limited for the year ended 31 December 2021 of HK\$20,550,000 (2020: HK\$15,893,000) (note 36(c)), of which HK\$7,499,000 (2020: HK\$6,665,000) was settled by Share Stapled Units. The remaining balance of HK\$13,051,000 (2020: HK\$9,228,000) will also be settled by Share Stapled Units subsequent to the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

33. COMMITMENTS

At 31 December 2021, the Groups had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$40,642,000 (2020: HK\$2,413,000) of which 30,364,000 (2020: nil) were contracted for.

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

34. OPERATING LEASE COMMITMENTS

The Groups as lessor

Minimum lease payments receivable on leases are as follows:

	2021 HK\$'000	2020 HK\$'000
With Master Lessee		
Within one year	225,000	225,000
In the second year	225,000	225,000
In the third year	–	225,000
	450,000	675,000
With other tenant		
Within one year	1,858	1,288
In the second year	1,508	1,173
In the third year	246	1,206
In the fourth year	–	247
	3,612	3,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

34. OPERATING LEASE COMMITMENTS (CONTINUED)

The Groups as lessor (continued)

Leases in respect of the retail shops in Eaton HK is negotiated for a term of three to five years at fixed monthly rentals and variable rentals which are charged based on the percentage of sales of retail shops. For the master lease agreements (note 36(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 fees. 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 will be negotiated with reference to market rental to be determined by independent property valuer. It was determined in 2019 that fixed annual based rent of Second Period will remain the same as the First Period and variable rent of Second Period will be calculated as the same basis as that of the First Period. The above minimum lease payments only include 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 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 consolidated financial statements.

35. RETIREMENT BENEFITS SCHEME

The Groups operate a Mandatory Provident Fund Scheme for all qualifying employees. The Groups are required to contribute 5%, while the employees are required to contribute 5% of their salaries to the scheme, capped at HK\$1,500 effective from 1 June 2014.

Total contributions to retirement fund schemes for the year ended 31 December 2021 charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK\$73,000 (2020: HK\$76,000).

36. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed in notes 19, 21, 32 and 34, the Groups had the following significant transactions with related parties during the year. 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 connected transactions other than the interest expense on lease liabilities and the following related parties are connected parties of the Groups as defined in the chapter 14A of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

36. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	NOTES	2021 HK\$'000	2020 HK\$'000
Rental income			
Master Lessee	(a)	246,756	225,000
Management fee income			
GE Hospitality Asset Management Limited	(b)	1,157	1,196
Hotel management fees and licence fee			
Langham Hotels International Limited	(c)	20,550	15,893
Global marketing fee			
Langham Hotels Services Limited	(d)	3,836	2,766
Property management services fee			
Keysen Property Management Services Limited	(e)	1,866	2,871
Rental expenses			
Moon Yik Company, Limited	(f)	–	20
Management fee and air conditioning charge			
Moon Yik Company, Limited	(f)	206	–
Addition of right-of-use assets/ addition of lease liabilities			
Moon Yik Company, Limited	(f)	–	3,953
Interest expense on lease liabilities			
Moon Yik Company, Limited	(f)	83	115
Lease agency fee			
The Great Eagle Estate Agents Limited	(g)	98	67
Administrative support service fee			
The Great Eagle Company, Limited	(h)	960	960
Procurement services fee			
Champion Global Services Limited	(i)	39	181
Project management services fee			
The Great Eagle Development and Project Management Limited	(j)	2,919	–
Design and construction contracting services fee			
Keysen Engineering Company, Limited	(k)	455	360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

36. 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 agreement has been presented before netting with service fees (including hotel management fees, licence fee and global marketing fee) of HK\$24,386,000 (2020: HK\$18,659,000). Annual base rent of HK\$225 million was charged for the year ended 31 December 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 profit (loss) and the Groups' segment profit and calculation of variable rent are shown as follows:

	2021 HK\$'000	2020 HK\$'000
Hotels' aggregate gross operating profit (loss) before deduction of global marketing fee	31,080	(13,193)
70% thereon, variable rent (before netting with services fees)	21,756	–
Base rent	225,000	225,000
Add:		
Rental income from retail shops in Eaton HK	1,982	1,915
Groups' segment revenue	248,738	226,915
Less:		
Service fees		
– Hotel management fees (i.e. base fee and incentive fee)	(13,019)	(10,014)
– Licence fee	(7,531)	(5,879)
– Global marketing fee	(3,836)	(2,766)
Property taxes, rates and insurance	(19,885)	(26,799)
Other deductions	(852)	(1,570)
Groups' segment profit	203,615	179,887

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

36. 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 license 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 26 and 32).

