



LANGHAM

HOSPITALITY INVESTMENTS

Stock code 股份代號 : 1270

Interim Report 中期報告 2020



LANGHAM HOSPITALITY INVESTMENTS

CORPORATE PROFILE

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

- The Langham, Hong Kong;
- Cordis, Hong Kong; and
- Eaton HK.

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



CONTENTS

2	Corporate Information
4	Financial Highlights
5	Chairman's Statement
8	CEO's Review
15	Biographical Details of Directors
18	Governance and Compliance
28	Disclosure of Interests
32	Financial Information
66	Glossary of Terms

CORPORATE INFORMATION

TRUST

Langham Hospitality Investments

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

COMPANY

Langham Hospitality Investments Limited

(incorporated in the Cayman Islands with limited liability)

TRUSTEE-MANAGER

LHIL Manager Limited

(as Trustee-Manager of the Trust)

COMPANY AND TRUSTEE-MANAGER BOARDS OF DIRECTORS

Non-executive Directors

LO Ka Shui *(Chairman)*
LO Chun Him, Alexander

Executive Director

Brett Stephen BUTCHER *(Chief Executive Officer)*

Independent Non-executive Directors

CHAN Ka Keung, Ceajer
LIN Syaru, Shirley
WONG Kwai Lam

COMPANY AND TRUSTEE-MANAGER AUDIT COMMITTEES

WONG Kwai Lam *(Chairman)*
CHAN Ka Keung, Ceajer
LIN Syaru, Shirley

COMPANY REMUNERATION COMMITTEE

CHAN Ka Keung, Ceajer *(Chairman)*
LO Ka Shui
LIN Syaru, Shirley
WONG Kwai Lam

COMPANY NOMINATION COMMITTEE

LIN Syaru, Shirley *(Chairwoman)*
LO Ka Shui
CHAN Ka Keung, Ceajer
WONG Kwai Lam

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

Corporate Information

LEGAL ADVISORS

Conyers Dill & Pearman
Mayer Brown

PRINCIPAL BANKERS

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

COMPANY REGISTERED OFFICE

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

COMPANY PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY PRINCIPAL SHARE REGISTRAR

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

COMPANY HONG KONG BRANCH SHARE REGISTRAR AND SHARE STAPLED UNITS REGISTRAR

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

WEBSITE

www.langhamhospitality.com

INVESTORS ENQUIRIES

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

HKEX STOCK CODE

1270

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	1H2020	1H2019	Change
Revenue of Hotel Portfolio	259.7	810.2	-67.9%
Total Rental Income for the Trust Group	104.9	295.5	-64.5%
(Loss)/Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	(13.2)	137.3	-109.6%
Distributable Income	0.0^{Note}	184.6	-100.0%
Distributions per Share Stapled Unit	–^{Note}	HK8.7 cents	-100.0%

As at	30 Jun 2020	31 Dec 2019	30 Jun 2019
Gross Value of Hotel Portfolio (in HK\$ million)	15,572	17,500	20,180
Net Asset Value per Share Stapled Unit	HK\$3.68	HK\$4.68	HK\$6.04
Gearing Ratio	46.2%	40.6%	34.4%

Note: Distributable income came to HK\$36,000 for the first half of 2020. The Trustee-Manager Board did not declare an interim distribution for the six-month period ended 30 June 2020.

CHAIRMAN'S STATEMENT

The sustained challenges faced by Hong Kong, which has grappled with social unrest and then the COVID-19 pandemic, for almost a full year have devastated our hotels' business. The pandemic, which became widespread in Hong Kong in early 2020 and is still ongoing, has brought tourist arrivals to a virtual complete halt as travel restrictions were imposed globally. Hong Kong's overall hotel market recorded a significant decline of 70.2% in revenue per available room ("RevPAR") in the first half of 2020.

Correspondingly, our hotels have witnessed an unprecedentedly long period of extreme low occupancies coupled with depressed average room rates during the first half of 2020. In addition, a drop-off in willingness to dine indoor, coupled with government-imposed social distancing measures, have dampened our hotel's Food and Beverage ("F&B") businesses which is reliant on mostly domestic patrons.

In the first half of 2020, with a catastrophic plunge in overnight visitor arrivals of a 91.2% year-on-year, RevPAR of our hotel portfolio dropped by 85.7% resulting from a 69.8 percentage points decrease in occupancy and a 38.1% decrease in average room rate. Revenue from F&B business dropped by 50.8% over the first half period amid significantly reduced seating capacity and patrons shying away from dining out. Total revenue of the hotels, which included a HK\$14.3 million in government subsidies, dropped by 68.0% year-on-year in the first half period. The portfolio generated an adjusted gross operating loss amounting to HK\$38.6 million during the period, as compared with an operating profit of HK\$324.7 million achieved during the same period last year.

While we continue to receive fixed rental income from GE (LHIL) Lessee Limited (the "Master Lessee") amounting to HK\$111.9 million in the first half period, there was no variable rental income given the hotel portfolio had reported a loss for the period. Overall, total gross rental income, after accounting for service fees incurred, decreased by 64.5% to HK\$104.9 million in the first half of 2020, whereas the Trust Group's net property income decreased by 67.7% year-on-year to HK\$89.6 million.

During the reporting period, there was a HK\$1,941.6 million decrease in fair value of investment properties (Hotel portfolio), and a loss of HK\$82.3 million due to a decline in market value of derivative financial instruments (interest rate swaps). Net loss after tax was HK\$2,037.1 million for the first half of 2020. Net loss excluding the non-cash fair value change of investment properties and derivative financial instruments was HK\$13.2 million, representing a decline of 109.6% as compared with the same period last year. After adjusted for non-cash items, there was no significant distributable income in the first half of 2020, as compared with a distributable income of HK\$184.6 million in the same period of the prior year. Therefore, no distribution will be declared for the first half of 2020 as previously disclosed in our announcement, dated 12th of May.

After the deduction in value of our hotel portfolio, valuation of the hotel portfolio was HK\$15,572 million as at the end of June 2020, as compared with HK\$17,500 million as at the end of December 2019. With total outstanding borrowings of HK\$7,227 million as at the end of June 2020, this implied a gearing ratio of 46.2%. As at 30 June 2020, Net Asset Value ("NAV") of the Trust Group amounted to HK\$7,899.5 million or HK\$3.68 per Share Stapled Unit as at the end of June 2020.

The hotel management team has been active in responding to the extremely difficult environment. In addition to tightening of expense control, deferring various renovation plans, applying for and receiving COVID-19 subsidies from the HKSAR Government, the management team has tried to increase its market share in the staycation market. Numerous promotional packages with innovative ideas were launched to capture demand.

Despite all these measures, the drop in business meant that the Trust Group could still be facing a large cash shortfall, especially regarding our ability to comply with certain financial covenants under the loan agreements entered into with our lenders. This is especially the case with regard to the requirements for a minimum interest coverage ratio and a maximum loan to valuation ratio ("LTV Ratio").

Chairman's Statement

As provided in the loan agreements, if these financial covenants are not met, the Trust Group must satisfy the requirements of the mitigation mechanism such as depositing additional security deposits with security agent for our lenders to restore the minimum interest coverage ratio and prepaying part of outstanding loan to restore the maximum LTV Ratio.

Based on the current financial circumstances of the Trust Group, it is anticipated that the mitigation mechanism will most likely be triggered in the third quarter of 2020. As long as the requirements of the mitigation mechanism are satisfied, the financial covenants will not be considered as breached.

Even though the Trust Group is presently in compliance with the provisions of the loan documents, the future prospects of international travel and tourism remain very weak and the potential prolonged deterioration in both the market conditions and earnings of our hotels could trigger breach of financial covenants under the loan agreements.

As announced earlier we adopted the strategy to appoint a financial advisor to explore available options to improve our financial position. HSBC was finally appointed given their expertise in this field. After analysis and discussions with the HSBC team, and taking into account the latest market conditions and considering thoroughly the costs and benefits of alternative options available, we believe that a fundraising exercise is the most appropriate strategy to ensure we have sufficient liquidity to cope with this difficult situation. Amongst various equity fundraising alternatives, the Rights Issue is considered the best option as it will improve the financial position of the Trust Group immediately and it also allows all unitholders to participate and their ownership stake in the Trust Group will not be diluted if they so wish.

Based on one Rights Share Stapled Unit ("SSU") for every two SSUs held, a rights price of HK\$0.95, and the Great Eagle Group undertaking to take up the number of Rights SSUs under its assured entitlement, the gross proceeds are expected to be at least HK\$648 million, and up to HK\$1,019 million if all unitholders participate in the Rights Issue. The vast majority of the net proceeds will be used for repayment of part of the outstanding loans and the balance will be funding the deposit of additional security deposit as part of the mitigation mechanism in relation to our financial covenant on interest coverage and also general working capital.

The fund raised will not only improve our immediate financial position, but also create additional headroom regarding the LTV Ratio. After the fund raising, we believe our strengthened financial position will place us in a better position to weather the COVID-19 pandemic and enable the company to benefit from future business recovery when the crisis is over.

OUTLOOK

We expect the fundraising will help to strengthen the Trust Group's financial position, at least for the time being, so that we can continue our operations without concern of the risk for breach of financial covenants. It is uncertain how long this COVID-19 pandemic will last. The pace of the post-pandemic recovery of the Hong Kong hospitality sector may take much longer as overseas visitors resuming normal travelling patterns will be slow. Furthermore, various social distancing measures will likely remain in place even after the pandemic subsides, which will affect the pace of recovery for our domestic F&B business.

We expect the pandemic will not only affect our hotel business in the short term, but will also have long-term implications as companies and individuals reassess the way they work and live. Therefore, it is even more important that we acknowledge that some of the seemingly short-term measures such as reduction in business travel and restaurants' seating capacity limitations could in fact last for a more prolonged period.

As a result, maintaining flexibility and being ready to react to changes in market demand will be very important for our hotels as demand could shift quickly when governments at home and abroad adjust their travel guidelines and restrictions.

