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LANGHAM

HOSPITALITY INVESTMENTS

Langham Hospitality Investments

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

and

Langham Hospitality Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1270)

2023 INTERIM RESULTS ANNOUNCEMENT

The boards of directors (the “Boards”) of LHIL Manager Limited (the “Trustee-Manager”, as the trustee-manager of Langham Hospitality Investments (the “Trust”)) and Langham Hospitality Investments Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “Trust Group”) for the six-month period ended 30 June 2023 as follows:

FINANCIAL HIGHLIGHTS

| (in HK\$ million, unless otherwise specified) | 1H 2023 | 1H 2022 | Change |
|---|----------------|----------------|---------------|
| Revenue of hotel portfolio | 720.9 | 432.4 | 66.7% |
| Total rental income for the Trust Group after netting service fees | 235.8 | 181.1 | 30.2% |
| Profit attributable to Holders of Share Stapled Units excluding fair value change on investment properties and derivative financial instruments | 94.3 | 87.7 | 7.5% |
| Distributable income | 136.8 | 124.6 | 9.8% |
| Interim distribution per Share Stapled Unit | - | - | - |

| As at | 30 Jun 2023 | 31 Dec 2022 | 30 Jun 2022 |
|--|--------------------|--------------------|--------------------|
| Gross value of hotel portfolio (in HK\$ million) | 15,265 | 14,685 | 14,887 |
| Net asset value per Share Stapled Unit | HK\$2.65 | HK\$2.49 | HK\$2.56 |
| Gearing ratio | 40.5% | 42.0% | 41.7% |

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

With the reopening of China's borders and the removal of all travel restrictions in early 2023, tourism from the mainland has rebounded strongly, supporting increases in both occupancy and average rates. Local Food and Beverage ("F&B") business has also seen a rebound, and our Hotels have generally performed much better than they did in the first half of 2022. Driven by this improvement in RevPAR and F&B, total revenue of our hotel portfolio in the first half of 2023 witnessed a 66.7% increase over the same period last year.

RevPAR growth in the first half of 2023 achieved a 25.9% year-on-year increase. In 2022, The Langham, Hong Kong and Cordis, Hong Kong benefited from operating part of the period as Community Isolate Facility ("CIF")/quarantine hotels. Eaton HK also provided accommodation for the Hospital Authority's staff for three months in the first half of last year. RevPAR growth rates this year for The Langham, Hong Kong, and Cordis, Hong Kong, were 48.9% and 21.6%, respectively, while Eaton HK experienced a slight decline of 1.0% in RevPAR due to the income from the Hospital Authority's bookings last year.

The F&B operating performance was significantly better. In the first half of 2023, compared to the same period last year, F&B revenue increased 2.1 times year-on-year. This is mainly due to the lifting of all social distance policies in early 2023 and no temporary outlet closures this year.

The hotel portfolio generated an aggregate gross operating profit before deduction of the global marketing fee of HK\$227.0 million in the first half of 2023, representing an increase of 74.7% as compared with the same period last year.

Fixed rental income from GE (LHIL) Lessee Limited (the "Master Lessee") of HK\$111.6 million and a variable rental income of HK\$158.9 million, representing our share of the Hotels' aggregate gross operating profit before deduction of the global marketing fee, were earned in the first half of 2023. Overall, total gross rental income after accounting for service fee expenses increased by 30.2% to HK\$235.8 million in the first half of 2023, whereas the Trust Group's net property income increased by 31.5% year-on-year to HK\$226.0 million.

Contrasting the better overall income were continued increases in finance costs brought about by interest rate rises. The average interest rate of our bank borrowings incurred by the Trust Group rose to 4.3% in the first half of 2023, as compared to 1.1% in the first half of 2022. The continued growth in interest rates led to finance costs increasing by 90.8% year-on-year to HK\$109.5 million. The potential for further US interest rate hikes in the second half of 2023 may lead to further rises in interest rates, and the Trust Group will continue to actively manage interest rate risks by fixing portions of the loan to mitigate the effect of rate fluctuations, if appropriate.

The gain in fair value of investment properties (hotel portfolio) booked during the reporting period amounting to HK\$552.2 million was partially offset by the decrease in fair value of derivative financial instruments of HK\$15.5 million. The combined effect of these key non-cash items helped to deliver a net profit of HK\$631.0 million for the period. Net profit, excluding the non-cash fair value changes of investment properties and derivative financial instruments, was HK\$94.3 million, representing an increase of 7.5% as compared with the first half of 2022.

As at 30 June 2023, valuation of the hotel portfolio rose to HK\$15,265.0 million as compared with HK\$14,685.0 million as at the end of December 2022. The Net Asset Value (“NAV”) of the Trust Group amounted to HK\$8,713.2 million or HK\$2.65 per Share Stapled Unit as at the end of June 2023. Based on the Company’s closing price of HK\$1.00 per Share Stapled Unit on 30 June 2023, the Trust Group’s NAV represented a premium of 165.0% to the Company’s closing price. The gearing ratio was 40.5% as at the end of June 2023 as compared with 42.0% as at the end of December 2022.

