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LANGHAM

HOSPITALITY INVESTMENTS

Langham Hospitality Investments

(As constituted pursuant to a deed of trust on 8 May 2013 under the laws of Hong Kong, the trustee of which is LHIL Manager Limited)

and

Langham Hospitality Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1270)

2020 ANNUAL RESULTS ANNOUNCEMENT

The boards of directors (the “Boards”) of LHIL Manager Limited (the “Trustee-Manager”, as the trustee-manager of Langham Hospitality Investments (the “Trust”)) and Langham Hospitality Investments Limited (the “Company”) announce the consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “Trust Group”) for the year ended 31 December 2020 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2020	2019	Change
Revenue of hotel portfolio	587.9	1,350.9	-56.5%
Total rental income for the Trust Group after netting service fees	208.3	483.9	-57.0%
(Loss)/Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	(20.1)	168.6	-111.9%
Distributable Income	6.0	259.1	-97.7%
Interim Distribution per Share Stapled Unit	-	HK8.7 cents	-100.0%
Final Distribution per Share Stapled Unit	-	HK3.4 cents	-100.0%
Annual Distribution per Share Stapled Unit	-	HK12.1 cents	-100.0%

FINANCIAL HIGHLIGHTS (continued)

As at	31 Dec 2020	30 Jun 2020	31 Dec 2019
Gross Value of Hotel Portfolio (in HK\$ million)	14,802	15,572	17,500
Net Asset Value per Share Stapled Unit	HK\$2.52*	HK\$3.68	HK\$4.68
Gearing Ratio	42.6%	46.2%	40.6%

* Number of share stapled units issued increased by 1,072.7 million to 3,225.2 million after the rights offering.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The year 2020 was a devastating year for the hospitality sector globally. The COVID-19 pandemic, which has grounded international travel to a nearly complete halt since early 2020, has taken a toll on the global hospitality sector. For Hong Kong, the High Tariff A hotel market recorded a significant decline of 73.6% in revenue per available room (“RevPAR”) in 2020, while the decline for High Tariff B was 65.1%.

As reported by the Hong Kong Tourism Board, the decline in overnight visitor arrivals in 2020 was astonishingly high at 94.3%, which was even more severe than the decline of 18.8% posted in 2019, when Hong Kong was grappling with social unrest. Correspondingly, our hotels have witnessed extremely low occupancies coupled with depressed average room rates throughout 2020. Furthermore, our hotel’s Food and Beverage (“F&B”) businesses were impacted by a reduction in seating capacity, as well as shortened operating hours for in-house dining, amid social distancing measures imposed by government.

The RevPAR of our hotel portfolio declined by 79.6% in 2020. Total revenue of the hotels, which included HK\$72.4 million government subsidies, dropped by 56.5% year-on-year. The portfolio generated an aggregate gross operating loss amounting to HK\$13.2 million during the year, as compared with an aggregate gross operating profit of HK\$464.9 million achieved last year.

While we continue to receive fixed rental income from GE (LHIL) Lessee Limited (the “Master Lessee”) amounting to HK\$225.0 million in 2020, there was no variable rental income given the hotel portfolio had reported a loss for the year. Overall, total gross rental income, after accounting for service fees expenses incurred, decreased by 57.0% to HK\$208.3 million in 2020, whereas the Trust Group’s net property income decreased by 59.9% year-on-year to HK\$179.9 million.

During 2020, the Trust Group's finance costs dropped by 20.7% to HK\$174.6 million amid a decline in interest rates. Reflecting the adverse impact of the pandemic on the hotel business, there was a HK\$2,722.3 million decrease in the fair value of the Trust Group's investment properties (hotel portfolio) in 2020. In addition, there was a loss of HK\$90.4 million booked due to a decline in the market value of derivative financial instruments (interest rate swaps). As a result, the Trust Group incurred a loss of HK\$2,832.8 million for the year ended 31 December 2020. Net loss excluding fair value change of investment properties and derivative financial instruments was HK\$20.1 million, representing a decline of 111.9% from 2019 (2019: net profit of HK\$168.6 million).

Given the distributable income of HK\$6.0 million reported for the Trust Group in 2020, the distributable income per Share Stapled Unit is negligible. In addition, in view of the ongoing development of COVID-19 which continues to severely affect the business operations of the hotels, the Board of Directors recommended not to declare a final distribution for the year ended 31 December 2020 (2019: HK3.4 cents per Share Stapled Unit).