Chairman's Statement

Our recent focus has been to grow the domestic staycation and long stay market for our accommodation business and concentrate on building our local food and beverage business. However, the recent heightening of government restrictions in July due to the third wave of COVID-19 infections has again severely impacted our efforts. We expect these operational headwinds to persist in the near term. In fact, July 2020 RevPAR of our hotels continues to be dramatically affected with The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK down year on year by 93.5%, 81.9% and 76.4% respectively.

At the same time, the Hong Kong government has been very supportive during this difficult time with the introduction of a series of relief measures including subsidies for affected licenses during the pandemic and the employment support scheme. These measures will help cushion the losses and help us to sustain the employment level.

As we continue to navigate through these uncertain and volatile times, we are confident that our hotel teams are now well adapted to scale our business appropriately based on the circumstances and with an eye to ensuring costs are minimised.

To this end, we would like to express our sincere gratitude and appreciation for their hard work in implementing heightened precautionary measure to protect the health and safety of our customers and staff.



Lo Ka Shui
Chairman

CEO'S REVIEW

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

As the hotels reported an operating loss for the six months ended 30 June 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\$111.9 million for the first half of 2020 and there was a modest HK\$1.0 million in rental income from the shops, total rental income received by the Trust Group before service fees was HK\$112.9 million for the reporting period, representing a year-on-year decline of 66.8%. After netting off HK\$8.0 million in service fees incurred for the first half-period, total rental income was HK\$104.9 million, representing a year-on-year decline of 64.5%.

(in HK\$ million)	1H 2020	1H 2019	Change
Variable rental income	–	227.3	-100.0%
Fixed rental income	111.9	111.6	0.3%
Rental income from retail shops	1.0	0.7	42.9%
Total Rental income before service fees	112.9	339.6	-66.8%
Total service fees	(8.0)	(44.1)	-81.9%
Total rental income to the Trust Group	104.9	295.5	-64.5%

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 are comprised a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee on 5.0% of adjusted gross operating profit of the relevant hotels. Licence fee is calculated based on 1.0% of total revenue of the relevant hotels, and global marketing fee is calculated at 2.0% of total room revenue of the relevant hotels. It should be noted that when calculating distributable income, global marketing fee deducted because it is paid in cash. As for hotel management fees and licence fee, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both. For the first six months of 2020, the Hotel Manager has elected to be paid wholly in the form of Share Stapled Unit for the payment of hotel management fees and licence fee.

CEO's Review

In the first half of 2020, reflecting the very poor performance of the hotels, hotel management fees dropped by 84.8% to HK\$4.1 million, global marketing fee dropped 85.6% to HK\$1.3 million and licence fee dropped by 67.9% to HK\$2.6 million. Total service fees payable to the hotel management company declined by 81.9% year-on-year to HK\$8.0 million in the first half of 2020.

(in HK\$ million)	1H 2020	1H 2019	Change
Hotel management fees	4.1	27.0	-84.8%
Licence fee	2.6	8.1	-67.9%
Global marketing fee	1.3	9.0	-85.6%
Total service fees	8.0	44.1	-81.9%

Property related expenses declined by 15.9% year-on-year to HK\$15.3 million in the first half of 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\$89.6 million in the first half of 2020, representing a year-on-year decline of 67.7%.

(in HK\$ million)	1H 2020	1H 2019	Change
Total rental income to the Trust Group	104.9	295.5	-64.5%
Property related expenses	(15.3)	(18.2)	-15.9%
Net property income	89.6	277.3	-67.7%

Finance costs dropped by 7.7% year-on-year to HK\$92.6 million in the first half of 2020, of which cash interest expenses, comprised of interest on floating rate loan and net interest settlement on the interest rate swaps. As Hong Kong's interest rate dropped in the first half of 2020, interest expense on the floating rate loan dropped by 10.2% to HK\$81.2 million during the period. However, part of the savings were offset by an increase in net interest settlement incurred on the interest rate swaps in the first half of 2020. Amortisation of loan upfront fee came to HK\$5.6 million for the first half period, representing a year-on-year decrease of 37.8%.

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 June 2020. The Trust Group executed an additional HK\$2,700 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 a similar interest rate swap contracts from November 2020 to February 2021. Due to the overlapping interest rate swap contracts held by the Trust Group as at the end of June 2020, total notional amount of interest rate swap contracts reached HK\$6,700 million. These hedging arrangements will help to mitigate the impact of potential hike in interest rates on the Trust Group's distributable income in the coming years.

(in HK\$ million)	1H 2020	1H 2019	Change
Breakdown of Finance costs			
Interest expense	(81.6)	(90.8)	-10.1%
Amortisation of loan upfront fee	(5.6)	(9.0)	-37.8%
Interest paid on fixed interest rate swaps	(5.4)	(0.5)	980.0%
Total Finance costs	(92.6)	(100.3)	-7.7%

CEO's Review

There was a decrease in fair value of investment properties amounting to HK\$1,941.6 million in the first half period amid the collapse in the hotel's business as impacted by the COVID-19 pandemic. In addition, a loss of HK\$82.3 million due to a decline in market value of derivative financial instruments (interest rate swaps). Net loss after tax was HK\$2,037.1 million for the first half of 2020. Net loss excluding fair value change of investment properties and derivative financial instruments was HK\$13.2 million, representing a decline of 109.6% as compared with the same period of the prior year.

(in HK\$ million)	1H 2020	1H 2019	Change
Net property income	89.6	277.3	-67.7%
Interest and other income	0.7	0.2	250.0%
Decrease in fair value of investment properties (Hotel portfolio)	(1,941.6)	(75.0)	2,488.8%
Decrease in fair value change on derivative financial instruments	(82.3)	(24.8)	231.9%
Finance costs	(92.6)	(100.3)	-7.7%
Trust and other expenses	(6.9)	(5.6)	23.2%
(Loss)/Profit before tax	(2,033.1)	71.8	-2,931.6%
Income tax expense	(4.0)	(34.3)	-88.3%
(Loss)/Profit attributable to Holders of Share Stapled Units	(2,037.1)	37.5	-5,532.3%
(Loss)/Profit attributable to Holders of Share Stapled Units excluding Fair Value change on Investment Properties and Derivative Financial Instruments	(13.2)	137.3	-109.6%

To derive the Trust Group's distributable income, net (loss)/profit was adjusted for non-cash items. Items deducted from net (loss)/profit are cash contribution to the furniture, fixtures and equipment reserve, which is calculated at 1.5% of total revenue of the Hotels. On the other hand, non-cash items added back to (loss)/profit included: i) hotel management and licence fees paid in Share Stapled Units, ii) amortisation of upfront loan fee, iii) deferred taxation, iv) decrease in fair value of investment properties, v) decrease in fair value change on derivative financial instruments and vi) depreciation.

CEO's Review

For the first half of 2020, there was only a minimal distributable income of HK\$36,000 after adjusted for non-cash items and therefore, no distribution will be declared for the period.

(in HK\$ million)	1H 2020	1H 2019	Change
(Loss)/Profit attributable to Holders of Share Stapled Units	(2,037.1)	37.5	-5,532.3%
Add:			
Hotel management fees and Licence fee paid in Share Stapled Units	6.7	35.1	-80.9%
Amortisation of upfront loan fee, a non-cash cost	5.6	9.0	-37.8%
Deferred tax	3.8	15.4	-75.3%
Depreciation	1.0	–	100.0%
Decrease in fair value of investment properties	1,941.6	75.0	2,488.8%
Decrease in fair value on derivative financial instruments	82.3	24.8	231.9%
Less:			
Furniture, fixtures and equipment reserve	(3.9)	(12.2)	-68.0%
Distributable income	0.0*	184.6	-100.0%

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

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019
The Langham, Hong Kong <i>year-on-year growth</i>	498	498	14.4% <i>-75.6ppt</i>	90.0%	1,490 <i>-31.3%</i>	2,169	214 <i>-89.0%</i>	1,952
Cordis, Hong Kong <i>year-on-year growth</i>	667	667	19.5% <i>-74.9ppt</i>	94.4%	1,293 <i>-25.6%</i>	1,737	252 <i>-84.6%</i>	1,640
Eaton HK <i>year-on-year growth</i>	465	465	30.1% <i>-56.5ppt</i>	86.6%	584 <i>-45.1%</i>	1,063	176 <i>-80.9%</i>	920
Hotel Portfolio <i>year-on-year growth</i>	1,630	1,630	21.0% <i>-69.8ppt</i>	90.8%	1,043 <i>-38.1%</i>	1,684	219 <i>-85.7%</i>	1,530

CEO's Review

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019
High Tariff A	21.0%	87.0%	1,706	2,094	358	1,822
<i>year-on-year growth</i>	<i>-66.0ppt</i>		<i>-18.5%</i>		<i>-80.4%</i>	
High Tariff B	38.0%	90.0%	609	1,143	231	1,029
<i>year-on-year growth</i>	<i>-52.0ppt</i>		<i>-46.7%</i>		<i>-77.6%</i>	
All Hotels	39.0%	90.0%	914	1,329	356	1,196
<i>year-on-year growth</i>	<i>-51.0ppt</i>		<i>-31.2%</i>		<i>-70.2%</i>	

During the first half of 2020, all three hotels have applied for and successfully received part of the government subsidies applied, which were booked under "others", which explains the increase in other revenue during the period.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	19.4	30.6	14.9	64.9
Food & Beverages	48.2	65.3	52.3	165.8
Others*	7.6	11.1	10.3	29.0
Total revenue	75.2	107.0	77.5	259.7

Year-on-year decline	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	-89.0%	-84.5%	-80.8%	-85.6%
Food & Beverages	-58.7%	-58.4%	-17.8%	-50.8%
Others*	31.0%	22.0%	51.5%	33.6%
Total revenue	-74.8%	-70.6%	-47.6%	-67.9%

* Included government subsidies due to COVID-19.

For the first six months of 2020, there was a 82.2% year-on-year drop in the number of guests from Mainland China for the Hotel portfolio. After the drop, arrivals from the Mainland China accounted for 32.0% of total arrivals by geographical breakdown.

