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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)

2021 ANNUAL RESULTS ANNOUNCEMENT

The boards of directors (the “Boards”) of LHIL Manager Limited (the “Trustee-Manager”, as the trustee-manager of Langham Hospitality Investments (the “Trust”)) and Langham Hospitality Investments Limited (the “Company”) are pleased to announce the consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “Trust Group”) for the year ended 31 December 2021 as follows:

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.*

FINANCIAL HIGHLIGHTS (continued)

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%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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.

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.

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.

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%

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%

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.

The present policy of the Trust Group is to distribute not less than 90% of total distributable income to its Holders of Share Stapled Units. 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				Average		RevPAR	
	Rooms		Occupancy		Room Rate		(in HK\$)	
	Available		2021	2020	(in HK\$)		2021	2020
	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		RevPAR		
			Room Rate		(in HK\$)		
	2021	2020	(in HK\$)		2021	2020	
	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.

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.

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.

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.

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.

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 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%.

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		
Intended use	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
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.

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.

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 Annual General Meeting (“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.

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 “Register”) will all be closed during the following periods and during this period, 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 Holder of Share Stapled Units to attend and vote at the 2022 AGM, the Register 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.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2022 AGM of the Trust and the Company will be held on Thursday, 12 May 2022. The notice of 2022 AGM together with the 2021 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 HKExnews website at www.hkexnews.hk in March 2022.

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 2021, 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 2021.

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

Pursuant to the Trust Deed, the Trustee-Manager shall not buy-back or redeem any Share Stapled Units on behalf of the Trust 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.

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. As compared with the position as at 31 December 2020, 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.

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 Fee (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

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 annual results of the Trust Group for the year ended 31 December 2021 have been reviewed by the Audit Committees of the Trustee-Manager and the Company and the annual results of the Trustee-Manager for the year ended 31 December 2021 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 2021 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 2021 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, 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**

	<u>NOTES</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Revenue	5	224,352	208,256
Property related expenses		(20,737)	(28,369)
Net property income		<u>203,615</u>	<u>179,887</u>
Other income	7	1,863	1,987
Decrease in fair value of investment properties		(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	8	(115,520)	(174,608)
Loss before tax		<u>(337,218)</u>	<u>(2,826,678)</u>
Income tax expense	9	(9,344)	(6,129)
Loss and total comprehensive expense for the year attributable to holders of Share Stapled Units	12	<u><u>(346,562)</u></u>	<u><u>(2,832,807)</u></u>
Loss per Share Stapled Unit			
Basic and diluted	13	<u><u>(HK11 cents)</u></u>	<u><u>(HK112 cents)</u></u>

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

AT 31 DECEMBER 2021

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

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 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".

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

The application of the amendments to HKFRSs in the current year had no material impact on the Groups' 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 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 Trustee-Manager and the Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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.

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 have 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.

5. REVENUE

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

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.

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.

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)

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.

6. 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.

7. OTHER INCOME

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

8. FINANCE COSTS

	<u>2021</u> HK\$'000	<u>2020</u> 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
	<u>115,520</u>	<u>174,608</u>

9. INCOME TAX EXPENSE

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	149	287
Overprovision in prior years	(99)	(40)
	<u>50</u>	<u>247</u>
Deferred tax:		
Current year	9,247	5,882
Underprovision in prior years	47	-
	<u>9,294</u>	<u>5,882</u>
	<u>9,344</u>	<u>6,129</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>2021</u> HK\$'000	<u>2020</u> 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	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	<u>98,522</u>	<u>5,967</u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
<u>Interim distribution period (note a)</u>			
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		-	-
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December	10	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:

- (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.

11. DISTRIBUTION STATEMENT - continued

Notes: - continued

- (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.

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

	<u>2021</u> HK\$'000	<u>2020</u> 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)	<u>24</u>	<u>167</u>
	6,215	5,656
Depreciation	1,873	1,878
Auditor's remuneration	<u>1,414</u>	<u>1,414</u>

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.

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>2021</u> HK\$'000	<u>2020</u> HK\$'000
Loss		
Loss for the year for the purposes of basic and diluted loss per Share Stapled Unit	<u>(346,562)</u>	<u>(2,832,807)</u>
	<u>2021</u> '000	<u>2020</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>3,238,095</u>	<u>2,526,566</u>

14. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Within 3 months	<u>17,121</u>	<u>-</u>

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.

15. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2021</u> HK\$'000	<u>2020</u> 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
	<u>38,766</u>	<u>35,643</u>

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

	<u>2021</u> HK\$'000	<u>2020</u> 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
	<u>13,587</u>	<u>17,481</u>

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.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>NOTES</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Revenue		-	-
Administrative expenses		(21,960)	(22,355)
Less: Amount borne by a fellow subsidiary		21,960	22,355
		<hr/>	<hr/>
Profit or loss before tax	4	-	-
Income tax	5	-	-
		<hr/>	<hr/>
Profit or loss and total comprehensive income/expense for the year		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 31 DECEMBER 2021

	<u>2021</u> HK\$	<u>2020</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 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 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.

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

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.

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.

4. PROFIT OR LOSS BEFORE TAX

	<u>2021</u> HK\$	<u>2020</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.