After the completion of a rights issue in the third quarter of 2020, the Trust Group successfully raised gross proceeds of HK\$1,019.1 million. Of which, HK\$810.0 million has been utilised for the partial prepayment of the Trust Group's outstanding loans. After the prepayment, total outstanding borrowings, before accounting for the loan front-end fee, amounted to HK\$6,417.0 million as at the end of December 2020, given the valuation of the hotel portfolio of HK\$14,802.0 million, implied a gearing ratio of 42.6% as at 31 December 2020. Net Asset Value ("NAV") of the Trust Group amounted to HK\$8,129.6 million or HK\$2.52 per Share Stapled Unit as at 31 December 2020.

OPERATIONAL REVIEW

As the hotels reported an operating loss for 2020, there was no variable rental income received from the Master Lessee. However, the Trust Group continued to receive a fixed rental income of HK\$225.0 million for 2020. Combined with a modest HK\$2.0 million in rental income from the retail shops of Eaton HK, total rental income received by the Trust Group before service fees was HK\$227.0 million for the year, representing a year-on-year decline of 58.9%. After netting off HK\$18.7 million in service fees incurred, total rental income was HK\$208.3 million, representing a year-on-year decline of 57.0%.

(in HK\$ million)	2020	2019	Change
Variable rental income	-	325.4	-100.0%
Fixed rental income	225.0	225.0	-
Rental income from retail shops	2.0	1.7	17.6%
Total rental income before service fees	227.0	552.1	-58.9%
Service fees expenses	(18.7)	(68.2)	-72.6%
Total rental income for the Trust Group	208.3	483.9	-57.0%

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 hotels. Licence fee is calculated based on 1.0% of total revenue of the relevant hotels, and global marketing fee is calculated at 2.0% of total room revenue of the relevant hotels. It should be noted that when calculating distributable income, global marketing fee is paid in cash. As for hotel management fees and licence fee, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both. For 2020, the Hotel Manager has elected the hotel management fees and licence fee to be paid wholly in the form of Share Stapled Units.

In 2020, reflecting the very poor performance of the hotels, hotel management fees dropped by 75.7% to HK\$10.0 million, global marketing fee dropped by 79.3% to HK\$2.8 million and licence fee dropped by 56.3% to HK\$5.9 million. Total service fees payable to the hotel management company declined 72.6% year-on-year to HK\$18.7 million in 2020.

(in HK\$ million)	2020	2019	Change
Hotel management fees	10.0	41.2	-75.7%
Licence fee	5.9	13.5	-56.3%
Global marketing fee	2.8	13.5	-79.3%
Total service fees	18.7	68.2	-72.6%

Property related expenses declined by 20.2% year-on-year to HK\$28.4 million in 2020, which was primarily due to lower rateable value of the Hotels which resulted in lower government rates. Overall, net property income of the Trust Group came to HK\$179.9 million in 2020, representing a year-on-year decline of 59.9%.

(in HK\$ million)	2020	2019	Change
Total rental income after service fees	208.3	483.9	-57.0%
Hotel properties related expenses	(28.4)	(35.6)	-20.2%
Net property income	179.9	448.3	-59.9%

As Hong Kong's interest rate dropped in 2020, interest expense on the floating rate loan and other borrowing costs dropped by 39.5% to HK\$122.2 million during the year. However, part of the savings were offset by an increase in net interest settlement incurred in the interest rate swaps in 2020. Loan front-end fee amortisation came to HK\$11.3 million for the year, representing a year-on-year decrease of 56.7%. Overall finance costs, comprised interest on floating rate loan, net interest settlement on the interest rate swaps and loan front-end fee amortisation, dropped by 20.7% year-on-year to HK\$174.6 million in 2020.

The increase in net interest settlement incurred was due to an increase in the notional amount of interest rate swap contracts held by the Trust Group as at the end of 2020. The Trust Group executed an additional HK\$2,700.0 million notional amount of interest rate swap contracts at an average swap rate of 1.08% during the first half of 2020, in anticipation of the expiry of similar interest rate swap contracts from November 2020 to February 2021. Upon the expiry of interest rate swap with notional amount of HK\$1,000.0 million in November 2020, total notional amount of interest rate swap contracts as at 31 December 2020 amounted to HK\$5,700.0 million. These hedging arrangements will help mitigate the impact of potential hike in interest rates on the Trust Group's distributable income in the coming years.