	Trust Group's Hotel portfolio	Overnight arrivals to Hong Kong
Year-on-year growth in guests from Mainland China	-82.2%	-91.6%
% of overnight guests from Mainland China to total arrivals	32.0%	65.8%

CEO's Review

Performance of the individual hotels

The Langham, Hong Kong, witnessed an unprecedented decline in room revenue, as quarantine restrictions on inbound travellers took their toll on demand for hotel rooms. Amid the plunge in demand from the traditional segments during the first half of 2020, the Hotel Manager tried to tap into the local market through promotion of local staycation room packages, as well as long stay packages that were marketed to the family of quarantined travellers. Hence, the hotel managed a 14.4% in occupancy for the first half of 2020, while average room rate dropped by 31.3%. RevPAR dropped by 89.0%, as compared with a 80.4% drop in RevPAR of its respective High Tariff A hotel market.

F&B revenue for the hotel dropped by 58.7% year-on-year in the first half of 2020. The drop in banqueting business was particularly severe as most bookings have been deferred, and the all-day dining venue, The Food Gallery, was closed for three months at the beginning of the COVID-19 lockdown. The hotel has applied for the Employment Support Scheme and other government subsidies and HK\$4.6 million was booked under other revenue in the first half of 2020.

At **Cordis, Hong Kong**, the hotel had fared slightly better than The Langham, Hong Kong as the hotel still had some degree of freight crew staying at the hotel during the first half of 2020, albeit intermittent. However, demand from all other segments have fallen sharply following the travel restrictions and quarantined measures. The hotel also targeted the local staycation market and managed to achieve a 19.5% occupancy in the first half of 2020, whereas average room rate dropped by 25.6% in the first half of 2020. RevPAR dropped by 84.6%, as compared with a 80.4% drop in RevPAR of its respective High Tariff A hotel market.

Revenue from F&B witnessed a decline of 58.4% year-on-year in the first half of 2020. All the restaurants have seen a substantial drop in revenue and most of the banquet bookings originally booked for the first half period have been deferred. The hotel has applied for the Employment Support Scheme and other government subsidies and HK\$5.7 million was booked under other revenue in the first half of 2020.

Eaton HK benefitted from a university student group staying at the hotel during February, but demand remained lackluster after this group's departure. Furthermore, price competition is even more intense for the lower tariff hotels, which are not as well placed to compete in the local staycation market. Hence, Eaton HK's average room rate dropped by 45.1% year-on-year in the first half of 2020, whereas it managed a 30.1% occupancy over the same period. Eaton HK witnessed a RevPAR decline of 80.9%, as compared with a 77.6% drop in RevPAR of its respective High Tariff B hotel market during the first half of 2020.

Revenue from F&B at the Eaton HK only dropped by 17.8% year-on-year in first half of 2020. Particularly Yat Tung Heen continued strong performance after the renovation works despite the imposed government restrictions and generated more covers and revenue ahead of the same period last year. The hotel has applied for the Employment Support Scheme and other government subsidies and HK\$4.0 million was booked under other revenue in the first half of 2020.

FINANCIAL REVIEW

Distributions

Distributable income of the Trust Group for 2020 interim period was HK\$36,000, which represents 100% of total distributable income for current period (2019 interim period: HK\$184,569,000 which represents 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 Stippled Units.

Since the significant decline in the operating performance of the Trust Group's hotels amid the COVID-19 pandemic has led to a decrease in the Hotel's aggregate gross profit before deduction of the global marketing fee and in turn a decrease in the variable rental receivable by the Trust Group, the Board decided not to distribute any of the total distributable income for the six months ended 30 June 2020.

CEO's Review

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units were HK\$7,899.5 million or HK\$3.68 per Share Stapled Unit as at 30 June 2020 (31 December 2019: HK\$9,989.8 million or HK\$4.68 per Share Stapled Unit) which represents a 206.7% premium to the closing Share Stapled Unit price of HK\$1.20 as at 30 June 2020.

Debt Profile

Total outstanding borrowings of the Trust Group as at 30 June 2020 were HK\$7,227 million (31 December 2019: HK\$7,152 million). The secured term loans of HK\$6,800 million (31 December 2019: HK\$6,800 million) were on a floating-rate interest basis and repayable in full in December 2023. The secured revolving loans of HK\$427 million (31 December 2019: HK\$352 million) were revolving on monthly basis until December 2023.

In order to mitigate the interest rate exposure, the Trust Group entered into several three-year to nearly four-year interest rate swap transactions of HK\$2,700 million during the year. In addition to the HK\$4,000 million four-year interest rate swap transactions entered during 2016 to 2018, the total outstanding borrowings of HK\$6,700 million or 92.7% (31 December 2019: 55.9%) was fixed at a weighted average swap rate of 1.42% 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 30 June 2020, total gross assets of the Trust Group were HK\$15,646.6 million (31 December 2019: HK\$17,612.0 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of total gross assets, was 46.2% (31 December 2019: 40.6%).

Cash Position

As at 30 June 2020, the Trust Group had a cash balance of HK\$63.5 million (31 December 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 loan amounting to HK\$273 million as of 30 June 2020 (31 December 2019: HK\$348 million).

Pledge of Assets

As at 30 June 2020, investment properties with a fair value of HK\$15,572 million (31 December 2019: HK\$17,500 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, were pledged to secure a HK\$7,500 million term and revolving loan facilities granted to the Trust Group.

Commitments

As at 30 June 2020, the Trust Group had authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$2,864,000 (31 December 2019: HK\$4,330,000), of which HK\$979,000 (31 December 2019: HK\$2,495,000) were contracted for.

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



Brett Stephen Butcher

Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the information of Directors of the Trustee-Manager and the Company subsequent to the publication of the 2019 Annual Report of the Trust and the Company and up to the date of this Interim Report, are updated as follow:

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 73, has been the Chairman and Non-executive Director of the Trustee-Manager and the Company since 2013. He is a Member of the Remuneration Committee and of the Nomination Committee of the Company, and is also a Director of the subsidiaries of the Company. He is the Chairman and Managing Director of Great Eagle Holdings Limited, and the Chairman and Non-executive Director of the Manager of the publicly listed trust, Champion Real Estate Investment Trust. He is also a Vice President of the Real Estate Developers Association of Hong Kong and a member of the Board of Trustees of The Hong Kong Centre for Economic Research. Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is the father of Mr. Lo Chun Him, Alexander, being a Non-executive Director of the Trustee-Manager and the Company.

Mr. LO Chun Him, Alexander

Non-executive Director

Mr. LO Chun Him, Alexander, aged 35, has been a Non-executive Director of the Trustee-Manager and the Company since February 2017. He is also a Director of the subsidiaries of the Company. Mr. Lo is an Executive Director of Great Eagle Holdings Limited, which is listed on the Main Board of the Stock Exchange. Prior to joining the Great Eagle Group in 2010, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Management Committee of The Federation of Hong Kong Hotel Owners Limited. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Mr. Lo is a son of Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company.

Mr. Brett Stephen BUTCHER

Chief Executive Officer and Executive Director

Mr. Brett Stephen BUTCHER, aged 60, has been the Chief Executive Officer and Executive Director of the Trustee-Manager and the Company since April 2019. He is also a Director of the subsidiaries of the Company. Mr. Butcher has over 39 years' extensive hotel business experience in both hotel operations and sales and marketing in Asia, the Pacific and North America. He is the chief executive officer of the hotel asset management arm of Great Eagle Holdings Limited ("Great Eagle", being the substantial Holder of Share Stapled Units of the Trust Group) principally overseeing the management of all hotel assets of Great Eagle worldwide. Mr. Butcher holds a Bachelor's Degree in Business (Hospitality Management) from University of Queensland Lawes Campus.

Biographical Details of Directors

Professor CHAN Ka Keung, Ceajer

Independent Non-executive Director

Professor CHAN Ka Keung, Ceajer, aged 63, has been an Independent Non-executive Director of the Trustee-Manager and the Company since August 2018. He is the Chairman of the Company's Remuneration Committee, a Member of the Company's Nomination Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Professor Chan holds an Honorary Doctoral Degree from The Hong Kong University of Science and Technology (HKUST). Professor Chan is an Adjunct Professor and a Senior Advisor to the Dean at HKUST Business School. He was appointed as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in HKUST. Before joining the HKUST Business School in 1993, Professor Chan had spent nine years teaching at Ohio State University in the United States. Professor Chan is currently a Non-executive Director of Hong Kong Mortgage Corporation Limited, a member of Competition Commission of Hong Kong and a Non-executive Director of Tricor Group. He is an Independent Non-executive Director of Guotai Junan International Holdings Limited and China Overseas Land & Investment Limited, both companies are listed on the Main Board of Stock Exchange. He is also a Senior Advisor to Welab Holdings Limited.

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

Professor LIN Syaru, Shirley

Independent Non-executive Director

Professor LIN Syaru, Shirley, aged 52, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. She is the Chair of the Company's Nomination Committee, a Member of the Company's Remuneration Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Previously, she was as a Partner at Goldman Sachs, where she led the firm's efforts in private equity and venture capital in Asia. In addition, Professor Lin was involved in the privatisation of state-owned enterprises in China, Singapore and Taiwan. She has served on the boards of numerous private and public companies and is currently an Independent Non-executive Director of Goldman Sachs Asia Bank Limited, a restricted licence bank in Hong Kong. She was an Independent Non-executive Director of Swire Pacific Limited and Mercuries Life Insurance Co., Ltd. She was appointed by the Hong Kong government to the Hong Kong Committee for Pacific Economic Cooperation and serves on the board of the Focused Ultrasound Foundation.