OPERATIONAL REVIEW

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

The Trust Group continued to receive a fixed rental income of HK\$111.6 million in the first half of 2023. Since the Hotels reported an aggregate gross operating profit in the first half of 2023, variable rental income of HK\$158.9 million was earned. Combined with a modest rental income from the retail shops at Eaton HK of HK\$1.0 million, total rental income received by the Trust Group before service fees was HK\$271.5 million in the first half of 2023, representing a growth of 33.3% year-on-year. After netting off HK\$35.7 million in service fees incurred, total rental income was HK\$235.8 million, representing a year-on-year increase of 30.2%.

| (in HK\$ million) | 1H 2023 | 1H 2022 | Change |
|--|----------------|----------------|---------------|
| Fixed rental income | 111.6 | 111.6 | - |
| Variable rental income | 158.9 | 90.9 | 74.8% |
| Rental income from retail shops | <u>1.0</u> | <u>1.1</u> | -9.1% |
| Total rental income before service fees | 271.5 | 203.6 | 33.3% |
| Service fee expenses | <u>(35.7)</u> | <u>(22.5)</u> | 58.7% |
| Total rental income for the Trust Group | 235.8 | 181.1 | 30.2% |

Total service fees comprise: i) hotel management fees; ii) licence fee; and iii) global marketing fee paid to the hotel management company. Hotel management fees comprise a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee of 5.0% of the adjusted gross operating profit of the relevant hotels. The licence fee is calculated based on 1.0% of the total revenue of the relevant hotel, and the global marketing fee is calculated at 2.0% of total room revenue of the relevant hotel. It should be noted that when calculating distributable income, the global marketing fee is paid in cash. As for hotel management and licence fees, the Hotel Manager can elect to be paid in the form of Share Stapled Units, cash or a combination of both. For the three years ending 31 December 2023, the Hotel Manager has elected to be paid wholly in the form of Share Stapled Units for the payment of hotel management and licence fees, and this specific mandate was approved by the majority of Holders of Share Stapled Units in the extraordinary general meeting held on 12 May 2021.

In the first half of 2023, reflecting the improvement in the operating performance of the Hotels as compared with the first half of 2022, hotel management fees rose by 71.3% to HK\$20.9 million, licence fee rose by 67.4% to HK\$7.2 million and global marketing fee rose by 26.7% to HK\$7.6 million. Total service fees payable to the hotel management company in the first half of 2023 increased by 58.7% year-on-year to HK\$35.7 million.

| (in HK\$ million) | 1H 2023 | 1H 2022 | Change |
|---------------------------|----------------|----------------|---------------|
| Hotel management fees | 20.9 | 12.2 | 71.3% |
| Licence fee | 7.2 | 4.3 | 67.4% |
| Global marketing fee | <u>7.6</u> | <u>6.0</u> | 26.7% |
| Total service fees | 35.7 | 22.5 | 58.7% |

Property-related expenses increased by 6.5% year-on-year to HK\$9.8 million in the first half of 2023, which was primarily due to the higher rateable value of the Hotels resulting from higher government rates. Overall, the net property income of the Trust Group came to HK\$226.0 million in the first half of 2023, representing a 31.5% year-on-year increase.

| (in HK\$ million) | 1H 2023 | 1H 2022 | Change |
|---|----------------|----------------|---------------|
| Total rental income after service fees | 235.8 | 181.1 | 30.2% |
| Hotel properties related expenses | <u>(9.8)</u> | <u>(9.2)</u> | 6.5% |
| Net property income | 226.0 | 171.9 | 31.5% |

Interest expenses increased to HK\$134.3 million in the first half of 2023, representing a 291.5% increase over the same period last year. This was due to the gradual rise in HIBOR since July 2022. However, interest expense associated with our swaps, given a better position in the first half of 2023 for swap rates versus floating rates, delivered a net interest income on interest rate swaps of HK\$30.4 million. Loan front-end fee amortisation, which is a non-cash item, remained the same as last year at HK\$5.6 million.

Overall finance costs was HK\$109.5 million, representing 90.8% year-on-year increase.

The total notional amount of interest rate swap contracts used to hedge the existing floating rate loans as at 30 June 2023, was HK\$3,700.0 million, representing 58.6% of our outstanding borrowing (before accounting for the loan front-end fee). We intend to continue with this hedging strategy to mitigate the impact of potential hikes in interest rates on the Trust Group's distributable income.

| (in HK\$ million) | 1H 2023 | 1H 2022 | Change |
|--|----------------|---------------|--------------|
| Breakdown of finance costs | | | |
| Interest expense and other borrowing costs | (134.3) | (34.3) | 291.5% |
| Net interest on interest rate swaps | 30.4 | (17.5) | n.m. |
| Loan front-end fee amortisation | <u>(5.6)</u> | <u>(5.6)</u> | - |
| Total finance costs | (109.5) | (57.4) | 90.8% |

Net profit after tax was HK\$631.0 million in the first half of 2023. The key factor that significantly lifted the net profit after tax in the first half of 2023 was the increase in the fair value of investment properties (hotel portfolio) of HK\$552.2 million, which was partially offset by the decrease in the fair value of derivative financial instruments (interest swap contracts) of HK\$15.5 million. Excluding the fair value changes of investment properties and derivative financial instruments, a net profit of HK\$94.3 million in the first half of 2023 was recorded, representing a year-on-year increase of HK\$6.6 million or 7.5%.

| (in HK\$ million) | 1H 2023 | 1H 2022 | Change |
|---|---------------|---------------|-------------|
| Net property income | 226.0 | 171.9 | 31.5% |
| Interest and other income | 4.4 | 0.6 | 633.3% |
| Increase in fair value of investment properties (hotel portfolio) | 552.2 | 444.1 | 24.3% |
| Change in fair value of derivative financial instruments (interest rate swaps) | (15.5) | 78.6 | n.m. |
| Finance costs | (109.5) | (57.4) | 90.8% |
| Administrative and other expenses | <u>(6.7)</u> | <u>(6.6)</u> | 1.5% |
| Profit before tax | 650.9 | 631.2 | 3.1% |
| Income tax expense | <u>(19.9)</u> | <u>(20.8)</u> | -4.3% |
| Profit attributable to Holders of Share Stapled Units | 631.0 | 610.4 | 3.4% |
| Profit attributable to Holders of Shares Stapled Units excluding fair value change on investment properties and derivative financial instruments | 94.3 | 87.7 | 7.5% |

To derive the Trust Group's distributable income, profit attributable to Holders of Share Stapled Units was adjusted for the non-cash items. Items adjusted included increase in fair value of investment properties, change in fair value of the derivative financial instruments, hotel management fees and licence fee being paid in Share Stapled Units, loan front-end fee amortisation, deferred tax, depreciation and the cash contribution to furniture, fixtures and equipment reserve.