(in HK\$ million)	2020	2019	Change
Breakdown of Finance costs			
Interest expense and other borrowing costs	(122.2)	(202.0)	-39.5%
Loan front-end fee amortisation	(11.3)	(26.1)	-56.7%
Interest (expense)/income on interest rate swaps	<u>(41.1)</u>	<u>7.9</u>	-620.3%
Total Finance costs	(174.6)	(220.2)	-20.7%

There was a decrease in fair value of investment properties (Hotel portfolio) amounting to HK\$2,722.3 million in 2020 results, as well as a decrease in fair value of derivative financial instruments amounting to HK\$90.4 million, which reflected a decrease in the market value of the interest rate swap contracts. The increase in trust and other expenses was mainly due to the legal and professional fee incurred for the rights issue in the third quarter of 2020. Loss attributable to Holders of Share Stapled Units was HK\$2,832.8 million in 2020. Excluding the impact of the above two non-cash items, loss attributable to Holders of Share Stapled Units narrowed to HK\$20.1 million in 2020, as compared with profit of HK\$168.6 million in 2019.

(in HK\$ million)	2020	2019	Change
Net property income	179.9	448.3	-59.9%
Interest and other income	2.0	2.4	-16.7%
Decrease in fair value of investment properties (Hotel portfolio)	(2,722.3)	(2,788.4)	-2.4%
Decrease in fair value of derivative financial instruments (interest rate swaps)	(90.4)	(14.9)	506.7%
Finance costs	(174.6)	(220.2)	-20.7%
Trust and other expenses	<u>(21.3)</u>	<u>(13.4)</u>	59.0%
Loss before tax	(2,826.7)	(2,586.2)	9.3%
Income tax expense	<u>(6.1)</u>	<u>(48.5)</u>	-87.4%
Loss attributable to Holders of Share Stapled Units	(2,832.8)	(2,634.7)	7.5%

To derive the Trust Group's distributable income, net loss is adjusted for the following two non-cash items, namely, decrease in fair value of investment properties and decrease in fair value on the derivative financial instruments. Furthermore, we adjusted for the hotel management fees and licence fee payable in form of Share Stapled Units, loan front-end fee amortisation, deferred tax and depreciation. Lastly, we deducted the contribution to reserve for furniture, fixtures and equipment.

(in HK\$ million)	2020	2019	Change
Loss attributable to Holders of Share Stapled Units	(2,832.8)	(2,634.7)	7.5%
Add:			
Decrease in fair value of investment properties	2,722.3	2,788.4	-2.4%
Decrease in fair value on derivative financial instruments	90.4	14.9	506.7%
Hotel management fees and licence fee payable in form of Share Stapled Units	15.9	54.7	-70.9%
Loan front-end fee amortisation	11.3	26.1	-56.7%
Deferred tax	5.9	30.0	-80.3%
Depreciation	1.8	-	n.a.
Less:			
Reserve for furniture, fixtures and equipment	(8.8)	(20.3)	-56.7%
Distributable income	6.0	259.1	-97.7%

Given the distributable income of HK\$6.0 million reported for the Trust Group in 2020, the distributable income per Share Stapled Unit is negligible. In addition, in view of the ongoing development of COVID-19 which continues to severely affect the business operations of the Hotels, the Board of Directors recommended not to declare a final distribution for the year ended 31 December 2020 (2019: HK3.4 cents per Share Stapled Unit).

Hotel Performance

	Average Daily				Average		RevPAR	
	Rooms		Occupancy		Room Rate		(in HK\$)	
	Available		2020	2019	(in HK\$)		(in HK\$)	
	2020	2019	2020	2019	2020	2019	2020	2019
The Langham, Hong Kong	498	497	16.3%	75.3%	1,342	1,955	219	1,472
<i>year-on-year growth</i>			<i>-59.0ppt</i>		<i>-31.4%</i>		<i>-85.1%</i>	
Cordis, Hong Kong	667	667	22.5%	73.1%	1,165	1,656	262	1,210
<i>year-on-year growth</i>			<i>-50.6ppt</i>		<i>-29.6%</i>		<i>-78.3%</i>	
Eaton HK	465	465	37.4%	71.6%	543	950	203	679
<i>year-on-year growth</i>			<i>-34.2ppt</i>		<i>-42.8%</i>		<i>-70.1%</i>	
Hotel Portfolio	1,630	1,629	24.8%	73.3%	933	1,553	232	1,139
<i>year-on-year growth</i>			<i>-48.5ppt</i>		<i>-39.9%</i>		<i>-79.6%</i>	