	2021 HK\$'000	2020 HK\$'000
(A) Total revenue of relevant hotels	753,065	587,873
(B) Adjusted relevant hotels' gross operating profit	34,458	23,921
(i) Base fee (A x 1.5%)	11,296	8,818
(ii) Licence fee (A x 1%)	7,531	5,879
(iii) Incentive fee (B x 5%)	1,723	1,196
Total fees	20,550	15,893

- (d) Global marketing fee was payable on a fixed percentage of 2% of the total room revenue of the relevant hotels (i.e. HK\$191,837,000 (2020: HK\$138,297,000)) 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 Property Management Services Limited, taking into account the actual cost incurred, plus remuneration to Keysen Property 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 year ended 31 December 2020. Interest expenses on lease liabilities were recognised in both years. As at 31 December 2021, lease liabilities to Moon Yik Company, Limited was approximately HK\$1,404,000 (2020: HK\$2,715,000). The management fee and air conditioning charge were payable to Moon Yik Company, Limited for the expenses related to the office premises.
- (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 rental shops for renew leases (if any). There was a lease renewal for the year ended 31 December 2021 (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

36. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (Continued)

- (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.
- (k) The contract sum for the work of design and construction contracting services shall be negotiated on an arm's length basis and determined between Keysen Engineering Company, Limited and/or its associated companies and the Groups subject to tender or price comparison process to be arranged by the Groups in accordance with its internal control policy.

The remuneration of Directors and chief executive officer during the year was as follows:

	2021 HK\$'000	2020 HK\$'000
Short-term benefits	3,858	3,420
Post-employment benefits	18	18
	3,876	3,438

The remuneration of Directors and chief executive officer is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

37. PARTICULARS OF THE SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2021 and 2020 are set out below:

Direct subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2021	2020
– incorporated in the British Virgin Islands:				
LHIL Properties Limited	1 share of US\$1	Investment holding	100%	100%
LHIL Treasury Holdings Limited	1 share of US\$1	Investment holding	100%	100%

Direct subsidiary	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of shares	Issued and paid up share capital HK\$		2021	2020
– incorporated and operating in Hong Kong:					
LHIL Company Limited	1	1	Provision for administrative services	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2021

37. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2021	2020
– incorporated in the British Virgin Islands:				
Braveforce Investments Limited	1 share of US\$1	Investment holding	100%	100%
LHIL Finance Holdings Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (EHK) Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (LHK) Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (Cordis) Limited	1 share of US\$1	Investment holding	100%	100%
Rowan Enterprises Limited	1 share of US\$1	Investment holding	100%	100%

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of shares	Issued and paid up share capital US\$		2021	2020
– incorporated in Liberia:					
Baxter Investment Limited	500	500	Investment holding	100%	100%
Glendive Investment Limited	500	500	Investment holding	100%	100%

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of shares	Issued and paid up share capital HK\$		2021	2020
– incorporated and operating in Hong Kong:					
Grow On Development Limited	5,000	5,000	Property investment	100%	100%
Harvest Star International Limited	2	2	Property investment	100%	100%
Cordis Hong Kong Limited	2	2	Property investment	100%	100%
LHIL Finance Limited	1	1	Financing	100%	100%
LHIL Treasury (HK) Limited	1	1	Financing	100%	100%
LHIL Treasury Company Limited	1	1	Treasury management	100%	100%

None of the subsidiaries had any debt securities subsisting at 31 December 2021 and 2020 or at any time during the year.

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

Deloitte.

德勤

TO THE MEMBER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of LHIL Manager Limited (the "Company") set out on pages 185 to 191, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 February 2022

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

For the year ended 31 December 2021

	NOTES	2021 HK\$	2020 HK\$
Revenue		–	–
Administrative expenses		(21,960)	(22,355)
Less: Amount borne by a fellow subsidiary		21,960	22,355
Profit or loss before tax	4	–	–
Income tax	5	–	–
Profit or loss and total comprehensive income/expense for the year		–	–

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 31 December 2021

	NOTE	2021 HK\$	2020 HK\$
Current asset			
Cash on hand		1	1
NET ASSET		1	1
Capital			
Share capital	6	1	1
TOTAL EQUITY		1	1

The financial statements on pages 185 to 191 were approved and authorised for issue by the Board of Directors on 15 February 2022 and are signed on its behalf by:

LO Ka Shui
DIRECTOR

Brett Stephen BUTCHER
DIRECTOR

STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the year ended 31 December 2021

**Share
capital**
HK\$

At 1 January 2020, 31 December 2020 and 31 December 2021

1

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 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 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 years, thus the distribution statement is not presented.

The financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the 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 FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

The application of the amendments to HKFRSs in the current year had no material impact on the Company’s financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

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

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

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

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

The significant accounting policies are set out below.

Financial instruments

Financial asset

Financial asset is recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial asset is initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial asset are added to the fair value of the financial asset, as appropriate, on initial recognition.

Classification and subsequent measurement of financial asset

Financial asset that meet the following conditions is subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instrument issued by the Company is recognised at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2021

4. PROFIT OR LOSS BEFORE TAX

	2021 HK\$	2020 HK\$
Profit or loss before tax has been arrived at after charging:		
Auditor's remuneration	20,000	20,000
Directors' remuneration	–	–

5. INCOME TAX

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

6. SHARE CAPITAL

	Number of ordinary share	Nominal value HK\$
Issued and fully paid:		
Ordinary share with no par value		
At 1 January 2020, 31 December 2020 and 2021	1	1

7. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of equity attributable to shareholder, comprising issued share capital.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider that the cost of capital and the associated risks. Based on recommendations of the Directors, the Company will balance its overall capital structure through new share issues.