| (in HK\$ million) | 1H 2023 | 1H 2022 | Change |
|--|---------------------|---------------------|---------------|
| Profit attributable to Holders of Share Stapled Units | 631.0 | 610.4 | 3.4% |
| Adjustments: | | | |
| Increase in fair value of investment properties | (552.2) | (444.1) | 24.3% |
| Change in fair value of derivative financial instruments | 15.5 | (78.6) | n.m. |
| Hotel management fees and licence fee payable in form of Share Stapled Units | 28.1 | 16.5 | 70.3% |
| Loan front-end fee amortisation | 5.6 | 5.6 | - |
| Deferred tax | 19.0 | 20.7 | -8.2% |
| Depreciation | 0.6 | 0.6 | - |
| Reserve for furniture, fixtures and equipment | <u>(10.8)</u> | <u>(6.5)</u> | 66.2% |
| Distributable income | <u>136.8</u> | <u>124.6</u> | 9.8% |

After adjusting for the non-cash items, total distributable income came to HK\$136.8 million in the first half of 2023.

Same as last year, the Boards have decided not to distribute any income for the six months ended 30 June 2023 and allow this to be carried forward and form part of the full year distribution, subject to the Boards' recommendation in the first board meeting in 2024.

Hotel Performance

| | Average Daily Rooms Available | | Occupancy | | Average Room Rate (in HK\$) | | RevPAR (in HK\$) | |
|----------------------------|-------------------------------|---------|------------------|---------|-----------------------------|---------|------------------|---------|
| | 1H 2023 | 1H 2022 | 1H 2023 | 1H 2022 | 1H 2023 | 1H 2022 | 1H 2023 | 1H 2022 |
| The Langham, Hong Kong | 498 | 498 | 84.5% | 70.6% | 2,044 | 1,644 | 1,727 | 1,160 |
| <i>year-on-year growth</i> | | | <i>+13.9 ppt</i> | | <i>+24.3%</i> | | <i>+48.9%</i> | |
| Cordis, Hong Kong | 667 | 668 | 88.4% | 71.1% | 1,468 | 1,501 | 1,297 | 1,067 |
| <i>year-on-year growth</i> | | | <i>+17.3 ppt</i> | | <i>-2.2%</i> | | <i>+21.6%</i> | |
| Eaton HK | 465 | 465 | 86.0% | 76.3% | 963 | 1,096 | 828 | 836 |
| <i>year-on-year growth</i> | | | <i>+9.7 ppt</i> | | <i>-12.1%</i> | | <i>-1.0%</i> | |
| Hotel Portfolio | 1,630 | 1,631 | 86.5% | 72.4% | 1,496 | 1,422 | 1,295 | 1,029 |
| <i>year-on-year growth</i> | | | <i>+14.1 ppt</i> | | <i>+5.2%</i> | | <i>+25.9%</i> | |

| Revenue breakdown (in HK\$ million) | The Langham, Hong Kong | Cordis, Hong Kong | Eaton HK | Total |
|-------------------------------------|------------------------|-------------------|----------|-------|
| Rooms | 155.7 | 156.6 | 69.7 | 382.0 |
| Food & Beverages | 101.7 | 122.7 | 96.0 | 320.4 |
| Others | 4.3 | 5.8 | 8.4 | 18.5 |
| Total revenue | 261.7 | 285.1 | 174.1 | 720.9 |

| Year-on-year change | The Langham, Hong Kong | Cordis, Hong Kong | Eaton HK | Total |
|---------------------|------------------------|-------------------|----------|--------|
| Rooms | 49.0% | 21.4% | -1.0% | 25.7% |
| Food & Beverages | 315.1% | 351.1% | 83.6% | 208.1% |
| Others | -10.4% | 11.5% | -42.1% | -24.5% |
| Total revenue | 95.6% | 76.6% | 26.9% | 66.7% |

Performance of the individual hotels

The Langham, Hong Kong, has seen robust performance since the borders reopened in early 2023, with a strong influx of Mainland China tourists wanting luxury Hotel accommodation in the Tsim Sha Tsui district.

The hotel experienced an immediate uptick in room business following the full reopening of the borders with Mainland China and the lifting of all quarantine controls and social distance measures. The occupancy increased from 70.6% in the first half of 2022 to 84.5% in the first half of 2023, while the average room rate increased by 24.3% to HK\$2,044 per night year-over-year in the first half of 2023. In the first half of 2023, the RevPAR increased by 48.9% to HK\$1,727 per night. Last year, the hotel switched to operating as a CIF/quarantine hotel from early March to the end of September in an effort to stabilise occupancy and daily room rates.

In the first half of 2023, F&B revenue soared 3.2 times year over year, in part due to the stronger business growth at the T'ang Court, which has maintained its prestigious 3-star Michelin, and good banquet business. Furthermore, in 2022, there was a temporary closure of all F&B outlets under the CIF Hotel Scheme.

In the first half of 2023, total revenue rose 95.6% from the previous year.

Cordis, Hong Kong, witnessed growth in its accommodation business, driven mainly by increased demand from Mainland China. Although the hotel still maintained some business from the local staycation market as well as the long-stay segment.

Hotel occupancy increased from 71.1% in the first half of 2022 to 88.4% in the first half of 2023, while the average room rate slightly decreased by 2.2% to HK\$1,468 per night year-over-year in the first half of 2023. As a result, the RevPAR increased by 21.6% to HK\$1,297 per night. In order to stabilise occupancy and room rates, the hotel switched to operating as a CIF/quarantine hotel from mid-March to the end of September 2022, and this operation mode supported revenue levels in 2022.

The hotel's F&B revenue increased by 3.5 times year-on-year in the first half of 2023. This was across all outlets, but specifically Ming Court Chinese Restaurant and the catering segment that is supported by weddings, meetings, and events. Also note that in the first half of 2022, there were temporary closures of all F&B outlets due to operating under the CIF Hotel and quarantine hotel operations.

