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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)

2022 ANNUAL RESULTS ANNOUNCEMENT

The boards of directors (the “Boards”) of LHIL Manager Limited (the “Trustee-Manager”, as the trustee-manager of Langham Hospitality Investments (the “Trust”)) and Langham Hospitality Investments Limited (the “Company”) are pleased to announce the consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “Trust Group”) for the year ended 31 December 2022 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2022	2021	Change
Revenue of hotel portfolio	970.6	753.1	28.9%
Total rental income for the Trust Group after netting service fees	332.1	224.3	48.1%
Profit attributable to Holders of Share Stapled Units excluding fair value change on investment properties and derivative financial instruments	118.1	66.8	76.8%
Distributable income	190.5	98.5	93.4%
Final distributable income	95.3	88.7	7.4%
Interim distribution per Share Stapled Unit	-	-	-
Final distribution per Share Stapled Unit	HK2.9 cents	HK2.7 cents	7.4%
Annual distribution per Share Stapled Unit	HK2.9 cents	HK2.7 cents	7.4%

FINANCIAL HIGHLIGHTS (continued)

As at	31 Dec 2022	30 Jun 2022	31 Dec 2021
Gross value of hotel portfolio (in HK\$ million)	14,685	14,887	14,407
Net asset value per Share Stapled Unit	HK\$2.49	HK\$2.56	HK\$2.41
Gearing ratio	42.0%	41.7%	43.2%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The year started with the fifth wave of the COVID-19 pandemic leading to an extremely challenging operating environment in the hospitality sector for the first half of 2022 due to the imposition of mandatory quarantine requirements and social distancing measures. In the second half of 2022, the easing of the COVID-19 outbreak led to a loosening of restrictions, and although borders were still mostly closed, business improved slightly due to local long-stay and staycation markets.

Earlier in the pandemic, our Hotels, The Langham, Hong Kong and Cordis, Hong Kong, were engaged in extensive mechanical and engineering projects that limited their ability to participate in quarantine hotel (“Q-Hotel”) operations. Once these projects were completed, and because of the continued impacts of COVID-19, the Hotels changed their operating modes in early 2022. The Langham, Hong Kong and Cordis, Hong Kong participated in the Government’s Community Isolation Facility (“CIF”) Hotel Scheme, providing accommodation to COVID-19 patients while Eaton HK provided accommodation for the Hospital Authority’s staff for three months. Following that, The Langham, Hong Kong and Cordis, Hong Kong operated as Q-Hotels under the Designated Quarantine Hotel Scheme (“DQHS”) until mid-September and the end of September 2022, respectively. As a result, compared with 2021, our Hotels delivered higher occupancies and average room rates in 2022, increasing room revenue by 1.8 times. These hybrid operations had a negative effect on our Hotels’ Food and Beverage (“F&B”) business. The Langham, Hong Kong and Cordis, Hong Kong had to temporarily fully or partially close F&B outlets and event spaces while they were operating as CIF or Q-Hotels. Overall F&B business experienced a revenue fall of 26.5% in 2022 over the previous year.

The Trust Group’s hotel portfolio delivered a 28.9% year-on-year increase in total revenue in 2022, which included government subsidies of HK\$24.0 million. Due to higher room revenues and despite lower F&B revenues, the portfolio experienced good operating profit flow throughout to achieve an aggregate gross operating profit before deduction of global marketing fees of HK\$212.7 million in 2022, representing a rise of 5.8 times.

Fixed rental income from GE (LHIL) Lessee Limited (the “Master Lessee”) amounted to HK\$225.0 million in 2022 and variable rental income totaling HK\$148.9 million, representing our share of the Hotels’ aggregate gross operating profit before deduction of global marketing fee. Overall, the gross rental income, after accounting for service fees expenses incurred, increased 48.1% to HK\$332.1 million in 2022. After deducting property-related expenses, the Trust Group’s net property income increased 54.1% year-on-year to HK\$313.7 million.