Hong Kong Hotel Markets	Occupancy		Average		RevPAR		
			Room Rate		(in HK\$)		
	2020	2019	(in HK\$)		(in HK\$)		
	2020	2019	2020	2019	2020	2019	
High Tariff A		24.0%	74.0%	1,617	1,982	388	1,467
<i>year-on-year growth</i>		<i>-50.0ppt</i>		<i>-18.4%</i>		<i>-73.6%</i>	
High Tariff B		45.0%	79.0%	608	992	274	784
<i>year-on-year growth</i>		<i>-34.0ppt</i>		<i>-38.7%</i>		<i>-65.1%</i>	

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	39.8	63.9	34.6	138.3
Food & Beverages	101.1	133.0	111.0	345.1
Others	32.7	40.4	31.4	104.5
Total revenue	173.6	237.3	177.0	587.9

Performance of the individual hotels

The Langham, Hong Kong The hotel's performance for 2020 was severely impacted by the pandemic as leisure and business levels remained low due in large part to global travel restrictions. Amid the plunge in demand from the traditional segments in 2020, the Hotel Manager switched its strategy to focus on the local staycation market, as well as long stay packages from the second quarter of 2020. As a result, the hotel managed a 16.3% occupancy for the full year, as compared with a 14.4% occupancy witnessed in the first half of 2020. Average room rate dropped by 31.4%, resulting in a RevPAR decline of 85.1% in 2020, as compared with a 73.6% drop in RevPAR of its respective High Tariff A hotel market.

F&B revenue for the hotel dropped by 53.0% year-on-year in 2020. All F&B outlets have witnessed substantial decline in revenue amid social distancing measures imposed, with banqueting business being particularly severely impacted as most existing bookings being deferred and negligible to pick up new business. Note that the all-day dining venue, The Food Gallery, was closed for three months at the beginning of the COVID-19 lockdown. The hotel applied for the Employment Support Scheme and other government subsidies and HK\$25.3 million was booked under other revenue in 2020.

Cordis, Hong Kong The hotel had fared slightly better than The Langham, Hong Kong as the hotel still had group business during the onset of the pandemic breakout in early 2020. However, the overall demand has fallen sharply following the travel restrictions and quarantine measures. The hotel increased its effort in targeting the local staycation market from the second quarter of 2020 and managed to achieve a 22.5% overall occupancy for 2020, as compared with a 19.5% occupancy in the first half of 2020. Average room rate dropped by 29.6% in 2020. RevPAR dropped by 78.3%, which compared unfavourably with a 73.6% drop in RevPAR of the respective High Tariff A hotel market.

Revenue from F&B witnessed a decline of 53.6% year-on-year in 2020. Business remained weak amid the imposed government restrictions, which led to a lack of banquet bookings as well as a substantial drop in revenue of all the outlets. The hotel has applied for the Employment Support Scheme and other government subsidies and HK\$29.6 million was booked under other revenue in 2020.

Eaton HK The hotel's average room rate dropped by 42.8% and occupancy dropped by 34.2 percentage points year-on-year in 2020. This resulted in a RevPAR decline of 70.1%, as compared with a 65.1% drop in RevPAR of its respective High Tariff B hotel market during 2020. The hotel benefitted from some guaranteed group business during February, but demand remained lackluster for the rest of the year, with price competition being extremely intense for the lower tariff hotels.

Revenue from F&B at the Eaton HK performed relatively well with a drop of only 13.6% year-on-year in 2020. After the renovation works, business at Yat Tung Heen was particularly strong despite the imposed government restrictions. The hotel has applied for the Employment Support Scheme and other government subsidies and HK\$17.5 million was booked under other revenue in 2020.

OUTLOOK

The Hong Kong hospitality sector continues to be greatly affected by travel restrictions in place amid the ongoing pandemic. Our hotels' business will remain under enormous pressure until travel restrictions and social distancing measures are lifted. The recent launch of various COVID-19 vaccines may provide protection and should have a positive effect, but it will take time to roll-out. Such a large-scale vaccination program will likely take most of 2021 to implement. Meanwhile, travel restrictions are at their severest in many parts of the world in response to the new coronavirus strains which are more contagious.

Therefore, we believe there are still too many uncertainties as to gauge when a sustainable recovery of the Hong Kong hospitality sector will eventually take hold. At the same time, the Hong Kong government rolled back some relief measures including the Employment Support Scheme from December 2020. This will weaken the hotel's financial performance at the start of 2021.

To combat the issue of almost non-existent visitor arrivals, our hotels have shifted their focus to grow the domestic staycation, as well as the local long stay market. At the same time, numerous promotions have been launched to specifically build our local food and beverage business. However, the recent heightening of government restrictions in December 2020 has again severely impacted our efforts. These operational headwinds will persist until the number of untraceable infections are substantially reduced.