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

Biographical Details of Directors

Mr. WONG Kwai Lam

Independent Non-executive Director

Mr. WONG Kwai Lam, aged 71, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. He is the Chairman of the Audit Committees of the Trustee-Manager and the Company, and a Member of each of the Company's Remuneration Committee and Nomination Committee. Mr. Wong is currently an Independent Non-executive Director of Hutchison Port Holdings Management Pte. Limited as trustee-manager of Hutchison Port Holdings Trust ("HPHT"), CK Hutchison Holdings Limited ("CKHH"), ARA Asset Management (Prosperity) Limited as manager of Prosperity Real Estate Investment Trust ("Prosperity REIT") and K. Wah International Holdings Limited ("KWIH"). CKHH, Prosperity REIT and KWIH are listed in Hong Kong, and HPHT is listed in Singapore. Mr. Wong was an Independent Non-executive Director of China Merchants Bank Co., Ltd. Mr. Wong is currently the Chairman of IncitAdv Consultants Ltd., Chairman and a Director of Hong Kong Grand Opera Company Limited, a member of the Advisory Board of Continuing and Professional Studies, The Chinese University of Hong Kong ("CUHK") and a Vice Chairman of the Board of Trustees and a Member of the Investment Sub-committee of the Board of Trustees of New Asia College, CUHK. He is a Member of the Hospital Governing Committee of the Prince of Wales Hospital and a Director of the CUHK Medical Centre Limited. Mr. Wong has been appointed as Chairman of The Chamber of Hong Kong Listed Companies. He was formerly a Member of the Advisory Committee and a Member of the Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a Member of the China Committee of the Hong Kong Trade Development Council.

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

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

GOVERNANCE AND COMPLIANCE

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

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

STRUCTURE OF THE TRUST GROUP

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

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

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

Capital Structure of the Trust and the Company

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

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

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

Post-Results Events

On 16 July 2020, the Trust and the Company issued an announcement in respect of a proposed rights issue to raise up to approximately HK\$1,019 million (before deducting professional fees and other related expenses) on the basis of one rights share stapled unit for every two Share Stapled Units at the subscription price of HK\$0.95 per rights share stapled unit. The parent company, Great Eagle Holdings Limited has undertaken to take up and/or procure its direct or indirect wholly-owned subsidiaries to take up an aggregate of not less than 682,411,916 rights share stapled units under its assured entitlement (representing approximately 63.61% of the total rights share stapled units proposed to be provisionally allotted by the Trust and the Company). Please refer to the announcement dated 16 July 2020 for further details.

Governance and Compliance

Business Relationship with Great Eagle

Apart from the parent-subsidary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two groups. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules. Details of the transactions which are subject to disclosure and reporting requirements in interim report are summarised under the sub-section headed "Connected Transactions and/or Continuing Connected Transactions Subject to Disclosure Requirements" on pages 23 to 25 of this Interim Report.

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

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

GOVERNANCE COMPLIANCE & PRACTICE

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 Listing Rules and other relevant rules and regulations.

During the six-month period ended 30 June 2020, the Trust (via the Trustee-Manager) and the Company had complied with all applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code. Only the Company has established Nomination Committee and Remuneration Committee as such requirements are not relevant to the Trustee-Manager. The Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company and the Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employee.

Governance and Compliance

Corporate Governance Measures to address Potential Conflicts of Interest

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

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

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

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

Governance and Compliance

BOARD AND BOARD COMMITTEES

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

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

Biographies of the Directors of the Trustee-Manager and the Company are set out in this Interim Report on pages 15 to 17.

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

Audit Committees

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

Remuneration Committee

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

Nomination Committee

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

- **Board Diversity Policy**

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

Governance and Compliance

- *Nomination Policy*

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

The Nomination Committee shall consider any and all candidates recommended as nominees for Directors to the Committee by any Directors or shareholders of the Company in accordance with the Company's Articles and the Trust Deed. The Nomination Committee may also undertake its own search process for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees. The Nomination Committee shall endeavour to find individuals of high integrity who possess the qualifications, qualities, skills, experience and independence (in case of Independent Non-executive Directors) to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. The Nomination Committee may use any process it deems appropriate for the purpose of evaluating candidates including personal interviews, background checks, written submission by the candidates and third party references. As far as practicable, nominees for each election or appointment of Directors shall be evaluated using a substantially similar process. The Nomination Committee shall review the Nomination Policy from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

Governance and Compliance

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

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

	Aggregate Transaction Amount for the six-month period ended 30 June 2020 (HK\$'000)
(1) Master Lease Agreements ^(a)	
– Base Rent	111,885
– Variable Rent ^(b)	Nil
(2) Hotel Management Agreements ^{(a)(b)(c)}	
– Base Fee	3,895
– Incentive Fee	173
(3) Centralised Services and Marketing Agreements ^{(a)(b)}	
– Reimbursement of Costs ^(d)	1,215
– Global Marketing Fee	1,299
– Reservation fees ^(d)	395
(4) Trademark Licence Agreements ^{(a)(b)(c)}	2,597

Notes:

- (a) Obtained waiver from the requirements of making announcement and/or obtaining independent Holders of Share Stapled Units' approval.
- (b) Obtained waiver from the requirement to set a monetary cap.
- (c) Obtained approval from independent Holders of Share Stapled Units to settle the fees payable for the three financial years ending 31 December 2020 in the form of Share Stapled Units subject to the election of the Hotel Manager.
- (d) Reimbursement of Costs and Reservation fees are included in the operating expenses of the Hotels.

Governance and Compliance

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

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

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

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

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

2. **Hotel Management Agreements** – three separate hotel management agreements each dated 10 May 2013 entered into among each Hotel Company, the Master Lessee, Langham Hotels International Limited as the Hotel Manager, the Trustee-Manager and the Company. As the Hotel Manager and the Master Lessee are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Company under the Listing Rules.

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

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

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

Governance and Compliance

3. **Centralised Services and Marketing Agreements** – three separate centralised services and marketing agreements each dated 10 May 2013 entered into among each Hotel Company, the Master Lessee, Langham Hotels Services Limited as the Service Provider, the Trustee-Manager and the Company. As the Master Lessee and the Service Provider are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Company under the Listing Rules.

Pursuant to the Centralised Services and Marketing Agreements, the Service Provider has agreed to provide global marketing and advertising services, centralised reservations services and certain hotel specific services of each Hotel for an initial term of 30 years from and including 30 May 2013 (the date of listing) and may, subject to compliance with the relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Service Provider. Thereafter, the Centralised Services and Marketing Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. Each of the Centralised Services and Marketing Agreements shall be co-terminous with the Hotel Management Agreement for the same Hotel. The fee and other amounts payable to the Service Provider under each Centralised Services and Marketing Agreement shall be determined on the following basis:

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

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

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

Pursuant to the Trademark Licence Agreements, the Licensor has agreed to grant non-exclusive and non-transferable licences to the relevant Hotel Company, the Trustee-Manager, the Company and the Master Lessee to use the Langham brands for branding and marketing activities relating to the Hotels and/or for describing the ownership of the Hotels for an initial term of 30 years from and including 30 May 2013 (date of listing) and may, subject to compliance with the relevant Listing Rules requirements at the relevant time, be renewed for a term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Trademark Licence Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the relevant Listing Rules requirements at the relevant time. Each of the Trademark Licence Agreements shall be co-terminous with the Hotel Management Agreement for the same Hotel. The Licence Fee payable to the Hotel Manager by each Hotel Company under the Trademark Licence Agreements shall be 1% of the total revenue of the relevant Hotel.

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

Governance and Compliance

ISSUED SHARE STAPLED UNITS

As at 30 June 2020, the total number of issued Share Stapled Units of the Trust and the Company was 2,145,487,833. As compared with the position of 31 December 2019, 9,881,338 new Share Stapled Units were issued during the reporting period, representing 0.46% of the total number of issued Share Stapled Units as at 30 June 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 to the Hotel Manager of approximately HK\$19,625,000 for the second half of 2019	9,881,338
30 June 2020	Total number of issued Share Stapled Units	2,145,487,833

COMPLIANCE WITH THE MODEL CODE

The Trustee-Manager and the Company have adopted the Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code 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 confirmed that they had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2020.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Trust Group and unaudited condensed financial statements of the Trustee-Manager for the six-month period ended 30 June 2020 were prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and have also been reviewed by the Audit Committees of the Trustee-Manager and the Company. Such financial information has been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Trustee-Manager and the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

SUFFICIENCY OF PUBLIC FLOAT

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

Governance and Compliance

HOTEL MANAGER AND EMPLOYEES

The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated in providing services to the Hotels. The Hotels control the payroll and related expense in accordance with the business level and also continuously review the process for higher efficiency. Comparing to 31 December 2019, there is no material change in headcount.

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

The commitment to protecting the environment is integrated into the operations of the Hotels. Both Cordis, Hong Kong and The Langham, Hong Kong are certified to EarthCheck Platinum level. Eaton HK is certified to EarthCheck Gold level. Cordis, Hong Kong is accredited with an ISO 14001 certification.

Moreover, each of the Hotels has been recognized as a Caring Company for over ten years and has been working with local community partners through various employee community services, donations, visits, free or in-kind sponsorships, and ongoing partnership programmes. For the first six months in 2020, the Hotels' colleagues served a total of approximately 245.5 hours of community services and volunteering efforts.

Colleagues are the most important assets for a successful organisation. The Hotel Manager and the Hotels are mindful of the health and safety obligations to colleagues, and various occupational health and safety trainings are delivered regularly to the colleagues. It is the Hotels' commitment to provide suitable career and training opportunities for their colleagues, and the average number of training hours per colleague in the Hotels was approximately 9.5 hours for the first half of 2020.

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests and short positions of the Directors of the Trustee-Manager and the Company in the Share Stapled Units, underlying Share Stapled Units and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code, or which were recorded in the register required under Section 352 of the SFO are as follows:

Long Positions in Share Stapled Units and Underlying Share Stapled Units

Name of Director	Total Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs ⁽³⁾
Lo Ka Shui	1,419,057,333 ⁽¹⁾	66.14
Brett Stephen Butcher	675,000 ⁽²⁾	0.03

Notes:

(1) These 1,419,057,333 Share Stapled Units comprise the following:

- (i) 8,073,500 Share Stapled Units (0.38%) were held by Dr. Lo Ka Shui personally;
- (ii) 1,364,823,833 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 1,293,313,833 Share Stapled Units (60.28%), Fine Noble Limited as to 58,596,500 Share Stapled Units (2.73%), Great Eagle Nichemusic Limited as to 5,965,000 Share Stapled Units (0.28%) and The Great Eagle Company, Limited as to 6,948,500 Share Stapled Units (0.32%), all of the said companies are wholly-owned subsidiaries of Great Eagle. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. His interests in Great Eagle are disclosed below on page 29;
- (iii) 2,060,000 Share Stapled Units (0.10%) were held by two companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
- (iv) 44,100,000 Share Stapled Units (2.06%) were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.