The rise in interest rates during the year caused finance costs to rise by 25.6% to HK\$145.1 million over the previous year. The potential of further US interest rate hikes may lead to a further rise in interest rates in Hong Kong. As at 31 December 2022, 58.6% of our outstanding borrowings (before accounting for the loan front-end fee) were hedged at various fixed rates. The Trust Group will continue to closely monitor interest rates and consider further hedging if deemed beneficial.

Along with the gain in fair value of investment properties (hotel portfolio) of HK\$218.4 million booked during the year, there was also a HK\$83.1 million gain in the fair value of derivative financial instruments. These two key non-cash items helped deliver a net profit of HK\$419.6 million for the year. Net profit, excluding the non-cash fair value changes of investment properties and derivative financial instruments, was HK\$118.1 million, representing an increase of 76.8% as compared with last year. After adjusting for non-cash items, total distribution income came to HK\$190.5 million for the year ended 31 December 2022.

Although there was a moderate recovery in the Hotels’ business during the year, the profitability and stability of the Hotels’ future business remains uncertain. These uncertainties centre on the rising interest rate environment and uncertainty in the level and timing of ultimate business and travel recovery. In view of this situation and in consideration of the potential increase in interest rates, the Trustee-Manager Board and the Company Board (the “Boards”) decided to reserve more funds for operations and conservative capital management, including allowing more leeway for meeting financial covenants. Hence, the Trustee-Manager Board recommended to distribute 50% of the total distribution income for the year ended 31 December 2022, representing HK\$95.3 million or HK2.9 cents per Share Stapled Unit, to the Holders of Share Stapled Units. This represents a 7.4% increase over the 2021 distribution.

As at 31 December 2022, valuation of the hotel portfolio rose to HK\$14,685.0 million as compared with HK\$14,407.0 million as at the end of December 2021. Net Asset Value (“NAV”) of the Trust Group amounted to HK\$8,161.0 million or HK\$2.49 per Share Stapled Unit as at 31 December 2022. Gearing ratio was 42.0% at the end of December 2022 as compared with 43.2% at the end of December 2021.

OPERATIONAL REVIEW

As the Hotels of the Trust Group are leased to the GE (LHIL) Lessee Limited (the “Master Lessee”), an indirect wholly-owned subsidiary of Great Eagle Holdings Limited, the Trust Group receives rent in the form of a pre-determined fixed rental income (pro-rata at HK\$225.0 million per annum) and a variable rent calculated at 70% of the Hotels’ aggregate gross operating profit before deduction of global marketing fee. In addition to the fixed rental income and variable rental income from the Master Lessee, the Trust Group also receives rental income directly from the retail shops located at Eaton HK, which are leased to independent third parties.

The Trust Group continued to receive a fixed rental income of HK\$225.0 million for 2022. Since the Hotels reported an aggregate gross profit in 2022, variable rental income amounted to HK\$148.9 million. Combined with a modest rental income from the retail shops at Eaton HK of HK\$2.1 million, total rental income received by the Trust Group before service fees was HK\$376.0 million for the year, representing a growth of 51.2% year-on-year. After netting off HK\$43.9 million in service fees incurred, total rental income was HK\$332.1 million, representing a year-on-year increase of 48.1%.

(in HK\$ million)	2022	2021	Change
Fixed rental income	225.0	225.0	-
Variable rental income	148.9	21.7	586.2%
Rental income from retail shops	2.1	2.0	5.0%
Total rental income before service fees	376.0	248.7	51.2%
Service fees expenses	(43.9)	(24.4)	79.9%
Total rental income for the Trust Group	332.1	224.3	48.1%

Total service fees comprise: i) hotel management fees, ii) licence fee and iii) global marketing fee paid to the hotel management company. Hotel management fees comprise a base management fee, which is calculated at 1.5% of total hotel revenue, and an incentive fee of 5.0% of adjusted gross operating profit of the relevant hotel. The licence fee is calculated based on 1.0% of the total revenue of the relevant hotel, and 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 2022, reflecting the improvement in the Hotels' operating performances compared with 2021, hotel management fees rose 80.0% to HK\$23.4 million, the licence fee rose 29.3% to HK\$9.7 million and the global marketing fee rose 176.9% to HK\$10.8 million. Total service fees payable to the hotel management company increased 79.9% year-on-year to HK\$43.9 million in 2022.