In the first half of 2023, total revenue increased 76.6% year-on-year.

Eaton HK, was contracted to provide accommodation to the staff from the Hospital Authority for 3 months, from mid-March to mid-June 2022, at a favourable guaranteed room rate. The Hospital Authority's bookings last year boosted numbers significantly, and therefore the hotel has managed to deliver a moderate growth in occupancy from 76.3% in the first half of 2022 to 86.0% in the first half of 2023, whereas the average room rate decreased by 12.1% to HK\$963 per night. The RevPAR slightly declined by 1.0% year-on-year for the first half of 2023.

Yat Tung Heen, The Astor, and banquet business all saw steady improvement during the first half of 2023, contributing to F&B revenue's increasing 83.6% year-over-year.

The hotel's overall revenue increased by 26.9% in the first half of 2023 compared to the prior year.

| Hong Kong Hotel Markets | Occupancy | | Average Room Rate (in HK\$) | | RevPAR (in HK\$) | |
|----------------------------|------------------|---------|-----------------------------|---------|------------------|---------|
| | 1H 2023 | 1H 2022 | 1H 2023 | 1H 2022 | 1H 2023 | 1H 2022 |
| High Tariff A | 73.0% | 54.0% | 2,218 | 1,643 | 1,619 | 887 |
| <i>year-on-year growth</i> | <i>+19.0 ppt</i> | | <i>+35.0%</i> | | <i>+82.5%</i> | |
| High Tariff B | 83.0% | 69.0% | 1,013 | 793 | 841 | 547 |
| <i>year-on-year growth</i> | <i>+14.0 ppt</i> | | <i>+27.7%</i> | | <i>+53.7%</i> | |
| All Hotels | 80.0% | 63.0% | 1,299 | 1,037 | 1,039 | 653 |
| <i>year-on-year growth</i> | <i>+17.0 ppt</i> | | <i>+25.3%</i> | | <i>+59.1%</i> | |

The CIF/quarantine hotel business in 2022 artificially inflated our hotel business as well as some of those in our Competitive Set, making comparisons between our hotels and those of the Hong Kong Tourism Board hotels is difficult if not meaningless.

Tariff A hotel's RevPAR increased by 82.5% compared with The Langham, Hong Kong, and Cordis Hong Kong, increasing 48.9% and 21.6%, respectively. The Hospital Authority's bookings for three months helped Eaton HK's RevPAR maintain a high level amongst other hotels in the first half of 2022, and hence Eaton HK's RevPAR slightly decreased by 1.0% in the first half of 2023 while Tariff B hotel's RevPAR rose 53.7%.

OUTLOOK

Although the number of tourists visiting Hong Kong has increased in the first half of 2023, it is still far below the pre-pandemic level. According to the Hong Kong Tourism Board, the total number of overnight arrivals in the first half of 2019 and 2023 was 14.9 million and 6.6 million, respectively.

Furthermore, the lingering effects of the COVID-19 pandemic, geopolitical events and tension, low short-term economic visibility, and the expectation of sustained high interest rates will continue to affect the resilience of the economy as well as the hospitality industry.

Overall however, the renowned energy of Hong Kong is returning, giving the hospitality industry a much-needed boost, and we expect business volumes to be sound and will continue to work diligently to tackle challenges in the overall macro environment.

Growth in our Hotels' performance in the first half of 2023 was somewhat muted as 2022 results were inflated by operating as CIF/quarantine hotels and accommodation for the Hospital Authority's staff. This somewhat exceptionally buoyed first half performance in 2022 and we expect that our Hotels' performance in the second half of 2023 will be significantly better year-on-year without the impact of these exceptional projects, as the second half of 2022 we did not operate as CIF/quarantine hotels and provide accommodation for the Hospital Authority's staff.

The market rental package of the Hotels (including the applicable percentage of the Variable Rent) for the period from 1 January 2024 to the expiry date of the Master Lease agreements (i.e. 29 May 2027) was approved by the independent unitholders of the Trust and the Company in the extraordinary general meeting held on 21 July 2023. The Trust Group will continue to receive a Base Rent of HK\$225 million per annum on a pro-rata basis, while the applicable percentage of the Variable Rent will change to 50%. The split between the Base Rent and the Variable Rent gives a certain degree of downside protection from uncertainties while continuously allowing the Trust Group to benefit from the upside in the profitability of the Hotels through the variable rent percentage.

FINANCIAL REVIEW

Distributable Income

Distributable income of the Trust Group for 2023 interim period was HK\$136,792,000 (2022 interim period: HK\$124,601,000). The board of the Company has resolved not to declare an interim distribution for the six months ended 30 June 2023.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$8,713.2 million or HK\$2.65 per Share Stapled Unit as at 30 June 2023 (31 December 2022: HK\$8,161.0 million or HK\$2.49 per Share Stapled Unit) which represents a 165.0% premium to the closing Share Stapled Unit price of HK\$1.00 as at 30 June 2023.

Debt Profile

Total outstanding borrowings, before accounting for the loan front-end fee, of the Trust Group as at 30 June 2023 were HK\$6,317.0 million (31 December 2022: HK\$6,317.0 million). The secured term loans of HK\$5,990.0 million (31 December 2022: HK\$5,990.0 million) were on a floating-rate interest basis and repayable in full in December 2023. The secured revolving loans of HK\$327.0 million (31 December 2022: HK\$327.0 million) were revolving on a monthly basis until December 2023.