(2) These 675,000 Share Staple Units were jointly held by Mr. Brett Stephen Butcher with his spouse.

(3) This percentage has been compiled based on 2,145,487,833 Share Stapled Units of the Trust and the Company in issue as at 30 June 2020.

Disclosure of Interests

Long Positions in Shares and Underlying Shares of Associated Corporations

Great Eagle

As at 30 June 2020, Great Eagle owned 63.61% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The interests of Directors of the Trustee-Manager and the Company in Great Eagle as at 30 June 2020 are disclosed as follows:

Name of Director	Total Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital ⁽⁴⁾
Lo Ka Shui	453,549,904 ⁽¹⁾	63.00
Lo Chun Him, Alexander	1,014,000 ⁽²⁾	0.14
Brett Stephen Butcher	483,433 ⁽³⁾	0.07

Notes:

- (1) These interests comprise the following:
 - (i) 57,290,775 shares (7.96%) and 2,066,000 shares options (0.29%) were held by Dr. Lo Ka Shui personally;
 - (ii) 88,813,415 shares (12.34%) were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies;
 - (iii) 242,156,015 shares (33.64%) were held by a discretionary trust of which Dr. Lo Ka Shui is one of the discretionary beneficiaries; and
 - (iv) 63,223,699 shares (8.78%) were held by a discretionary trust of which Dr. Lo Ka Shui is the founder.
- (2) These interests comprise 26,000 shares and 988,000 share options held by Mr. Lo Chun Him, Alexander personally.
- (3) These interests comprise 52,000 shares and 400,000 share options held by Mr. Brett Stephen Butcher personally and 31,433 shares jointly held by Mr. Brett Stephen Butcher with his spouse.
- (4) This percentage has been compiled based on 719,920,112 shares of Great Eagle in issue as at 30 June 2020.

Disclosure of Interests

Champion Real Estate Investment Trust (“Champion REIT”)

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at 30 June 2020, Great Eagle owned 66.64% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the holdings of Directors of the Trustee-Manager and the Company in Champion REIT as at 30 June 2020 are disclosed as follows:

Name of Director	Total Number of Units/ Underlying Units Held	Percentage of Issued Units ⁽²⁾
Lo Ka Shui	3,950,433,911 ⁽¹⁾	67.08

Notes:

- (1) These 3,950,433,911 units comprise the following:
- (i) 3,592,007 units (0.06%) were held by Dr. Lo Ka Shui personally;
 - (ii) 3,922,495,567 units (66.61%) and 1,972,727 underlying units (0.03%) were indirectly held by Great Eagle of which Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director. His interests in Great Eagle are disclosed above on page 29;
 - (iii) 3,258,610 units (0.06%) were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies; and
 - (iv) 19,115,000 units (0.32%) were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) This percentage has been compiled based on 5,888,833,523 units of Champion REIT in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors of the Trustee-Manager and the Company were taken to be interested or deemed to have any other interests or short positions in Share Stapled Units, underlying Share Stapled Units or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code, or which were recorded in the register required under Section 352 of the SFO.

Disclosure of Interests

INTERESTS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at 30 June 2020, the interests and short positions of persons (other than a Director or the chief executive of the Trustee-Manager and the Company) in the Share Stapled Units or underlying Share Staple Units of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued Share Stapled Units of the Trust and the Company are as follows:

Name	Total Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs ⁽³⁾
Great Eagle Holdings Limited	1,364,823,833 ⁽¹⁾	63.61
LHIL Assets Holdings Limited	1,293,313,833	60.28
HSBC International Trustee Limited	1,329,235,439 ⁽²⁾	61.95

Notes:

- (1) These 1,364,823,833 Share Stapled Units were indirectly held by Great Eagle through its wholly-owned subsidiaries in the following manner:
- (i) the same parcel of Share Stapled Units held by LHIL Assets Holdings Limited as disclosed in the above table;
 - (ii) 58,596,500 Share Stapled Units held by Fine Noble Limited;
 - (iii) 5,965,000 Share Stapled Units held by Great Eagle Nichemusic Limited; and
 - (iv) 6,948,500 Share Stapled Units held by The Great Eagle Company, Limited.
- (2) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 19 October 2018) received from HSBC International Trustee Limited ("HITL"). HITL in its capacity as a trustee of a discretionary trust held 33.64% interests in Great Eagle as at 30 June 2020.
- (3) This percentage has been compiled based on 2,145,487,833 Share Stapled Units of the Trust and the Company in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 28) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of the SFO.

FINANCIAL INFORMATION

LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED

- 33** Report on Review of Condensed Consolidated Financial Statements
- 34** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 35** Condensed Consolidated Statement of Financial Position
- 36** Condensed Consolidated Statement of Changes In Equity
- 37** Condensed Consolidated Statement of Cash Flows
- 38** Notes to the Condensed Consolidated Financial Statements

LHIL MANAGER LIMITED

- 61** Report on Review of Condensed Financial Statements
- 62** Condensed Statement of Profit or Loss and Other Comprehensive Income
- 62** Condensed Statement of Financial Position
- 63** Condensed Statement of Changes in Equity
- 64** Notes to the Condensed Financial Statements

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

Deloitte.

德勤

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

*(Langham Hospitality Investments is a trust constituted under the laws of Hong Kong;
Langham Hospitality Investments Limited is incorporated in the Cayman Islands with limited liability)*

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 60 (hereinafter collectively referred to as "the Trust and the Company's condensed consolidated financial statements"). As explained in note 1 to the Trust and the Company's condensed consolidated financial statements, the condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together. The Trust and the Company's condensed consolidated financial statements together comprise the condensed consolidated statement of financial position of the Trust Group and of the Group as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Trust Group and of the Group for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Trustee-Manager of the Trust and directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong
7 August 2020

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

For the six months ended 30 June 2020

	<i>Notes</i>	Six Months Ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	104,883	295,523
Property related expenses		(15,269)	(18,268)
Net property income		89,614	277,255
Other income		707	207
Decrease in fair value of investment properties	13	(1,941,616)	(74,951)
Fair value change on derivative financial instruments	14	(82,271)	(24,795)
Trust and other expenses		(6,932)	(5,618)
Finance costs	6	(92,592)	(100,278)
(Loss) profit before tax		(2,033,090)	71,820
Income tax expense	7	(3,986)	(34,278)
(Loss) profit and total comprehensive (expense) income for the period attributable to holders of Share Stapled Units	10	(2,037,076)	37,542
(Loss) earnings per Share Stapled Unit			
Basic and diluted	11	(HK95 cents)	HK2 cents

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

At 30 June 2020

		At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	4,394	1,383
Investment properties	13	15,572,000	17,500,000
Derivative financial instruments	14	–	4,645
		15,576,394	17,506,028
Current assets			
Debtors, deposits and prepayments	15	6,767	22,144
Derivative financial instrument	14	–	8,142
Bank balances		63,471	75,732
		70,238	106,018
Current liabilities			
Creditors, deposits and accruals	16	37,549	56,843
Derivative financial instruments	14	20,408	–
Secured bank loans due within one year	17	427,000	352,000
Lease liabilities due within one year		1,831	536
Tax payable		41,552	54,375
		528,340	463,754
Net current liabilities		(458,102)	(357,736)
Total assets less current liabilities		15,118,292	17,148,292
Non-current liabilities			
Derivative financial instruments	14	58,720	9,644
Secured bank loans due after one year	17	6,761,290	6,755,666
Lease liabilities due after one year		2,631	840
Deferred tax liabilities		396,166	392,355
		7,218,807	7,158,505
NET ASSETS		7,899,485	9,989,787
Capital and reserves			
Issued capital/units	18	2,145	2,136
Reserves		7,897,340	9,987,651
TOTAL EQUITY		7,899,485	9,989,787

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

For the six months ended 30 June 2020

	Share capital/ units HK\$'000	Share premium HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Share- based payment reserve HK\$'000	Property revaluation reserve HK\$'000 (Note c)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2019	2,110	7,716,113	(11,562,543)	699	12,598,157	4,204,080	12,958,616
Profit and other comprehensive income for the period	-	-	-	-	-	37,542	37,542
Distribution paid	-	(222,785)	-	-	-	-	(222,785)
Recognition of equity-settled share based payments	-	-	-	146	-	-	146
Issue of Share Stapled Units (note 18)	12	39,138	-	-	-	-	39,150
At 30 June 2019 (unaudited)	2,122	7,532,466	(11,562,543)	845	12,598,157	4,241,622	12,812,669
At 1 January 2020	2,136	7,381,680	(11,562,543)	988	12,598,157	1,569,369	9,989,787
Loss and other comprehensive expense for the period	-	-	-	-	-	(2,037,076)	(2,037,076)
Distribution paid	-	(72,946)	-	-	-	-	(72,946)
Recognition of equity-settled share based payments	-	-	-	95	-	-	95
Issue of Share Stapled Units (note 18)	9	19,616	-	-	-	-	19,625
At 30 June 2020 (unaudited)	2,145	7,328,350	(11,562,543)	1,083	12,598,157	(467,707)	7,899,485

Notes:

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

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

For the six months ended 30 June 2020

	Six Months Ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Cash generated from operations	113,660	311,904
Interest paid	(89,663)	(90,526)
Hong Kong Profits Tax paid	(12,998)	(5,959)
Net cash from operating activities	10,999	215,419
Investing activities		
Additions of investment properties	(24,370)	(33,136)
Interest received	–	57
Proceeds on disposal of property, plant and equipment	–	5
Net cash used in investing activities	(24,370)	(33,074)
Financing activities		
Distribution paid	(72,946)	(222,785)
Additions of revolving loans	75,000	20,000
Repayment of lease liabilities	(944)	–
Net cash from (used in) financing activities	1,110	(202,785)
Net decrease in cash and cash equivalents	(12,261)	(20,440)
Cash and cash equivalents at the beginning of the period	75,732	86,881
Cash and cash equivalents at the end of the period, represented by bank balances	63,471	66,441

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

For the six months ended 30 June 2020

1. GENERAL

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

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

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

2. BASIS OF PRESENTATION AND PREPARATION

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2020 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2020 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the period ended 30 June 2020 was investment in the Company. Therefore, the condensed consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust Group are identical to the condensed consolidated financial statements of the Group with the only differences being disclosures of capital. The Trustee-Manager and the directors of the Company (the "Directors") believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust Group and the Group together. The condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Condensed Consolidated Financial Statements".