(in HK\$ million)	2022	2021	Change
Hotel management fees	23.4	13.0	80.0%
Licence fee	9.7	7.5	29.3%
Global marketing fee	10.8	3.9	176.9%
Total service fees	43.9	24.4	79.9%

Property-related expenses declined 11.1% year-on-year to HK\$18.4 million in 2022, which was primarily due to the lower rateable value of the Hotels resulting from lower government rates. Overall, the net property income of the Trust Group came to HK\$313.7 million in 2022, representing a year-on-year increase of 54.1%.

(in HK\$ million)	2022	2021	Change
Total rental income after service fees	332.1	224.3	48.1%
Hotel properties related expenses	(18.4)	(20.7)	-11.1%
Net property income	313.7	203.6	54.1%

Interest expenses include interest on our floating loan and in 2022 this increased to HK\$130.1 million, representing a 115.0% increase over 2021. This was due to the gradual rise in HIBOR over the year. We also have interest expense associated with our swaps. Given a better position in 2022 for our swap rates versus floating rates, our net interest on the swaps declined 91.5%. Loan front-end fee amortisation, which is a non-cash item, remained the same as last year at HK\$11.3 million. Overall finance costs increased 25.6% to HK\$145.1 million.

The Trust Group entered into several interest rate swap transactions in 2022. The hedging arrangements will help mitigate the impact of potential hikes in interest rates on the Trust Group's distributable income in the coming years.

(in HK\$ million)	2022	2021	Change
Breakdown of finance costs			
Interest expense and other borrowing costs	(130.1)	(60.5)	115.0%
Net interest expense on interest rate swaps	(3.7)	(43.7)	-91.5%
Loan front-end fee amortisation	(11.3)	(11.3)	-
Total finance costs	(145.1)	(115.5)	25.6%

Net profit after tax for 2022 was HK\$419.6 million. Two key factors that significantly lifted the profit after tax for the year ended 31 December 2022 were the increase in fair value of investment properties (hotel portfolio) of HK\$218.4 million and the increase in fair value of derivative financial instruments (interest rate swap contracts) of HK\$83.1 million. The mild increment in the valuation of the hotel portfolio reflected the moderate revival of the hotels' business during the year. Excluding the fair value changes of investment properties and derivative financial instruments, a net profit of HK\$118.1 million in 2022 was recorded, representing a year-on-year increase of HK\$51.3 million or 76.8%.

(in HK\$ million)	2022	2021	Change
Net property income	313.7	203.6	54.1%
Interest and other income	3.6	1.9	89.5%
Increase (decrease) in fair value of investment properties (hotel portfolio)	218.4	(475.4)	145.9%
Change in fair value of derivative financial instruments (interest rate swaps)	83.1	62.0	34.0%
Finance costs	(145.1)	(115.5)	25.6%
Administrative and other expenses	(12.6)	(13.9)	-9.4%
Profit (loss) before tax	461.1	(337.3)	236.7%
Income tax expense	(41.5)	(9.3)	346.2%
Profit (loss) attributable to Holders of Share			
Stapled Units	419.6	(346.6)	221.1%
Profit attributable to Holders of Shares			
Stapled Units excluding fair value change on investment properties and derivative financial instruments	118.1	66.8	76.8%

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

(in HK\$ million)	2022	2021	Change
Profit (loss) attributable to Holders of Share			
Stapled Units	419.6	(346.6)	221.1%
Adjustments:			
(Increase) decrease in fair value of investment properties	(218.4)	475.4	-145.9%
Change in fair value of derivative financial instruments	(83.1)	(62.0)	34.0%
Hotel management fees and licence fee payable in form of Share Stapled Units	33.1	20.5	61.5%
Loan front-end fee amortisation	11.3	11.3	-
Deferred tax	41.4	9.3	345.2%
Depreciation	1.2	1.9	-36.8%
Reserve for furniture, fixtures and equipment	(14.6)	(11.3)	29.2%
Distributable income	190.5	98.5	93.4%
Final distributable income	95.3	88.7	7.4%

After adjusting for the non-cash items, total distribution income came to HK\$190.5 million for the year ended 31 December 2022.