In order to mitigate the interest rate exposure, the Trust Group entered into several interest rate swap transactions with banks by swapping certain proportion of the outstanding bank borrowings from floating rates to fixed rates. During the period, one interest rate swap transaction of HK\$300.0 million was expired. Excluding one (31 December 2022: two) interest rate swap transaction(s) of HK\$1,000.0 million (31 December 2022: HK\$1,300.0 million) with effective date(s) after the reporting date, total notional amount of interest rate swap transactions amounted to HK\$3,700.0 million as at 30 June 2023 (31 December 2022: HK\$3,700.0 million). Hence, out of total outstanding bank loans (before accounting for the loan front-end fees) of HK\$6,317.0 million (31 December 2022: HK\$6,317.0 million), 58.6% (31 December 2022: 58.6%) was fixed at a weighted average swap rate of 2.00% p.a. (31 December 2022: 1.77% 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 2023, total gross assets of the Trust Group were HK\$15,593.8 million (31 December 2022: HK\$15,022.6 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of total gross assets, was 40.5% (31 December 2022: 42.0%).

Cash Position

As at 30 June 2023, the Trust Group had a cash balance of HK\$246.6 million (31 December 2022: HK\$245.1 million).

In addition, the Trust Group had unused revolving loans amounting to HK\$373.0 million as of 30 June 2023 (31 December 2022: HK\$373.0 million).

Pledge of Assets

As at 30 June 2023, all investment properties (31 December 2022: all investment properties) of the Trust Group, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, are pledged to secure the term and revolving loan facilities granted to the Trust Group.

Commitments

As at 30 June 2023, the Trust Group has authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$0.9 million (31 December 2022: HK\$17.1 million), of which HK\$0.9 million (31 December 2022: HK\$13.6 million) was contracted for.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

During the six-month period ended 30 June 2023, the Trust (via the Trustee-Manager) and the Company had complied with all applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code. The requirement to establish a Nomination Committee is only relevant to the Company but not the Trustee-Manager because the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company. The requirement to establish a Remuneration Committee is also only relevant to the Company but not the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employee.

COMPLIANCE WITH THE MODEL CODE

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

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company have confirmed that they had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2023.

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 2023, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

ISSUED SHARE STAPLED UNITS

As at 30 June 2023, the total number of issued Share Stapled Units of the Trust and the Company was 3,289,330,011. As compared with the position of 31 December 2022, 15,846,932 new Share Stapled Units were issued during the reporting period, representing approximately 0.48% of the total number of issued Share Stapled Units as at 30 June 2023.

| Date | Particulars | No. of Share Stapled Units |
|---------------------|---|-----------------------------------|
| 31 December 2022 | Total number of issued Share Stapled Units | 3,273,483,079 |
| 7 March 2023 | Issue of new Share Stapled Units at the price of HK\$1.053 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees to the Hotel Manager of approximately HK\$16,686,000 for the second half of 2022 | 15,846,932 |
| 30 June 2023 | Total number of issued Share Stapled Units | 3,289,330,011 |

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 2023 were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“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.

BOARD OF DIRECTORS

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

[#] Non-executive Directors

* Independent Non-executive Directors

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

Hong Kong, 11 August 2023

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 2023

| | <u>NOTES</u> | Six months ended 30 June 2023 HK\$'000 (unaudited) | 2022 HK\$'000 (unaudited) |
|--|--------------|---|---------------------------------|
| Revenue | 4 | 235,745 | 181,063 |
| Property related expenses | | <u>(9,791)</u> | <u>(9,141)</u> |
| Net property income | | 225,954 | 171,922 |
| Other income | | 4,445 | 614 |
| Increase in fair value of investment properties | | 552,209 | 444,044 |
| Change in fair value of derivative financial instruments | | (15,560) | 78,634 |
| Administrative and other expenses | | (6,696) | (6,647) |
| Finance costs | 6 | <u>(109,495)</u> | <u>(57,418)</u> |
| Profit before tax | | 650,857 | 631,149 |
| Income tax expense | 7 | <u>(19,891)</u> | <u>(20,755)</u> |
| Profit and total comprehensive income for the period attributable to holders of Share Stapled Units | 10 | <u>630,966</u> | <u>610,394</u> |
| Earnings per Share Stapled Unit | | | |
| Basic and diluted | 11 | <u>HK19 cents</u> | <u>HK19 cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND
OF THE COMPANY
AT 30 JUNE 2023

| | <u>NOTES</u> | At 30 June <u>2023</u> HK\$'000 (unaudited) | At 31 December <u>2022</u> HK\$'000 (audited) |
|--|--------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 1,481 | 2,040 |
| Investment properties | | 15,265,000 | 14,685,000 |
| Derivative financial instruments | | 2,442 | - |
| Deposits | 12 | <u>6,842</u> | <u>5,277</u> |
| | | <u>15,275,765</u> | <u>14,692,317</u> |
| Current assets | | | |
| Debtors, deposits and prepayments | 12 | 31,576 | 13,022 |
| Derivative financial instruments | | 39,835 | 72,143 |
| Bank balances | | <u>246,635</u> | <u>245,149</u> |
| | | <u>318,046</u> | <u>330,314</u> |
| Current liabilities | | | |
| Creditors, deposits and accruals | 13 | 53,889 | 45,651 |
| Secured bank loans due within one year | | 6,312,041 | 6,306,416 |
| Lease liabilities due within one year | | 1,083 | 1,067 |
| Tax payable | | <u>45,301</u> | <u>44,423</u> |
| | | <u>6,412,314</u> | <u>6,397,557</u> |
| Net current liabilities | | <u>(6,094,268)</u> | <u>(6,067,243)</u> |
| Total assets less current liabilities | | <u>9,181,497</u> | <u>8,625,074</u> |
| Non-current liabilities | | | |
| Derivative financial instruments | | - | 14,306 |
| Lease liabilities due after one year | | 330 | 875 |
| Deferred tax liabilities | | <u>467,953</u> | <u>448,940</u> |
| | | <u>468,283</u> | <u>464,121</u> |
| NET ASSETS | | <u>8,713,214</u> | <u>8,160,953</u> |
| Capital and reserves | | | |
| Issued capital/units | | 3,289 | 3,273 |
| Reserves | | <u>8,709,925</u> | <u>8,157,680</u> |
| TOTAL EQUITY | | <u>8,713,214</u> | <u>8,160,953</u> |

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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 May 2013 (the "Listing Date").