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

For the six months ended 30 June 2020

2. BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

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

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

The Trust and the Company's Condensed Consolidated Financial Statements have been prepared on a going concern basis because the Trustee-Manager and the Directors are of the opinion that the Groups will have adequate sources of funding to meet in full its financial obligations, after taking into account the continuous cash flows generated from operating activities, and the availability of undrawn revolving loan facilities amounting to HK\$273,000,000, the financial support from the parent company, including the irrevocable undertaking to subscribe for rights share stapled units as more particularly described in the announcement of the Company and the Trust dated 16 July 2020.

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 a decrease in their aggregate gross operating profit before deduction of global marketing fee and in turn a decrease in variable rent received by the Groups. In addition, there is a negative impact on the valuation of the Groups' investment properties. As such, the condensed consolidated results of operations, cash flows of the Groups and fair value of the investment properties were significantly impacted.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Groups' annual financial statements for the year ended 31 December 2019.

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

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs

In the current interim period, the Groups have applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Groups' condensed 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 period has had no material impact on the Groups' financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

	Six Months Ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Rental income from Master Lessee (Note)		
Base rent	111,885	111,575
Variable rent	–	227,293
Service fees expense	(7,964)	(44,053)
	103,921	294,815
Rental income from retail shops in Eaton HK	962	708
	104,883	295,523

Note: Included in rental income from Master Lessee, service fees income of HK\$7,964,000 (six months ended 30 June 2019: HK\$44,053,000) has been netted with the same amount of the corresponding service fees expenses. Details are set out in note 22(a).

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

For the six months ended 30 June 2020

5. SEGMENT INFORMATION

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

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

Segment revenue and results

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

Six months ended 30 June 2020

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

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

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Six months ended 30 June 2019

	The Langham, Hong Kong HK\$'000 (unaudited)	Cordis, Hong Kong HK\$'000 (unaudited)	Eaton HK HK\$'000 (unaudited)	Segment Total HK\$'000 (unaudited)	<i>Reconciliation HK\$'000 (unaudited) (note)</i>	Consolidated HK\$'000 (unaudited)
Segment revenue	124,748	158,695	56,133	339,576	(44,053)	295,523
Segment results	102,347	130,449	44,459	277,255	-	277,255
Other income						207
Decrease in fair value of investment properties						(74,951)
Fair value change on derivative financial instruments						(24,795)
Trust and other expenses						(5,618)
Finance costs						(100,278)
Profit before tax						71,820
Income tax expense						(34,278)
Profit for the period attributable to holders of Share Stapled Units						37,542

Note: Reconciliation represents netting of service fees income of HK\$7,964,000 (six months ended 30 June 2019: HK\$44,053,000) 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 values of investment properties, no other segment assets are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK were HK\$5,645,000,000, HK\$6,790,000,000 and HK\$3,137,000,000 respectively (31 December 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 provided to the CODM.

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

For the six months ended 30 June 2020

6. FINANCE COSTS

	Six Months Ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	81,163	90,362
Net interest on interest rate swaps	5,367	474
Loan front-end fee amortisation	5,624	9,000
Others	438	442
	92,592	100,278

7. INCOME TAX EXPENSE

	Six Months Ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax		
– Current period	175	18,874
Deferred tax		
– Current period	3,811	15,404
	3,986	34,278

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

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

For the six months ended 30 June 2020

8. TOTAL DISTRIBUTABLE INCOME

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

	Six Months Ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit for the period attributable to holders of Share Stapled Units	(2,037,076)	37,542
Adjustments:		
Add:		
Depreciation	942	4
Deferred tax	3,811	15,404
Non-cash finance costs	5,702	9,000
Hotel management fees and licence fee payable in form of Share Stapled Units (notes 19, 22(a) and 22(c))	6,665	35,026
Decrease in fair value of derivative financial instruments	82,271	24,795
Decrease in fair value of investment properties	1,941,616	74,951
Less:		
Reserve for furniture, fixtures and equipment	(3,895)	(12,153)
Total distributable income	36	184,569

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

For the six months ended 30 June 2020

9. DISTRIBUTION STATEMENT

	<i>Note</i>	Six Months Ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interim distribution period (note a)			
Total distributable income in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: in respect of the six months ended 30 June 2019)	8	36	184,569
Percentage of distributable income for distribution (note b)		–	100%
Distributable income for interim distribution period		–	184,569
Interim distribution (note c)		–	184,569
Final distribution period (note a)			
Total distributable income in respect of the financial year ended 31 December 2019 (six months ended 30 June 2019: in respect of the financial year ended 31 December 2018)		259,064	410,491
Less: distributable income paid for interim distribution period (note d)		(185,798)	(189,875)
Distributable income available for final distribution period		73,266	220,616
Percentage of distributable income for distribution (note b)		100%	100%
Distributable income for final distribution period		73,266	220,616
Final distribution (note c)		73,266	220,616
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: in respect of the six months ended 30 June 2019) (note d)		–	HK8.7 cents
Final distribution per Share Stapled Unit in respect of the financial year ended 31 December 2019 (six months ended 30 June 2019: in respect of the financial year ended 31 December 2018) (note e)		HK3.4 cents	HK10.5 cents

Notes to the Trust and the Company's
Condensed Consolidated
Financial Statements
For the six months ended 30 June 2020

9. DISTRIBUTION STATEMENT (CONTINUED)

Notes:

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

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

The interim distribution in 2019 is based on total distributable income for the six months ended 30 June 2019.

- (b) The Trust Deed and the articles of association of the Company state that it is the intention of the Trustee-Manager and the Directors to declare and distribute not less than 90% of the total distributable income in respect of each financial year after the financial year ended 31 December 2015. It has been decided not to distribute any of the total distributable income for the six months ended 30 June 2020 due to the deteriorating business results. Details are set out in note 2.

100% of the total distributable income was distributed for the six months ended 30 June 2019.

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

The interim distribution after 30 June 2019 has not been recognised as a liability as at 30 June 2019.

- (d) **Interim distribution**

Interim distribution per Share Stapled Unit of HK8.7 cents in 2019 is 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.

- (e) **Final distribution**

Final distribution per Share Stapled Unit of HK3.4 cents in 2019 is 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.

Final distribution per Share Stapled Unit of HK10.5 cents in 2018 is calculated based on distributable income available for final distribution period of HK\$220,616,000 and 2,109,715,939 Share Stapled Units as at 31 December 2018. In consideration of 12,046,202 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2018 on 1 March 2019, the number of Share Stapled Units entitled for final distribution in 2018 had been adjusted to be 2,121,762,141. Total distribution of HK\$222,785,000 in respect of 2018 final distribution period was paid on 5 June 2019.

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

For the six months ended 30 June 2020

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

	Six Months Ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit and total comprehensive (expense) income for the period has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	2,539	2,407
Share-based payment expenses (Note)	95	146
Depreciation	942	4
Interest income	–	(57)

Note: The Groups recognised total expenses of HK\$95,000 for six month ended 30 June 2020 (six month ended 30 June 2019: HK\$146,000) in relation to share options granted by the ultimate holding company under its share option scheme.

11. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE STAPLED UNIT

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

	Six Months Ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) earnings		
(Loss) profit for the period for the purposes of basic and diluted (loss) earnings per Share Stapled Unit	(2,037,076)	37,542

	Six Months Ended 30 June	
	2020 '000 (unaudited)	2019 '000 (unaudited)
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purposes of basic and diluted (loss) earnings per Share Stapled Unit	2,145,224	2,123,653

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

For the six months ended 30 June 2020

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Groups entered into a new lease agreement with lease terms of 3 years. The Groups are required to make fixed monthly payments. On lease commencement, the Groups recognised right-of-use assets of HK\$3,953,000 and lease liabilities of HK\$3,953,000.

Apart from this, there is no additions of property, plant and equipment for the six months ended 30 June 2020 and 2019.

13. INVESTMENT PROPERTIES

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
FAIR VALUE		
At the beginning of the period/year	17,500,000	20,177,000
Additions	13,616	111,441
Decrease in fair value recognised in profit or loss	(1,941,616)	(2,788,441)
At the end of the period/year	15,572,000	17,500,000

The fair value of the Groups' investment properties of HK\$15,572,000,000 as at 30 June 2020 (31 December 2019: HK\$17,500,000,000) has been arrived at on a basis of valuation carried out by Vigers Appraisal and Consulting Limited, an independent professional property valuer not connected with the Groups.

The independent property valuer adopted income approach by using discounted cash flow analysis and market approach by comparison method to arrive at the valuation of investment properties. For income approach, the discounted cash flow analysis for the hotel properties are established based on analysis of historical data and assumptions about future market conditions affecting supply, demand, income, expenses and the potential of risk, taking into consideration of the impact of Covid-19. These assumptions determine the earning capability of the hotel properties upon which the pattern of income and expenditures are projected to establish a fair maintainable operating profit on a pre-tax yearly basis by a reasonably efficient operator over a 10-year investment horizon; and the anticipated net operating income stream receivable thereafter is capitalised at appropriate terminal capitalisation rates and adjusted to present value by appropriate discount rate to reflect the capital values beyond the years. For market approach, the comparison method is based on a per room basis on actual sales transactions and offering of comparable properties during the period/year that have been made, subject to appropriate adjustments made for variable factors, including location and grading, and impact of Covid-19. There has been no change to the valuation techniques during the period/year.