The Trustee-Manager Board recommended to distribute HK\$95.3 million, representing 50% of the total distributable income for the year ended 31 December 2022. Based on 50% payout ratio, the final distribution of HK2.9 cents per Share Stapled Unit was recommended to distribute to the Holders of Share Stapled Units. In comparison, final distributable income in 2021 of HK\$88.7 million or HK2.7 cents per Share Stapled Unit was declared. Final distribution per Share Stapled Unit year-on-year increased 7.4%.

Hotel Performances

	Average Daily				Average		RevPAR	
	Rooms		Occupancy		Room Rate		(in HK\$)	
	Available				(in HK\$)		(in HK\$)	
	2022	2021	2022	2021	2022	2021	2022	2021
The Langham, Hong Kong	498	498	59.8%	30.1%	1,753	1,103	1,048	332
<i>year-on-year growth</i>			+29.7ppt		+58.9%		+215.7%	
Cordis, Hong Kong	668	667	66.4%	36.0%	1,428	996	948	358
<i>year-on-year growth</i>			+30.4ppt		+43.4%		+164.8%	
Eaton HK	465	465	73.4%	48.8%	911	534	669	261
<i>year-on-year growth</i>			+24.6ppt		+70.6%		+156.3%	
Hotel Portfolio	1,631	1,630	66.4%	37.9%	1,354	852	899	322
<i>year-on-year growth</i>			+28.5ppt		+58.9%		+179.2%	

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	190.5	231.2	113.5	535.2
Food & Beverages	104.3	125.8	154.0	384.1
Others*	12.3	13.3	25.7	51.3
Total revenue	307.1	370.3	293.2	970.6

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

Year-on-year change	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	215.4%	165.1%	156.8%	179.0%
Food & Beverages	-34.4%	-39.1%	-1.7%	-26.5%
Others*	78.3%	-6.3%	45.2%	32.2%
Total revenue	35.6%	20.2%	34.1%	28.9%

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

Individual hotels

The Langham, Hong Kong, participated in the CIF Hotel Scheme by providing accommodation to COVID-19 patients with mild symptoms from March to the end of April 2022. Because of a fall in confirmed cases, the hotel began operating as a Q-Hotel from 1 May, providing quarantine accommodation to overseas travellers or returning residents. In view of the demand for Q-Hotels and the relaxation of quarantine requirements, the hotel operated as a Q-Hotel until 26 September 2022. Afterwards, it resumed normal hotel operations, focussing on the local staycation market and long-stay business.

Due to changes in the operating mode to a CIF/Q-Hotel and the relaxation of quarantine restrictions, the hotel witnessed a 59.8% occupancy in 2022, as compared with 30.1% occupancy posted in 2021. The average room rate increased 58.9% year-on-year in 2022.

While room revenue soared 215.4% year-on-year in 2022, F&B revenue for the hotel declined 34.4% year-on-year in 2022, mainly due to the temporary closure of all F&B outlets under the CIF Hotel Scheme. Nevertheless, the hotel's total revenue increased 35.6% year-on-year in 2022.

Excluding the increase of HK\$7.8 million in the Employment Support Scheme ("ESS") and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 32.3% year-on-year in 2022 and gross operating profit before the global marketing fee, rose HK\$76.5 million compared to the previous year. The increased revenue had a 105.0% flow through to gross operating profit. In other words, for every extra dollar of revenue we generated this year over last, we made an extra gross operating profit of HK\$1.05.

Cordis, Hong Kong, changed its operation mode to a CIF hotel from mid-March to mid-May 2022 by providing accommodation to COVID-19 patients with mild symptoms. From mid-May to the end of September 2022, the hotel was operated as a Q-Hotel, offering quarantine accommodation to overseas travellers or returning residents. Thereafter it resumed normal hotel operations and focussed on the local staycation market and long-stay business. As a result, the hotel achieved 66.4% occupancy in 2022, as compared with the 36.0% occupancy posted in 2021. The average room rate grew 43.4% year-on-year in 2022, helping to boost room revenue by 165.1% year-on-year in 2022.