For January 2021, RevPAR and food and beverage business in our hotels continues to be dramatically affected.

In addition to the near-term weakness in demand for hotel rooms, we expect the pandemic could have medium implications on the need to travel as companies and individuals reassess the way they work and live. Therefore, it is even more important for us to acknowledge that structural changes in the demand for hotel rooms could develop, and we need to maintain flexibility and be ready to react to changes in business direction and geographic demand.

We remain confident in Hong Kong's resilience and appeal as a world-class business and leisure travel destination, and the Trust Group is well positioned with its distinctive portfolio of innovative hospitality assets to capture its share of incoming travellers to Hong Kong and local food and beverage patronage.

FINANCIAL REVIEW

Distributions

Distributable income of the Trust Group for the year ended 31 December 2020 was HK\$5,967,000, represented 100% of total distributable income for the year (2019: HK\$259,064,000, which represented 100% of total distributable income). It is the present policy of the Trust Group to distribute not less than 90% of total distributable income to its Holders of Share Stapled Units.

Since the significant decline in the operating performance of the Trust Group's hotels amid the COVID-19 pandemic has led to an aggregate gross operating loss of the Hotels before deduction of the global marketing fee and in turn zero variable rent receivable by the Trust Group. This situation, on top of negligible distributable income per Share Stapled Unit, the Boards do not recommend the payment for any of the total distributable income for the year ended 31 December 2020.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$8,129.6 million or HK\$2.52 per Share Stapled Unit as at 31 December 2020 (2019: HK\$9,989.8 million or HK\$4.68 per Share Stapled Unit) which represents a 147.1% premium to the closing Share Stapled Unit price of HK\$1.02 as at 31 December 2020.

Debt Profile

HK\$1,019.1 million was raised upon the completion of the rights issue during the year, of which HK\$810.0 million was utilised in prepaying part of the secured term loans. Total outstanding borrowings, before accounting for the loan front-end fee, of the Trust Group as at 31 December 2020 were HK\$6,417.0 million (2019: HK\$7,152.0 million). The secured term loans of HK\$5,990.0 million (2019: HK\$6,800.0 million) were on a floating-rate interest basis and repayable in full in December 2023 (2019: in 2023). The secured revolving loans of HK\$427.0 million (2019: HK\$352.0 million) were revolving on a monthly basis until December 2023.

In order to mitigate the interest rate exposure, the Trust Group entered into several four-year interest rate swap transactions totaling HK\$4,000.0 million during 2016 to 2018. During the year, several three-year to nearly-four-year interest rate swap transactions totaling HK\$2,700.0 million were executed. Upon the expiry of a HK\$1,000.0 million interest rate swap transaction in November 2020, HK\$5,700.0 million (2019: HK\$4,000.0 million) out of the total outstanding bank loan, before accounting for the loan front-end fee, of HK\$6,417.0 million (2019: HK\$7,152.0 million) or 88.8% (2019: 55.9%) was fixed at a weighted average swap rate of 1.49% p.a. (31 December 2019: 1.65% 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 2020, total gross assets of the Trust Group were HK\$15,079.6 million (2019: HK\$17,612.0 million). Gearing ratio, calculated at total outstanding borrowings as a percentage of gross assets, was 42.6% (2019: 40.6%).

Cash Position

As at 31 December 2020, excluding the restricted bank balance of HK\$41.0 million (2019: nil) that was placed in a bank for the requirement of the mitigation mechanism under the loan facilities agreement, the Trust Group had a cash balance of HK\$217.6 million (2019: HK\$75.7 million) to satisfy a portion of asset enhancement of the Hotels, as well as its working capital and operating requirements.

In addition, the Trust Group had unused revolving loans amounting to HK\$273.0 million as of 31 December 2020 (2019: HK\$348.0 million).

Pledge of Assets

As at 31 December 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, were pledged to secure the term and revolving loan facilities granted to the Trust Group.

Commitments

As at 31 December 2020, the Trust Group has authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$2,413,000 (2019: HK\$4,330,000), none of which (2019: HK\$2,495,000) was contracted for.

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

FINAL DISTRIBUTION

The Trustee-Manager Board and the Company Board recommended not to declare a final distribution for the year ended 31 December 2020 (2019: HK3.4 cents per Share Stapled Unit).

CLOSURE OF REGISTERS

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Thursday, 6 May 2021 to Wednesday, 12 May 2021, both days inclusive for the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2021 Annual General Meeting (“2021 AGM”). During this period, no transfer of Share Stapled Units will be registered.