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

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

For the six months ended 30 June 2020

14. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Non-current asset Interest rate swaps	–	4,645
Current asset Interest rate swap	–	8,142
Non-current liability Interest rate swaps	58,720	9,644
Current liability Interest rate swaps	20,408	–

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

Major terms of the interest rate swaps are as follows:

Total notional amount	Maturity	Floating interest rate	Fixed interest rate	Interest period
At 30 June 2020 HK\$6,700,000,000	November 2020 – December 2023	Hong Kong Interbank Offered Rate ("HIBOR")	0.830%– 2.545%	Monthly
At 31 December 2019 HK\$4,000,000,000	November 2020 – June 2022	HIBOR	1.035%– 2.545%	Monthly

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

For the six months ended 30 June 2020

15. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Receivable from Master Lessee	–	14,046
Lease receivable	14	15
Deferred rent receivable	197	223
Other debtor	–	69
Deposits and prepayments	6,556	7,791
	6,767	22,144

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

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

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Within 3 months	14	14,061

At 31 December 2019, receivable from Master Lessee represented an amount due from a fellow subsidiary of HK\$14,046,000 which was unsecured, interest-free and payable on presentation of invoices. At 30 June 2020, there is no outstanding amount.

Deposits and prepayments mainly consist of deposits paid to contractors for hotels renovation and prepayment of rates. At 31 December 2019, other debtor represented amount due from a fellow subsidiary of HK\$69,000 which was unsecured, interest-free and payable on presentation of invoices.

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

For the six months ended 30 June 2020

16. CREDITORS, DEPOSITS AND ACCRUALS

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Trade creditors	14,631	20,212
Deposits received	654	684
Construction fee payable	7,943	18,697
Interest payables	9,139	12,272
Accruals and other payables	5,182	4,978
	37,549	56,843

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

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Within 3 months	11,094	10,481
More than 3 months but within 6 months	3,537	9,731
	14,631	20,212

At 30 June 2020, trade creditors are amounts due to fellow subsidiaries of HK\$14,631,000 (31 December 2019: HK\$20,212,000) which are unsecured, interest-free and payable on presentation of invoices.

At 31 December 2019, included in construction fee payable were amounts due to fellow subsidiaries of HK\$177,000 which were unsecured, interest-free and payable on presentation of invoices.

At 30 June 2020, included in accruals and other payables were amounts due to fellow subsidiaries of HK\$72,000 (31 December 2019: HK\$21,000) which are unsecured, interest-free and payable on presentation of invoices.

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

For the six months ended 30 June 2020

17. SECURED BANK LOANS

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Secured term loans	6,800,000	6,800,000
Secured revolving loans	427,000	352,000
Loan front-end fee	(38,710)	(44,334)
	7,188,290	7,107,666
Less: Amount due within one year shown under current liabilities	(427,000)	(352,000)
Amount due after one year	6,761,290	6,755,666

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

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Within one year	427,000	352,000
More than two years but not exceeding five years	6,761,290	6,755,666
	7,188,290	7,107,666

The secured term loans of HK\$6,800,000,000 (31 December 2019: HK\$6,800,000,000) are variable-rate borrowings, bearing interests at HIBOR plus 0.83% (31 December 2019: HIBOR plus 0.83%) per annum and are repayable in one lump sum on maturity date which will fall due in 2023 (31 December 2019: 2023). Secured revolving loans of HK\$427,000,000 (31 December 2019: HK\$352,000,000) are variable-rate borrowings, bearing interest at HIBOR plus 0.83% (31 December 2019: HIBOR plus 0.83%) per annum and are repayable in 2020 (31 December 2019: 2020). All bank loans are secured by the Groups' investment properties.

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

For the six months ended 30 June 2020

18. ISSUED CAPITAL/UNITS

	Number of shares/units (unaudited)	Nominal value HK\$ (unaudited)
Authorised:		
Ordinary shares of the Company of HK\$0.0005 each At 1 January 2019, 31 December 2019 and 30 June 2020	5,000,000,000	2,500,000
Preference shares of the Company of HK\$0.0005 each At 1 January 2019, 31 December 2019 and 30 June 2020	5,000,000,000	2,500,000

Units issued/share capital issued and fully paid:

Share Stapled Units

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

	Number of shares/units (unaudited)	Nominal value HK\$ (unaudited)
Ordinary shares of HK\$0.0005 each (note a)		
At 1 January 2019	2,109,715,939	1,054,858
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	12,046,202	6,023
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	13,844,354	6,922
At 31 December 2019	2,135,606,495	1,067,803
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	9,881,338	4,941
At 30 June 2020	2,145,487,833	1,072,744
Preference shares of HK\$0.0005 each (note c)		
At 1 January 2019	2,109,715,939	1,054,858
Issue of preference shares as payment of hotel management fees and licence fee (note b)	12,046,202	6,023
Issue of preference shares as payment of hotel management fees and licence fee (note b)	13,844,354	6,922
At 31 December 2019	2,135,606,495	1,067,803
Issue of preference shares as payment of hotel management fees and licence fee (note b)	9,881,338	4,941
At 30 June 2020	2,145,487,833	1,072,744

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

For the six months ended 30 June 2020

18. ISSUED CAPITAL/UNITS (CONTINUED)

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Issued capital/unit	2,145	2,136

Notes:

- (a) All of the issued ordinary shares of the Company are held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust.
- (b) Details of Share Stapled Units issued during the periods as payment of hotel management fees and licence fee are as follows (notes 19 and 22(c)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$'000	Number of units
1 March 2019	1 July 2018 to 31 December 2018	3.250	39,150	12,046,202
22 August 2019	1 January 2019 to 30 June 2019	2.530	35,026	13,844,354
26 February 2020	1 July 2019 to 31 December 2019	1.986	19,625	9,881,338

- (c) The preference shares issued are components of the Share Stapled Units and have no rights to dividends, distributions or other payment from the Company except in case of the winding up of the Company, or if the Trust is terminated, the preference shares of the Company would be redeemed on termination at their par value.

19. MAJOR NON-CASH TRANSACTION

The hotel management fees and licence fee payable to Langham Hotels International Limited for the six months ended 30 June 2020 of HK\$6,665,000 (six months ended 30 June 2019: HK\$35,026,000) (note 22(c)) will be settled by Share Stapled Units subsequent to the end of the reporting period.

20. COMMITMENTS

At 30 June 2020, the Groups had authorised capital expenditures for investment properties which were not provided for in these condensed consolidated financial statements amounting to HK\$2,864,000 (31 December 2019: HK\$4,330,000) of which HK\$979,000 (31 December 2019: HK\$2,495,000) were contracted for.

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

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

For the six months ended 30 June 2020

21. OPERATING LEASE COMMITMENTS

The Groups as lessor

Minimum lease payments receivable on leases are as follows:

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
With Master Lessee		
Within one year	225,000	225,000
In the second year	225,000	225,000
In the third year	225,000	225,000
In the fourth year	112,500	225,000
	787,500	900,000
With other tenants		
Within one year	1,559	1,594
In the second year	1,087	1,288
In the third year	1,202	1,173
In the fourth year	846	1,206
In the fifth year	-	247
	4,694	5,508

Leases in respect of the retail shops in Eaton HK are negotiated for a term of three to five years at fixed monthly rentals. For the master lease agreements (note 22(a)), the leases are negotiated for a term of 14 years from the Listing Date. From commencement date to 31 December 2019 (the "First Period"), leases are negotiated at fixed annual base rent and variable rent based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fee. From 1 January 2020 to 31 December 2023 (the "Second Period") and 1 January 2024 to expiry date of lease term (the "Third Period"), the leases will be negotiated with reference to market rental to be determined by independent property valuer. It was determined in 2019 that fixed annual base rent of the Second Period will remain the same as the First Period and variable rent of Second Period will be calculated as the same basis as that of the First Period. The above minimum lease payments only include fixed annual base rent of the Second Period as the variable rent of the Second Period cannot be determined as of the date of approval of the condensed consolidated financial statements.

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

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

For the six months ended 30 June 2020

22. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed in notes 9, 15, 16, 19 and 21, the Groups had the following significant connected and related party transactions during the period. The following related parties includes subsidiaries of Great Eagle Holdings Limited, the ultimate holding company of the Trust and the Company, and Dr. Lo Ka Shui, who is a Director of the Company, a substantial shareholder, the chairman and a managing director of Great Eagle Holdings Limited. The transactions were carried out in the normal course of the Groups' business on terms mutually agreed between the parties. The following significant transactions are also connected transactions and the following related parties are connected parties of the Groups as defined in the chapter 14A of the Listing Rules.

	Notes	Six Months Ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Rental income			
Master Lessee	(a)	111,885	338,868
Management fee income			
GE Hospitality Asset Management Limited	(b)	598	–
Hotel management fees and licence fee			
Langham Hotels International Limited	(c)	6,665	35,026
Global marketing fee			
Langham Hotels Services Limited	(d)	1,299	9,027
Property management services fee			
The Great Eagle Properties Management Company, Limited	(e)	1,435	1,408
Rental expense			
Clever Gain Investment Limited	(f)	–	16
Moon Yik Company, Limited	(g)	–	341
Addition of right-of-use assets/addition of lease liabilities			
Moon Yik Company, Limited	(g)	3,953	–
Interest expense on lease liabilities			
Moon Yik Company, Limited	(g)	78	–
Lease agency fee			
The Great Eagle Estate Agents Limited	(h)	33	113
Administrative support service fee			
The Great Eagle Company, Limited	(i)	480	480
Design and construction contracting services fee			
Keyesen Engineering Company, Limited	(j)	–	101

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

For the six months ended 30 June 2020

22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes:

- (a) For the purpose of connected and related party disclosures, rental income that charged to Master Lessee in accordance with the master lease agreements has been presented before netting with service fees (including hotel management fees, licence fee and global marketing fee) of HK\$7,964,000 (six months ended 30 June 2019: HK\$44,053,000). Annual base rent of HK\$225 million was proportionately charged over the period for the six months ended 30 June 2020. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fee. No variable rent payable would be recorded when there is Hotels' aggregate gross operating loss before deduction of global marketing fee.