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

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

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2023 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 2023 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 2023 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 the 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 Groups are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Condensed Consolidated Financial Statements".

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

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

3.1 Basis of preparation of condensed consolidated financial statements

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

The condensed consolidated financial statements have been prepared on a going concern basis because the Trustee-Manager and the Directors are of the opinion that the Groups will have adequate sources of funding to meet in full its financial obligations, after taking into account the continuous cash flows generated from operating activities; the expectation of refinancing bank facilities amounting to HK\$6,690,000,000 after considering the existing relationships with the banks; the compliance of financial covenants records; and the investment properties of the Groups to be pledged.

3.2 Principal accounting policies

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

Other than additional/change in accounting policies resulting from application of new and 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 2023 are the same as those presented in the Groups' annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Groups have applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Groups' annual period beginning on 1 January 2023 for the preparation of the Groups' condensed consolidated financial statements:

| | |
|--|--|
| HKFRS 17 (including October the 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform-Pillar Two model Rules |

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Groups' financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

3.2 Principal accounting policies - continued

3.2.1 Impacts on application of Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

3.2.2 Impacts and changes in accounting policies on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

3.2.2.1 *Accounting policies*

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Groups apply HKAS 12 requirements to the lease liabilities and the related assets separately. The Groups recognise a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

3.2 Principal accounting policies - continued

3.2.2 Impacts and changes in accounting policies on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” - continued

3.2.2.2 *Transition and summary of effects*

As disclosed in the Groups' annual financial statements for the year ended 31 December 2022, the Groups previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Groups assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Groups have applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Groups also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Groups' financial position and performance, except that the Groups recognised the related deferred tax assets of HK\$263,000 and deferred tax liabilities of HK\$263,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

3.2.3 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

In addition, the Groups will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” which are mandatorily effective for the Groups' annual period beginning on 1 January 2023 for the preparation of the Groups' consolidated financial statements for the year ending 31 December 2023.

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

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

3.2 Principal accounting policies - continued

3.2.3 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" - continued

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

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

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Groups' accounting policies in the Groups' annual consolidated financial statements for the year ending 31 December 2023.

4. REVENUE

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | <u>2023</u> | <u>2022</u> |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Rental income from GE (LHIL) Lessee Limited (the "Master Lessee ") (Note) | | |
| Base rent | 111,575 | 111,575 |
| Variable rent | 158,934 | 90,933 |
| Service fees expenses | <u>(35,731)</u> | <u>(22,540)</u> |
| | 234,778 | 179,968 |
| Rental income from retail shops in Eaton HK | <u>967</u> | <u>1,095</u> |
| | <u>235,745</u> | <u>181,063</u> |

Note: Included in rental income from Master Lessee, service fees income of HK\$35,731,000 (six months ended 30 June 2022: HK\$22,540,000) has been netted with the same amount of the corresponding service fees expenses.

5. SEGMENT INFORMATION

The Groups' operating segments, based on information reported to the chief operating decision maker ("CODM") which is the 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 Langham, Hong Kong, Cordis, Hong Kong and Eaton HK (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 periods under review.

Six months ended 30 June 2023

| | The Langham, <u>Hong Kong</u> HK\$'000 (unaudited) | Cordis, <u>Hong Kong</u> HK\$'000 (unaudited) | Eaton <u>HK</u> HK\$'000 (unaudited) | Segment <u>total</u> HK\$'000 (unaudited) | <u>Reconciliation</u> HK'000 (unaudited) (note) | <u>Consolidated</u> HK'000 (unaudited) |
|---|--|--|---|--|--|--|
| Segment revenue | <u>103,617</u> | <u>109,832</u> | <u>58,027</u> | <u>271,476</u> | <u>(35,731)</u> | <u>235,745</u> |
| Segment results | <u>87,455</u> | <u>90,310</u> | <u>48,189</u> | <u>225,954</u> | <u>-</u> | <u>225,954</u> |
| Other income | | | | | | 4,445 |
| Increase in fair value of investment properties | | | | | | 552,209 |
| Change in fair value of derivative financial instruments | | | | | | (15,560) |
| Administrative and other expenses | | | | | | (6,696) |
| Finance costs | | | | | | <u>(109,495)</u> |
| Profit before tax | | | | | | 650,857 |
| Income tax expense | | | | | | <u>(19,891)</u> |
| Profit for the period attributable to holders of Share Stapled Units | | | | | | <u>630,966</u> |

5. SEGMENT INFORMATION - continued

Segment revenue and results - continued

Six months ended 30 June 2022

| | The Langham, <u>Hong Kong</u> HK\$'000 (unaudited) | Cordis, <u>Hong Kong</u> HK\$'000 (unaudited) | Eaton <u>HK</u> HK\$'000 (unaudited) | Segment <u>total</u> HK\$'000 (unaudited) | <u>Reconciliation</u> HK'000 (unaudited) (note) | <u>Consolidated</u> HK'000 (unaudited) |
|---|--|--|---|--|--|--|
| Segment revenue | <u>64,868</u> | <u>77,629</u> | <u>61,106</u> | <u>203,603</u> | <u>(22,540)</u> | <u>181,063</u> |
| Segment results | <u>55,719</u> | <u>64,277</u> | <u>51,926</u> | <u>171,922</u> | <u>-</u> | <u>171,922</u> |
| Other income | | | | | | 614 |
| Increase in fair value of investment properties | | | | | | 444,044 |
| Change in fair value of derivative financial instruments | | | | | | 78,634 |
| Administrative and other expenses | | | | | | (6,647) |
| Finance costs | | | | | | <u>(57,418)</u> |
| Profit before tax | | | | | | 631,149 |
| Income tax expense | | | | | | <u>(20,755)</u> |
| Profit for the period attributable to holders of Share Stapled Units | | | | | | <u>610,394</u> |

Note: Reconciliation represents netting of service fees income of HK\$35,731,000 (six months ended 30 June 2022: HK\$22,540,000) with the same amount of the corresponding service fees expenses (including hotel management fees, licence fee and global marketing fee) that has been adjusted from revenue.