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

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2021 AGM of the Trust and the Company will be held on Wednesday, 12 May 2021. The notice of 2021 AGM together with the 2020 Annual Report and all other relevant documents will be despatched to Holders of Share Stapled Units and published on the Company’s website at www.langhamhospitality.com and the website “HKExnews” at www.hkexnews.hk in March 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to the Trust Deed, each of the Trustee-Manager and the Company must co-operate with each other to ensure that each party complies with the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other relevant rules and regulations.

For the year ended 31 December 2020, the Trust (via the Trustee-Manager) and the Company had complied with all the applicable code provisions and, where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code. The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employees.

COMPLIANCE WITH THE MODEL CODE

The Trust Group has adopted its own Code of Conduct regarding Securities Transactions by Directors and Relevant Employees (the “Code of Conduct for Securities Transactions”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions for the year ended 31 December 2020.

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 2020, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

ISSUED SHARE STAPLED UNITS

As at 31 December 2020, the total number of issued Share Stapled Units of the Trust and the Company was 3,225,166,738. As compared with the position as at 31 December 2019, a total of 1,089,560,243 new Share Stapled Units were issued during the year, representing 33.78% of the total number of issued Share Stapled Units as at 31 December 2020.

Date	Particulars	No. of Share Stapled Units
31 December 2019	Total number of issued Share Stapled Units	2,135,606,495
26 February 2020	Issue of new Share Stapled Units at the price of HK\$1.986 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fee (collectively the “Hotel Manager’s Fees”) to the Hotel Manager of approximately HK\$19,625,000 for the second half of 2019	9,881,338
21 August 2020	Issue of new Share Stapled Units at the price of HK\$0.9611 per Share Stapled Unit as payment of the Hotel Manager’s Fees to Hotel Manager of approximately HK\$6,665,000 for the first half of 2020	6,934,989
14 September 2020	Issue of new Share Stapled Units at the price of HK\$0.95 per Share Stapled Unit pursuant to the rights issue as disclosed in the prospectus of the Trust and the Company dated 21 August 2020	1,072,743,916
31 December 2020	Total number of Issued Share Stapled Units	3,225,166,738

PUBLIC FLOAT

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

AUDIT COMMITTEES

The final results of the Trust Group for the year ended 31 December 2020 have been reviewed by the Audit Committees of the Trustee-Manager and the Company and the final results of the Trustee-Manager for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Trustee-Manager.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Trust and the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Trust Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Trust and the Company's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

The figures in respect of the Trustee-Manager's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Trustee-Manager's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Trustee-Manager's audited financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises: Dr. LO Ka Shui (*Chairman and Non-executive Director*), Mr. Brett Stephen BUTCHER (*Chief Executive Officer and Executive Director*), Professor CHAN Ka Keung, Ceajer*, Professor LIN Syaru, Shirley*, Mr. LO Chun Him, Alexander#, Mr. LO Chun Lai, Andrew#, and Mr. WONG Kwai Lam*.

Non-executive Directors

* Independent Non-executive Directors

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

Hong Kong, 9 February 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Revenue	5	208,256	483,883
Property related expenses		<u>(28,369)</u>	<u>(35,584)</u>
Net property income		179,887	448,299
Other income	7	1,987	2,438
Decrease in fair value of investment properties		(2,722,328)	(2,788,441)
Decrease in fair value of derivative financial instruments		(90,361)	(14,891)
Trust and other expenses		(21,255)	(13,410)
Finance costs	8	<u>(174,608)</u>	<u>(220,233)</u>
Loss before tax		(2,826,678)	(2,586,238)
Income tax expense	9	<u>(6,129)</u>	<u>(48,473)</u>
Loss and total comprehensive expense for the year attributable to holders of Share Stapled Units	12	<u><u>(2,832,807)</u></u>	<u><u>(2,634,711)</u></u> (Restated)
Loss per Share Stapled Unit			
Basic and diluted	13	<u><u>(HK112 cents)</u></u>	<u><u>(HK119 cents)</u></u>