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2021

8. FINANCIAL INSTRUMENT

(a) Category of financial instrument

	2021 HK\$	2020 HK\$
Financial asset		
<i>Financial asset at amortised cost</i>		
Cash on hand	1	1

(b) Financial risk management objective and policy

The Company's financial instrument represents cash on hand. The risk associated with the Company's financial instrument is limited.

9. RELATED PARTY DISCLOSURES

Transaction with a fellow subsidiary is disclosed in the 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.

SCHEDULE OF INVESTMENT PROPERTIES

The Trust Group has 100% interest in the investment properties listed below, which are held under medium term leases.

Name and Location	Use	Gross Floor Area (sq.ft.)
The Langham, Hong Kong 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hotel/Commercial	375,000
Cordis, Hong Kong 555 Shanghai Street, Mong Kok, Kowloon, Hong Kong	Hotel	580,000
Eaton HK 380 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	Hotel/Commercial	339,000

FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2017	2018	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Revenue	607,573	615,500	483,883	208,256	224,352
Profit/(Loss) before tax	1,223,368	970,401	(2,586,238)	(2,826,678)	(337,218)
Income taxes	(77,309)	(74,761)	(48,473)	(6,129)	(9,344)
Profit/(Loss) for the year attributable to Holders of shares of the Company/ Share Stapled Units	1,146,059	895,640	(2,634,711)	(2,832,807)	(346,562)
ASSETS AND LIABILITIES					
Total assets	19,617,895	20,366,205	17,612,046	15,079,578	14,612,576
Total liabilities	(7,206,827)	(7,407,589)	(7,622,259)	(6,949,981)	(6,812,790)
Net assets	12,411,068	12,958,616	9,989,787	8,129,597	7,799,786

GLOSSARY OF TERMS

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

Terms	Definition
"AGM"	The annual general meeting of the Trust and the Company to be held on a combined basis as a meeting
"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's Articles"	The amended and restated articles of association of the Company adopted on 22 April 2016 as amended, supplemented, substituted or otherwise modified for the time being in force
"Company Board"	The Board of the Company
"Corporate Governance Code"	Appendix 14 "Corporate Governance Code" of the Listing Rules
"Distribution Entitlement Waiver Deed"	The deed dated 10 May 2013 entered into among LHIL Assets Holdings Limited, Great Eagle and the Trustee-Manager in relation to the waiver by LHIL Assets Holdings Limited of its entitlement to receive distributions payable by the Trustee- Manager
"Distribution Waiver"	The waiver by LHIL Assets Holdings Limited of its entitlement to receive any distributions payable by the Trustee-Manager (on behalf of the Trust) in respect of a portion of the Share Stapled Units held by it as at the Listing Date for the period from the Listing Date to 31 December 2013 and each of the years ended 31 December 2014, 2015, 2016 and 2017, each such portion of the distributions waived being available for distribution to the Holders of Share Stapled Units in respect of which the distributions have not been waived, as further described in the initial public offering prospectus of the Trust and the Company dated 16 May 2013 "Distributions – Distribution Waiver"
"Great Eagle"	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust and the Company holding 69.39% of the issued Share Stapled Units as at 31 December 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

GLOSSARY OF TERMS

Terms	Definition
"Group"	The Company and its subsidiaries
"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
"HKTB"	Hong Kong Tourism Board
"Holder(s) of Share Stapled Units" or "Unitholder(s)"	Holder(s) of Share Stapled Units of the Trust and the Company
"Hong Kong" or "HKSAR"	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 Date"	30 May 2013, being the date of listing of the Share Stapled Units on the Stock Exchange
"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"	Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules
"Registers"	The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed
"RevPAR"	Revenue per available room
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

GLOSSARY OF TERMS

Terms	Definition
"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 a 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

This annual report is available in both English and Chinese versions and has been published on our website at www.langhamhospitality.com and the HKEXnews website at www.hkexnews.hk.

Where (i) Holders of Share Stapled Units who have chosen to receive or are deemed to have consented to receiving this annual report by electronic means wish to receive printed form of this annual report; or (ii) Holders of Share Stapled Units who have received or chosen to receive printed form wish to receive another language version of this annual report; or (iii) Holders of Share Stapled Units who wish to change their choice of means of receipt or language of our future corporate communications (including but not limited to directors' report, annual accounts, independent auditor's report, interim report, notice of meeting and circular), they may at any time send their request by reasonable notice in writing by post or by email to [Langham.ecom@langhamhospitality.com](mailto:ecom@langhamhospitality.com) or by completing and returning the Request Form to the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited by using the mailing label on the Request Form (postage prepaid if delivered within Hong Kong). The Request Form is being sent to Holders of Share Stapled Units together with the printed form of this annual report or written notification (as the case may be).

LANGHAM
HOSPITALITY
INVESTMENTS

(as constituted pursuant to a deed of trust
on 8 May 2013 under the laws of Hong Kong,
the trustee of which is LHIL Manager Limited)

&

LANGHAM
HOSPITALITY
INVESTMENTS
LIMITED

(Incorporated in the Cayman Islands with limited liability)



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