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

	Six Months Ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hotels' aggregate gross operating (loss) profit before deduction of global marketing fee	(38,566)	324,704
70% thereon, variable rent (before netting with service fees)	–	227,293
Base rent	111,885	111,575
Add:		
Rental income from retail shops in Eaton HK	962	708
Groups' segment revenue	112,847	339,576
Less:		
Service fees		
– Hotel management fees (i.e. base fee and incentive fee)	(4,068)	(26,924)
– Licence fee	(2,597)	(8,102)
– Global marketing fee	(1,299)	(9,027)
Property taxes, rates and insurance	(14,105)	(15,296)
Other deductions	(1,164)	(2,972)
Groups' segment profit	89,614	277,255

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

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

For the six months ended 30 June 2020

22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (Continued)

- (c) Langham Hotels International Limited is entitled, in accordance with hotel management agreements, to (i) a base fee of 1.5% of the total revenue of the relevant hotels; (ii) licence fee of 1% of the total revenue of the relevant hotels (payable under the trademark licence agreements); and (iii) an incentive fee of 5% of the adjusted gross operating profit (i.e. Hotels' gross operating profit less the base fee and the licence fee) of the relevant hotels. The hotel management fees and licence fee, which are part of service fees and have been netted with revenue, are reported as connected and related party transactions for the disclosure purpose. The hotel management fees and licence fee would be settled by Share Stapled Units (notes 18 and 19).

	Six Months Ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(A) Total revenue of relevant hotels	259,670	810,204
(B) Adjusted relevant hotels' gross operating profit	3,469	295,422
(i) Base fee (A x 1.5%)	3,895	12,153
(ii) Licence fee (A x 1%)	2,597	8,102
(iii) Incentive fee (B x 5%)	173	14,771
Total fees	6,665	35,026

- (d) Global marketing fee was payable on a fixed percentage of 2% of the total room revenue of the relevant hotel (i.e. HK\$64,920,000 (six months ended 30 June 2019: HK\$451,330,000)) under centralised services fees and marketing agreements. Global marketing fee, which is part of service fees and has been netted with revenue, is reported as a connected and related party transaction for the disclosure purpose.
- (e) The management services fee payable is determined based on the annual budget prepared by The Great Eagle Properties Management Company, Limited, taking into account the actual cost incurred, plus remuneration to The Great Eagle Properties Management Company, Limited, and the management shares allocated to Cordis, Hong Kong in respect of the lot of land on which it is situated.
- (f) The rental was charged by Clever Gain Investment Limited for venue of annual general meeting at Yat Tung Heen.
- (g) Rental expenses were payable to Moon Yik Company, Limited for leasing an office premise at Suite 2702, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong before 11 January 2020. On 12 January 2020, the Groups entered into new lease for the use of Suite 3001, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Addition of right-of-use assets and lease liabilities and interest expense on lease liabilities are recognised during the current period. As at 30 June 2020, lease liabilities to Moon Yik Company, Limited is HK\$3,352,000.
- (h) Lease agency fee was charged at the rate of 4% of the monthly rental income receivable from Eaton HK's retail shops plus an amount equivalent to a month's rental income arising from the leasing of the relevant retail shops for new leases.
- (i) The fee was charged on cost sharing basis and allocated to the Groups according to time spent by relevant personnel of The Great Eagle Company, Limited on the businesses of the Groups and the related share of administrative costs.
- (j) The contract sum for the work of design and construction contracting services was negotiated on an arm's length basis and determined between Keysen Engineering Company, Limited and/or its associated companies and the Groups subject to tender or price comparison process to be arranged by the Groups in accordance with its internal control policy.

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

For the six months ended 30 June 2020

22. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

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

	Six Months Ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Short-term benefits	1,641	1,794
Post-employment benefits	9	5
	1,650	1,799

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

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

For the six months ended 30 June 2020

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)		
Financial assets (liabilities)				
Interest rate swaps classified as non-current	(58,720)	4,645 (9,644)	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.
Interest rate swap classified as current	(20,408)	8,142	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.

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

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

24. EVENTS AFTER THE REPORTING PERIOD

On 16 July 2020, the Groups announced the proposed transaction of raising up to approximately HK\$1,019 million by way of the rights issue on the basis of one rights share stapled unit for every two Share Stapled Units at the subscription price of HK0.95 each.

REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

Deloitte.

德勤

TO THE MEMBER OF LHIL MANAGER LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed financial statements of LHIL Manager Limited (the "Company") set out on pages 62 to 65, which comprise the condensed statement of financial position as of 30 June 2020 and the related condensed statement of profit or loss and other comprehensive income and condensed statement of changes in equity for the six months period then ended 30 June 2020, and certain explanatory notes. Pursuant to the deed of trust dated 8 May 2013 constituting Langham Hospitality Investments entered into between the Company and Langham Hospitality Investments Limited (the "Trust Deed"), the Company is required to prepare its interim financial information in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

7 August 2020

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

For the six months ended 30 June 2020

	<i>Note</i>	Six Months Ended 30 June	
		2020 HK\$ (unaudited)	2019 HK\$ (unaudited)
Revenue		–	–
Administrative expenses		(10,357)	(11,957)
Less: Amount borne by a fellow subsidiary		10,357	11,957
Profit or loss before tax		–	–
Income tax	4	–	–
Profit or loss and total comprehensive income/expense for the period		–	–

CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 30 June 2020

	<i>Note</i>	At 30 June 2020 HK\$ (unaudited)	At 31 December 2019 HK\$ (audited)
Current asset			
Cash on hand		1	1
NET ASSET		1	1
Capital			
Share capital	5	1	1
TOTAL EQUITY		1	1

CONDENSED STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

	Share capital HK\$
At 1 January 2019 (audited), 30 June 2019 (unaudited), 1 January 2020 (audited), and 30 June 2020 (unaudited)	1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the six months ended 30 June 2020

1. GENERAL

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 consider the Company's ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Company is 33/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the register holders of units of the Trust, in accordance with the terms of the deed of trust dated 8 May 2013 constituting the Trust entered into between the Company and Langham Hospitality Investments Limited (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 during the period, thus the distribution statement is not presented.

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

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

2. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2019 that is included in these condensed financial statements as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

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

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

Notes to the Condensed Financial Statements of LHIL Manager Limited

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019.

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

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

4. INCOME TAX

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

5. SHARE CAPITAL

	At 30 June 2020 (unaudited)		At 31 December 2019 (audited)	
	Number of ordinary share	Nominal value HK\$	Number of ordinary share	Nominal value HK\$
Ordinary share with no par value				
Issued and fully paid: Balance brought forward and carried forward	1	1	1	1

6. RELATED PARTY DISCLOSURES

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

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

GLOSSARY OF TERMS

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

Terms	Definition
“Board” or “Board of Directors”	Board of directors of the Trustee-Manager and/or Board of directors of the Company
“Code of Conduct for Securities Transactions”	Code of Conduct regarding Securities Transactions by Directors and Relevant Employees adopted by the Trustee-Manager and the Company
“Company”	Langham Hospitality Investments Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2013
“Company Board”	The Board of the Company
“Corporate Governance Code”	Appendix 14 “Corporate Governance Code and Corporate Governance Report” of the Listing Rules
“Great Eagle”	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust Group holding 63.61% issued Share Stapled Units as at 30 June 2020
“Great Eagle Group”	Great Eagle and its subsidiaries
“Great Eagle ROFR Deed”	The Deed of Right of First Refusal dated 10 May 2013 entered into between Great Eagle and the Company
“Group”	The Company and its subsidiaries

Glossary of Terms

Terms	Definition
"HKAS"	Hong Kong Accounting Standard
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Holder(s) of Share Stapled Units" or "Unitholder(s)"	Holder(s) of Share Stapled Units of the Trust and the Company
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hotel Companies"	The companies which own the Hotels, being Harvest Star International Limited, Cordis Hong Kong Limited and Grow On Development Limited; and "Hotel Company" shall mean any of them
"Hotel Manager"	Langham Hotels International Limited, a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
"Hotel(s)"	The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK and "Hotel" means any of them
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Master Lessee"	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle
"Model Code"	Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules
"Registers"	The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed
"RevPAR"	Revenue per available room

Glossary of Terms

Terms	Definition
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Stapled Unit(s)” or “SSU(s)”	<p>Share stapled unit(s) jointly issued by the Trust and the Company. A share stapled unit is the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit in the Trust and held by the Trustee-Manager; and (c) a specifically identified preference share of the Company stapled to the unit in the Trust
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	Langham Hospitality Investments, as constituted pursuant to the Trust Deed
“Trust Deed”	The trust deed dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by the first supplemental deed dated 22 April 2016
“Trust Group”	The Trust and the Group
“Trustee-Manager”	LHIL Manager Limited, a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly-owned subsidiary of Great Eagle, in its capacity as trustee-manager of the Trust
“Trustee-Manager Board”	The Board of the Trustee-Manager
“Valuer” or “Vigers”	Vigers Appraisal and Consulting Limited, an independent property valuer appointed by the Company pursuant to the Master Lease Agreements



Langham Hospitality Investments 朗廷酒店投資

(as constituted pursuant to a deed of trust on 8 May 2013 under the laws of Hong Kong, the trustee of which is LHIL Manager Limited)
(根據香港法律按日期為二零一三年五月八日之信託契約組成，其託管人為朗廷酒店管理人有限公司)

&

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

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

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

香港灣仔港灣道 23 號
鷹君中心 30 樓 3001 室
電話：2186 2500 傳真：2186 9867

www.langhamhospitality.com