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

AT 31 DECEMBER 2020

	<u>NOTES</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Non-current assets			
Property, plant and equipment		3,484	1,383
Investment properties		14,802,000	17,500,000
Derivative financial instruments		-	4,645
		<u>14,805,484</u>	<u>17,506,028</u>
Current assets			
Debtors, deposits and prepayments	14	15,481	22,144
Derivative financial instrument		-	8,142
Restricted bank balance		41,000	-
Bank balances		217,613	75,732
		<u>274,094</u>	<u>106,018</u>
Current liabilities			
Creditors, deposits and accruals	15	35,643	56,843
Derivative financial instruments		5,010	-
Secured bank loans due within one year		427,000	352,000
Lease liabilities due within one year		1,866	536
Tax payable		41,412	54,375
		<u>510,931</u>	<u>463,754</u>
Net current liabilities		<u>(236,837)</u>	<u>(357,736)</u>
Total assets less current liabilities		<u>14,568,647</u>	<u>17,148,292</u>
Non-current liabilities			
Derivative financial instruments		82,208	9,644
Secured bank loans due after one year		5,956,916	6,755,666
Lease liabilities due after one year		1,689	840
Deferred tax liabilities		398,237	392,355
		<u>6,439,050</u>	<u>7,158,505</u>
NET ASSETS		<u>8,129,597</u>	<u>9,989,787</u>
Capital and reserves			
Issued capital/units		3,225	2,136
Reserves		8,126,372	9,987,651
TOTAL EQUITY		<u>8,129,597</u>	<u>9,989,787</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2020

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's and the Company's ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on the Stock Exchange.

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

The consolidated financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's consolidated financial statements for the year ended 31 December 2020 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 2020 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 2020 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust Group are identical to the consolidated financial statements of the Group with the differences being disclosures of capital. The Trustee-Manager and the Directors believe therefore that it is clearer to present the consolidated financial statements of the Trust Group and the Group together. The consolidated financial statements of the Trust Group and the consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Consolidated Financial Statements".

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS - 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 "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and 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.

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 ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
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 January 2023

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

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

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

4. 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\$427,000,000 which are revolving on a monthly basis.

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

5. REVENUE

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Rental income from Master Lessee (Note)		
Base rent	225,000	225,000
Variable rent	-	325,420
Service fees expenses	<u>(18,659)</u>	<u>(68,196)</u>
	206,341	482,224
Rental income from retail shops in Eaton HK	<u>1,915</u>	<u>1,659</u>
	<u>208,256</u>	<u>483,883</u>

Note: Included in rental income from Master Lessee, service fees income of HK\$18,659,000 (2019: HK\$68,196,000) has been netted with the same amount of the corresponding service fees expenses.

6. SEGMENT INFORMATION

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

2020

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

6. SEGMENT INFORMATION - continued

Segment revenue and results - continued

2019

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

Note: Reconciliation represents netting of service fees income of HK\$18,659,000 (2019: HK\$68,196,000) 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.

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\$5,200,000,000, HK\$6,430,000,000 and HK\$3,172,000,000, respectively (2019: HK\$6,475,000,000, HK\$7,595,000,000 and HK\$3,430,000,000, respectively).

No analysis of segment liabilities is presented as they are not regularly reviewed by 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\$206,341,000 (2019: HK\$482,224,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2020.

7. OTHER INCOME

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Interest income on bank deposits	545	86
Compensation from insurance claim	-	1,378
Management fee income	1,196	69
Sundry income	246	905
	<u>1,987</u>	<u>2,438</u>

8. FINANCE COSTS

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Interest on bank borrowings	121,210	198,317
Net interest on interest rate swaps	41,168	(7,924)
Loan front-end fee amortisation	11,250	26,069
Interest on lease liabilities	155	-
Other borrowing costs	825	3,771
	<u>174,608</u>	<u>220,233</u>

9. INCOME TAX EXPENSE

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	287	18,573
Overprovision in prior years	(40)	(80)
	<u>247</u>	<u>18,493</u>
Deferred tax:		
Current year	5,882	29,980
	<u>6,129</u>	<u>48,473</u>

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

10. TOTAL DISTRIBUTABLE INCOME

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

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Loss for the year attributable to holders of Share Stapled Units	(2,832,807)	(2,634,711)
Adjustments:		
Add:		
Depreciation	1,878	6
Deferred tax	5,882	29,980
Loan front-end fee amortisation	11,250	26,069
Hotel management fees and licence fee payable in form of Share Stapled Units	15,893	54,651
Decrease in fair value of investment properties	2,722,328	2,788,441
Decrease in fair value of derivative financial instruments	90,361	14,891
Less:		
Reserve for furniture, fixtures and equipment	(8,818)	(20,263)
Total distributable income	<u>5,967</u>	<u>259,064</u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June		36	184,569
Percentage of distributable income for distribution (note b)		-	100%
Distributable income for interim distribution period		-	184,569
Interim distribution		-	184,569
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December	10	5,967	259,064
Less: distributable income paid for interim distribution period (note d)		-	(185,798)
Distributable income available for final distribution period		5,967	73,266
Percentage of distributable income for distribution (note b)		-	100%
Distributable income for final distribution period		-	73,266
Final distribution (note c)		-	73,266
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June (note d)		-	HK8.7 cents
Final distribution per Share Stapled Unit in respect of the six months ended 31 December (note d)		-	HK3.4 cents

Notes:

- (a) The interim distribution in 2020 was based on total distributable income for the six months ended 30 June 2020.