Segment assets and liabilities

For the purpose of performance assessment, other than the fair values of investment properties, no other segment assets are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK were HK\$5,220,000,000, HK\$6,560,000,000 and HK\$3,485,000,000, respectively (31 December 2022: HK\$4,950,000,000, HK\$6,320,000,000 and HK\$3,415,000,000, respectively).

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

6. FINANCE COSTS

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|---------------|
| | <u>2023</u> | <u>2022</u> |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Interest on bank borrowings | 133,740 | 33,764 |
| Net interest on interest rate swaps | (30,358) | 17,541 |
| Loan front-end fee amortisation | 5,625 | 5,625 |
| Interest on lease liabilities | 26 | 26 |
| Other borrowing costs | 462 | 462 |
| | <u>109,495</u> | <u>57,418</u> |

7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--------------------------------|--------------------------|---------------|
| | <u>2023</u> | <u>2022</u> |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Hong Kong Profits Tax: | | |
| Current tax | | |
| - Current period | 681 | 106 |
| - Underprovision in prior year | 197 | - |
| Deferred tax | | |
| - Current period | 19,210 | 20,649 |
| - Overprovision in prior year | (197) | - |
| | <u>19,891</u> | <u>20,755</u> |

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

8. TOTAL DISTRIBUTABLE INCOME

Total distributable income is the 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 periods are set out below:

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | <u>2023</u> | <u>2022</u> |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Profit for the period attributable to holders of Share Stapled Units | 630,966 | 610,394 |
| Adjustments: | | |
| Depreciation | 559 | 636 |
| Deferred tax | 19,013 | 20,649 |
| Loan front-end fee amortisation | 5,625 | 5,625 |
| Hotel management fees and licence fee payable in form of Share Stapled Units | 28,091 | 16,462 |
| Increase in fair value of investment properties | (552,209) | (444,044) |
| Change in fair value of derivative financial instruments | 15,560 | (78,634) |
| Reserve for furniture, fixtures and equipment | (10,813) | (6,487) |
| Total distributable income | <u>136,792</u> | <u>124,601</u> |

9. DISTRIBUTION STATEMENT

| | <u>NOTE</u> | Six months ended 30 June <u>2023</u> HK\$'000 (unaudited) | Six months ended 30 June <u>2022</u> HK\$'000 (unaudited) |
|---|-------------|--|--|
| <u>Interim distribution period (note a)</u> | | | |
| Total distributable income in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: in respect of the six months ended 30 June 2022) | 8 | 136,792 | 124,601 |
| Percentage of distributable income for distribution (note b) | | - | - |
| Distributable income for interim distribution period | | - | - |
| Interim distribution | | - | - |
| <u>Final distribution period (note a)</u> | | | |
| Total distributable income in respect of the financial year ended 31 December 2022 (six months ended 30 June 2022: in respect of the financial year ended 31 December 2021) | | 190,517 | 98,522 |
| Less: distributable income paid for interim distribution period | | - | - |
| Distributable income available for final distribution period | | 190,517 | 98,522 |
| Percentage of distributable income for distribution (note b) | | 50% | 90% |
| Distributable income for final distribution period | | 95,259 | 88,670 |
| Final distribution (note c) | | 95,259 | 88,670 |
| Distribution per Share Stapled Unit | | | |
| Interim distribution per Share Stapled Unit in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: in respect of the six months ended 30 June 2022) | | - | - |
| Final distribution per Share Stapled Unit in respect of the financial year ended 31 December 2022 (six months ended 30 June 2022: in respect of the financial year ended 31 December 2021) (note c) | | HK2.9 cents | HK2.7 cents |

9. DISTRIBUTION STATEMENT - continued

Notes:

- (a) The interim distribution in 2023 and 2022 were based on total distributable income for the six months ended 30 June 2023 and 2022, respectively.

The final distribution in 2022 and 2021 were based on total distributable income for the year ended 31 December 2022 and 2021, respectively.

- (b) The board of the Company has resolved not to declare an interim distribution for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

50% of the total distributable income was distributed in respect of the financial year ended 31 December 2022. 90% of the total distributable income was distributed in respect of the financial year ended 31 December 2021.

- (c) Final distribution

Financial distribution per Share Stapled Unit of HK2.9 cents in respect of the financial year ended 31 December 2022 was calculated based on distributable income available for final distribution period of HK\$95,259,000 and 3,273,483,079 Share Stapled Units as at 31 December 2022. In consideration of 15,846,932 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2022 on 7 March 2023, the number of Share Stapled Units entitled for final distribution in 2022 had been adjusted to be 3,289,330,011. Total distribution of HK\$95,391,000 in respect of 2022 final distribution period was paid on 6 June 2023.

Final distribution per Share Stapled Unit of HK2.7 cents in respect of the financial year ended 31 December 2021 was calculated based on distributable income available for final distribution period of HK\$88,670,000 and 3,240,973,711 Share Stapled Units as at 31 December 2021. In consideration of 14,846,574 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2021 on 2 March 2022, the number of Share Stapled Units entitled for 2021 final distribution had been adjusted to be 3,255,820,285. Total distribution of HK\$87,907,000 in respect of 2021 final distribution period was paid on 7 June 2022.

The final distribution after 31 December 2022 and 2021 had not been recognised as a liability as at 31 December 2022 and 2021, respectively.