F&B revenue decreased 39.1% year-on-year in 2022, mainly due to the temporary closure of all F&B outlets when the hotel was operating as a CIF/Q-Hotel under the CIF Hotel Scheme and the continued closure of the banquet business when operating as a Q-Hotel. Overall, the total revenue of the hotel improved 20.2% year-on-year in 2022.

Excluding the increase of HK\$7.5 million in ESS and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 17.8% year-on-year in 2022 and gross operating profit, before the global marketing fee, rose HK\$46.4 million compared with last year. The flow through increase revenue to gross operating profit was 84.9%.

Eaton HK, delivered a 73.4% occupancy for 2022 as it captured a good share of the staycation market by its value-for-money pricing as well as being contracted to provide accommodation to staff from the Hospital Authority for three months between mid-March and mid-June. As a result, average room rate improved 70.6% year-on-year in 2022. Total room revenue increased 156.8% year-on-year in 2022.

On the other hand, revenue from F&B operations at Eaton HK fell by 1.7% in 2022, mainly due to the short-term closure of various F&B outlets at various times in the first half of 2022. The total revenue of the hotel improved 34.1% year-on-year in 2022.

Excluding the increase of HK\$8.7 million in ESS and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 30.4% year-on-year in 2022 and gross operating profit before the global marketing fee was up HK\$34.6 million. The flow through increase revenue to gross operating profit was 52.5%.

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2022	2021	2022	2021	2022	2021
	High Tariff A	55.9%	45.3%	1,407	1,185	786
<i>year-on-year growth</i>	<i>+10.6ppt</i>		<i>+18.7%</i>		<i>+46.4%</i>	
High Tariff B	69.3%	64.6%	730	545	506	353
<i>year-on-year growth</i>	<i>+4.7%ppt</i>		<i>+33.9%</i>		<i>+43.3%</i>	

Comparisons between our Hotels and Hong Kong Tourism Board hotels are not meaningful because the Q-Hotels business artificially inflated our hotel business along with some of those in our Competitive Set.

However, tariff A hotels increase in RevPAR was 46.4% compared with The Langham, Hong Kong and Cordis Hong Kong increases of 215.7% and 164.8%, respectively. The Hospital Authority's buy-out for three months during the year helped Eaton HK's RevPAR climb 156.3%, while Tariff B hotels' RevPAR only rose 43.3%.

OUTLOOK

Over the past three years, the COVID-19 pandemic has caused severe disruption to our business. Looking forward, we believe that corporate and leisure travel to Hong Kong will gradually increase and underpin better hotel performance. However, higher interest rates and geopolitical tensions in various parts of the world may hold back overall recovery. In addition, we anticipate that 2023 will continue to be a challenging year with fierce competition among hotels to attract returning inbound visitors and this may hinder growth in room rates.

Revenue from the hotel portfolio is anticipated to see a modest increase in 2023 as a result of the relaxation of quarantine restrictions, the reopening of borders and the government's intention to promote Hong Kong to overseas and Mainland Chinese travellers through a variety of schemes. Furthermore, in January 2023, our Hotels' RevPAR and F&B businesses show evidence of an improvements as compared with the previous few months.

Nevertheless, labour scarcity in the hospitality industry and the possibility of rising operating expenses cannot be disregarded as they will have an impact on the Hotels' profitability. To stabilise our profitability, our Hotels are focussed on efficiencies and productivity to protect bottom line flow.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the financial year ended 31 December 2022 was HK\$190,517,000 (2021: HK\$98,522,000).

The Trustee-Manager Board recommended to distribute HK\$95,259,000, representing 50% of the total distributable income for the year ended 31 December 2022. Based on 50% payout ratio, the final distribution of HK2.9 cents per Share Stapled Unit was recommended to distribute to the Holders of Share Stapled Units. In comparison, 90% of the total distributable income for the year ended 31 December 2021 or HK\$88,670,000 was recommended to distribute in last year. Distribution per Share Stapled Unit for the year ended 31 December 2021 based on 90% payout ratio was HK2.7 cents per Share Stapled Unit.