The final distribution in 2020 is based on total distributable income for the year ended 31 December 2020.

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

11. DISTRIBUTION STATEMENT - continued

Notes: - continued

- (b) The Trust Deed and the articles of association of the Company state that it is the intention of the Trustee-Manager and the Directors to declare and distribute not less than 90% of the total distributable income in respect of each financial year after the financial year ended 31 December 2015. It has been recommended not to distribute any of the total distributable income for the financial year ended 31 December 2020 due to the deteriorating business results. Details are set out in note 4.

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

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

(d) **Interim distribution**

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

Final distribution

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

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

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Loss and total comprehensive expense for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	5,489	5,435
Share-based payment expenses (including directors' emoluments) (Note)	<u>167</u>	<u>289</u>
	5,656	5,724
Depreciation	1,878	6
Auditor's remuneration	<u>1,414</u>	<u>1,398</u>

Note: The Groups recognised total expenses of HK\$167,000 (2019: HK\$289,000) for the year ended 31 December 2020 in relation to share options granted by the ultimate holding company under its share option scheme.

13. 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:

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Loss		
Loss for the year for the purposes of basic and diluted loss per Share Stapled Unit	<u>(2,832,807)</u>	<u>(2,634,711)</u>
		(Restated)
	<u>2020</u> '000	<u>2019</u> '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	<u>2,526,566</u>	<u>2,209,332</u>

The weighted average number of Share Stapled Units for the purpose of basic and diluted loss per Share Stapled Unit have been adjusted to reflect the effect of the rights issue which completed on 14 September 2020. The loss per Share Stapled Unit for the year ended 31 December 2019 was restated by adjusting the weighted average number of Share Stapled Unit in issue for the bonus element due to the rights issue.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Receivable from Master Lessee	-	14,046
Lease receivable	-	15
Deferred rent receivable	152	223
Other receivables	675	69
Deposits and prepayments	<u>14,654</u>	<u>7,791</u>
	<u>15,481</u>	<u>22,144</u>

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

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

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Within 3 months	<u>-</u>	<u>14,061</u>

15. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Trade creditors	17,481	20,212
Deposits received	654	684
Construction fee payables	3,761	18,697
Accruals and other payables	<u>13,747</u>	<u>17,250</u>
	<u>35,643</u>	<u>56,843</u>

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

	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Within 3 months	6,044	10,481
More than 3 months and within 6 months	3,744	9,731
More than 6 months and within 12 months	<u>7,693</u>	<u>-</u>
	<u>17,481</u>	<u>20,212</u>

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>NOTES</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
Revenue		-	-
Administrative expenses		(22,355)	(23,955)
Less: Amount borne by a fellow subsidiary		<u>22,355</u>	<u>23,955</u>
Profit or loss before tax	4	-	-
Income tax	5	<u>-</u>	<u>-</u>
Profit or loss and total comprehensive income/expense for the year		<u>-</u>	<u>-</u>

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 31 DECEMBER 2020

	<u>2020</u> HK\$	<u>2019</u> HK\$
Current asset		
Cash on hand	<u>1</u>	<u>1</u>
NET ASSET	<u><u>1</u></u>	<u><u>1</u></u>
Capital		
Share capital	<u>1</u>	<u>1</u>
TOTAL EQUITY	<u><u>1</u></u>	<u><u>1</u></u>

NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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 ("Directors") consider the Company's ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited.

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

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

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

The financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

2. APPLICATION OF 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 has applied the "Amendments to References to the Conceptual Framework" in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the financial statements:

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

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 References to the Conceptual Framework" in HKFRS Standards and 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 has 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 ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
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 January 2023

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

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

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

4. PROFIT OR LOSS BEFORE TAX

	<u>2020</u> HK\$	<u>2019</u> HK\$
Profit or loss before tax has been arrived at after charging:		
Auditor's remuneration	20,000	20,000
Directors' remuneration	-	-
	<u> </u>	<u> </u>

5. INCOME TAX

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