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

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | <u>2023</u> | <u>2022</u> |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Profit and total comprehensive income for the period has been arrived at after charging (crediting): | | |
| Staff costs (including Directors' emoluments) | 3,196 | 2,934 |
| Depreciation | 559 | 636 |
| Interest income | <u>(3,913)</u> | <u>(248)</u> |

11. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Profit | | |
| Profit for the period for the purposes of basic and diluted earnings per Share Stapled Unit | <u>630,966</u> | <u>610,394</u> |
| | | |
| | Six months ended 30 June | |
| | <u>2023</u> | <u>2022</u> |
| | '000 | '000 |
| | (unaudited) | (unaudited) |
| Number of Share Stapled Units | | |
| Weighted average number of Share Stapled Units for the purposes of basic and diluted earnings per Share Stapled Unit | <u>3,297,685</u> | <u>3,259,473</u> |

12. DEBTORS, DEPOSITS AND PREPAYMENTS

| | At 30 June <u>2023</u> HK\$'000 (unaudited) | At 31 December <u>2022</u> HK\$'000 (audited) |
|---|---|---|
| Receivable from Master Lessee | 28,218 | 9,211 |
| Lease receivable | - | 70 |
| Deferred rent receivable | 101 | 228 |
| Other receivables | 1,094 | 1,316 |
| Deposits and prepayments | <u>9,005</u> | <u>7,474</u> |
| | 38,418 | 18,299 |
| Less: deposits paid to contractors for hotel renovation classified as non-current assets | <u>(6,842)</u> | <u>(5,277)</u> |
| Debtors, deposits and prepayments classified as current assets | <u>31,576</u> | <u>13,022</u> |

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 <u>2023</u> HK\$'000 (unaudited) | At 31 December <u>2022</u> HK\$'000 (audited) |
|-----------------|---|---|
| Within 3 months | <u>28,218</u> | <u>9,281</u> |

Receivable from Master Lessee represents amount due from a fellow subsidiary of HK\$28,218,000 (31 December 2022: HK\$9,211,000), which was unsecured, interest-free and repayable on presentation of invoices.

Other receivables mainly consist of interest receivable from banks on the fixed deposits.

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

13. CREDITORS, DEPOSITS AND ACCRUALS

| | At 30 June <u>2023</u> HK\$'000 (unaudited) | At 31 December <u>2022</u> HK\$'000 (audited) |
|-----------------------------|---|---|
| Trade creditors | 30,890 | 17,446 |
| Deposits received | 745 | 758 |
| Construction fee payables | 5,665 | 9,355 |
| Accruals and other payables | <u>16,589</u> | <u>18,092</u> |
| | <u>53,889</u> | <u>45,651</u> |

13. CREDITORS, DEPOSITS AND ACCRUALS - continued

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

| | At 30 June <u>2023</u> HK\$'000 (unaudited) | At 31 December <u>2022</u> HK\$'000 (audited) |
|--|---|---|
| Within 3 months | 18,381 | 8,174 |
| More than 3 months and within 6 months | <u>12,509</u> | <u>9,272</u> |
| | <u>30,890</u> | <u>17,446</u> |

Trade creditors represent amounts due to fellow subsidiaries of HK\$30,890,000 (31 December 2022: HK\$17,446,000), which are unsecured, interest-free and payable on presentation of invoices.

Included in construction fee payable is retention money payables to contractors of HK\$1,663,000 (31 December 2022: HK\$3,042,000), which are payable within one year (31 December 2022: two years).

Accruals and other payables mainly consist of interest payable on bank borrowings and interest rate swaps.

Included in accruals and other payables are amounts due to fellow subsidiaries of HK\$24,000 (31 December 2022: HK\$1,587,000), which are unsecured, interest-free and payable on presentation of invoices.

14. EVENT AFTER THE REPORTING PERIOD

The market rental package of the Hotels from 1 January 2024 to expiry date of lease term (i.e. 29 May 2027) (the "Third Period") was determined by the independent professional property valuer in May 2023.

Subsequent to the end of the reporting period, the market rental package for Third Period was approved by the independent holders of Share Stapled Units in the extraordinary general meeting held on 21 July 2023. The Groups will continue to receive a fixed rental income of HK\$225 million per annum on pro-rata basis, while the applicable percentage of the variable rent will be changed to 50%.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF
 LHIL MANAGER LIMITED
 FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | <u>NOTE</u> | Six months ended 30 June | |
|---|-------------|--------------------------|-----------------|
| | | <u>2023</u> | <u>2022</u> |
| | | HK\$ | HK\$ |
| | | (unaudited) | (unaudited) |
| Revenue | | - | - |
| Administrative expenses | | 10,257 | 11,852 |
| Less: Amount borne by a fellow subsidiary | | <u>(10,257)</u> | <u>(11,852)</u> |
| Profit or loss before tax | | - | - |
| Income tax | 3 | <u>-</u> | <u>-</u> |
| Profit or loss and other comprehensive income/expense for the period | | <u>-</u> | <u>-</u> |

CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 30 JUNE 2023

| | At 30 June <u>2023</u> HK\$ (unaudited) | At 31 December <u>2022</u> HK\$ (audited) |
|----------------------|---|---|
| Current asset | | |
| Cash on hand | <u>1</u> | <u>1</u> |
| NET ASSET | <u><u>1</u></u> | <u><u>1</u></u> |
| Capital | | |
| Share capital | <u>1</u> | <u>1</u> |
| TOTAL EQUITY | <u><u>1</u></u> | <u><u>1</u></u> |

1. GENERAL

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

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

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the register holders of units of the Trust, in accordance with the terms of the deed of trust dated 8 May 2013 constituting the Trust entered into between the Company and Langham Hospitality Investments Limited and as amended by the first supplemental deed dated 22 April 2016 and the second supplemental deed dated 12 May 2022 (collectively refer to as the "Trust Deed") but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

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

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

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

2.1 Basis of preparation of condensed financial statements

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

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

2.1 Basis of preparation of condensed financial statements - continued

The financial information relating to the year ended 31 December 2022 that is included in these condensed financial statements as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

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

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

2.2 Principal accounting policies

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022.

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

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

3. INCOME TAX

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