Based on the closing Share Stapled Unit price of HK\$1.11 as at 30 December 2022, distribution per Share Stapled Unit is equivalent to a distribution yield of 2.6%.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$8,161.0 million or HK\$2.49 per Share Stapled Unit as at 31 December 2022 (2021: HK\$7,799.8 million or HK\$2.41 per Share Stapled Unit) which represented a 124.3% premium to the closing Share Stapled Unit price of HK\$1.11 as at 30 December 2022.

Use of Proceeds from Rights Issue

In September 2020, the Trust Group issued 1,072,743,916 Share Stapled Units upon the completion of the rights issue of one rights Share Stapled Unit for every 2 Share Stapled Units at the subscription price of HK\$0.95 per rights Share Stapled Unit. The proceeds from the rights issue amounted to HK\$1,019.1 million while the net proceeds amounted to HK\$1,011.2 million. The net proceeds were used according to the intentions previously disclosed in the circular of the Trust and the Company dated 21 August 2020.

As at 31 December 2022, the use of net proceeds from the rights issue is as follows:

(in HK\$ million)		Utilised			Unutilised		
Intended use	Estimated amount for intended use	At 31 December 2021	Movement during the year	At 31 December 2022	At 31 December 2021	Movement during the year	At 31 December 2022
Utilise at least 80% of the net proceeds in prepayment of part of the outstanding loans	809.0	810.0	-	810.0	-	-	-
Utilise not more than 20% of the net proceeds in part as additional security deposits under the mitigation mechanism of the loan facilities agreement	202.2	-	-	-	-	-	-
Utilise the remainder of the net proceeds for general working capital	-	116.3	84.9	201.2	84.9	(84.9)	-
Total	1,011.2	926.3	84.9	1,011.2	84.9	(84.9)	-

All unutilised net proceeds during the year of HK\$84.9 million were used for paying the finance costs.

Debt Profile

Total outstanding borrowings, before accounting for the loan front-end fee, of the Trust Group as at 31 December 2022 were HK\$6,317.0 million (2021: HK\$6,317.0 million). The secured term loans of HK\$5,990.0 million (2021: HK\$5,990.0 million) were on a floating-rate interest basis and repayable in full in December 2023 (2021: in December 2023). The secured revolving loans of HK\$327.0 million (2021: 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 year, one interest rate swap transaction of HK\$500.0 million was expired and the Trust Group entered into four interest rate swap transactions totalling HK\$2,300.0 million. Excluding two interest rate swap transactions totalling HK\$1,300 million with effective dates commencing after 31 December 2022, total notional amount of interest rate swap transactions amounted to HK\$3,700.0 million as at 31 December 2022 (2021: HK\$3,200 million). Hence, out of total outstanding bank loans (before accounting for the loan front-end fees) of HK\$6,317.0 million (2021: HK\$6,317.0 million), 58.6% (2021: 50.7%) were fixed at an average swap rate of 1.77% p.a. (2021: 1.31% p.a.).

The Trust Group will continue to monitor interest rate movements and may, depending on market conditions, consider to further mitigate its interest rate exposure on part of the remaining bank debt.

As at 31 December 2022, total gross assets of the Trust Group were HK\$15,022.6 million (2021: HK\$14,612.6 million). Gearing ratio, calculated at total outstanding borrowings as a percentage of gross assets, was 42.0% (2021: 43.2%).

Cash Position

As at 31 December 2022, the Trust Group had a cash balance of HK\$245.1 million (2021: HK\$179.2 million) to satisfy a portion of asset enhancement of the Hotels, as well as its working capital and operating requirements.

In addition, the Trust Group had unused revolving loans amounting to HK\$373.0 million as of 31 December 2022 (2021: HK\$373.0 million).

Pledge of Assets

As at 31 December 2022, all investment properties (2021: all investment properties) of the Trust Group, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, are pledged to secure the term and revolving loan facilities granted to the Trust Group.

Commitments

As at 31 December 2022, the Trust Group has authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$17.1 million (2021: HK\$40.6 million), of which HK\$13.6 million (2021: HK\$30.4 million) was contracted for.

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

FINAL DISTRIBUTION

Although there was a moderate recovery in the Hotels' business during the year, the profitability and stability of the Hotels' future business remains uncertain. These uncertainties centre on the rising interest rate environment and uncertainty in the level and timing of ultimate business and travel recovery. In view of this situation and in consideration of the potential increase in interest rates, the Boards decided to reserve more funds for operations and conservative capital management, including allowing more leeway for meeting financial covenants. Hence, the Trustee-Manager Board recommended to distribute 50% of the total distribution income for the year ended 31 December 2022, representing HK\$95.3 million or HK2.9 cents per Share Stapled Unit (2021: HK2.7 cents), to the Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 23 May 2023. This represents a 7.4% increase over the 2021 distribution.

Subject to the approval of the Holders of Share Stapled Units at the 2023 Annual General Meeting ("2023 AGM"), the payment of the final distribution will be made on 6 June 2023. Since no interim distribution was made for the six month ended 30 June 2022 (2021: Nil), distribution per Share Stapled Unit for the year was HK2.9 cents. Based on the closing Share Stapled Unit price of HK\$1.11 as at 30 December 2022, Total Distribution per Share Stapled Unit is equivalent to a distribution yield of 2.6%.

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

CLOSURE OF REGISTERS

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

(i) To attend and vote at the 2023 AGM

For the purpose of ascertaining the entitlement of Holder of Share Stapled Units to attend and vote at the 2023 AGM, the Register will be closed from Monday, 8 May 2023 to Thursday, 11 May 2023, both days inclusive.

In order to be eligible to attend and vote at the 2023 AGM, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 May 2023.

(ii) To qualify for the proposed 2022 final distribution

For the purpose of ascertaining the entitlement of Holders of Share Stapled Units to the proposed 2022 final distribution, the Registers will be closed from Thursday, 18 May 2023 to Tuesday, 23 May 2023, both days inclusive.

In order to qualify for the proposed 2022 final distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 May 2023.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2023 AGM of the Trust and the Company will be held on Thursday, 11 May 2023. The notice of 2023 AGM together with the 2022 Annual Report and all other relevant documents will be despatched to Holders of Share Stapled Units and published on the Company's website at www.langhamhospitality.com and the HKExnews website at www.hkexnews.hk in March 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

For the year ended 31 December 2022, the Trust (via the Trustee-Manager) and the Company had complied with all the applicable code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code. Only the Company established a Nomination Committee and a Remuneration Committee, as these 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. As such, the Trustee-Manager does not have any employees.

COMPLIANCE WITH THE MODEL CODE

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

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions for the year ended 31 December 2022.

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

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

During the year ended 31 December 2022, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

ISSUED SHARE STAPLED UNITS

As at 31 December 2022, the total number of issued Share Stapled Units of the Trust and the Company was 3,273,483,079. As compared with the position as at 31 December 2021, a total of 32,509,368 new Share Stapled Units were issued during the year, representing 0.99% of the total number of issued Share Stapled Units as at 31 December 2022.

Date	Particulars	No. of Share Stapled Units
31 December 2021	Total number of issued Share Stapled Units	3,240,973,711
2 March 2022	Issue of new Share Stapled Units at the price of HK\$0.879 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fee (collectively the “Hotel Manager’s Fees”) to the Hotel Manager of approximately HK\$13,051,000 for the second half of 2021	14,846,574
26 August 2022	Issue of new Share Stapled Units at the price of HK\$0.932 per Share Stapled Unit as payment of the Hotel Manager’s Fees to Hotel Manager of approximately HK\$16,462,000 for the first half of 2022	17,662,794
31 December 2022	Total number of Issued Share Stapled Units	3,273,483,079

PUBLIC FLOAT

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

AUDIT COMMITTEES

The annual results of the Trust Group for the year ended 31 December 2022 have been reviewed by the Audit Committees of the Trustee-Manager and the Company and the annual results of the Trustee-Manager for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Trustee-Manager.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Trust and the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Trust Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Trust and the Company for the year as approved by the Board of Directors on 20 February 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

The figures in respect of the Trustee-Manager's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Trustee-Manager's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited financial statements of the Trustee-Manager for the year as approved by the Board of Directors on 20 February 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

BOARD OF DIRECTORS

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

Non-executive Directors

* Independent Non-executive Directors

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

Hong Kong, 20 February 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<u>NOTES</u>	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Revenue	5	332,106	224,352
Property related expenses		<u>(18,353)</u>	<u>(20,737)</u>
Net property income		313,753	203,615
Other income	7	3,581	1,863
Increase (decrease) in fair value of investment properties		218,416	(475,383)
Change in fair value of derivative financial instruments		83,085	61,970
Administrative and other expenses		(12,590)	(13,763)
Finance costs	8	<u>(145,111)</u>	<u>(115,520)</u>
Profit (loss) before tax		461,134	(337,218)
Income tax expense	9	<u>(41,573)</u>	<u>(9,344)</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to holders of Share Stapled Units	12	<u><u>419,561</u></u>	<u><u>(346,562)</u></u>
Earnings (loss) per Share Stapled Unit			
Basic and diluted	13	<u><u>HK13 cents</u></u>	<u><u>(HK11 cents)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND THE COMPANY
AT 31 DECEMBER 2022

	<u>NOTES</u>	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Non-current assets			
Property, plant and equipment		2,040	1,611
Investment properties		14,685,000	14,407,000
Deposits	14	5,277	5,009
		<u>14,692,317</u>	<u>14,413,620</u>
Current assets			
Debtors, deposits and prepayments	14	13,022	19,676
Derivative financial instruments		72,143	-
Tax recoverable		-	98
Bank balances		245,149	179,182
		<u>330,314</u>	<u>198,956</u>
Current liabilities			
Creditors, deposits and accruals	15	45,651	38,766
Derivative financial instrument		-	5,641
Secured bank loans due within one year		6,306,416	327,000
Lease liabilities due within one year		1,067	1,648
Tax payable		44,423	44,390
		<u>6,397,557</u>	<u>417,445</u>
Net current liabilities		<u>(6,067,243)</u>	<u>(218,489)</u>
Total assets less current liabilities		<u>8,625,074</u>	<u>14,195,131</u>
Non-current liabilities			
Derivative financial instruments		14,306	19,607
Secured bank loans due after one year		-	5,968,166
Lease liabilities due after one year		875	41
Deferred tax liabilities		448,940	407,531
		<u>464,121</u>	<u>6,395,345</u>
NET ASSETS		<u>8,160,953</u>	<u>7,799,786</u>
Capital and reserves			
Issued capital/units		3,273	3,241
Reserves		8,157,680	7,796,545
TOTAL EQUITY		<u>8,160,953</u>	<u>7,799,786</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's consolidated financial statements for the year ended 31 December 2022 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's consolidated financial statements for the year ended 31 December 2022 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the year ended 31 December 2022 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust Group are identical to the consolidated financial statements of the Group with the differences being disclosures of capital. The Trustee-Manager and the Directors believe therefore that it is clearer to present the consolidated financial statements of the Trust Group and the Group together. The consolidated financial statements of the Trust Group and the consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Consolidated Financial Statements".

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Groups have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Groups' financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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

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

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

The consolidated financial statements have been prepared on a going concern basis because the Trustee-Manager and the Directors are of the opinion that the Groups will have adequate sources of funding to meet in full its financial obligations, after taking into account the continuous cash flows generated from operating activities; 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.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments that are measured at fair values at the end of each reporting period.

5. REVENUE

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Rental income from Master Lessee (Note)		
Base rent	225,000	225,000
Variable rent	148,856	21,756
Service fees expense	<u>(43,852)</u>	<u>(24,386)</u>
	330,004	222,370
Rental income from retail shops in Eaton HK	<u>2,102</u>	<u>1,982</u>
	<u>332,106</u>	<u>224,352</u>

Note: Included in rental income from Master Lessee, service fees income of HK\$43,852,000 (2021: HK\$24,386,000) has been netted with the same amount of the corresponding service fees expenses.

6. SEGMENT INFORMATION

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

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

Segment revenue and results

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

2022

	The Langham, Hong Kong HK\$'000	Cordis, Hong Kong HK\$'000	Eaton HK HK\$'000	Segment total HK\$'000	Reconciliation HK\$'000 (Note)	Consolidated HK\$'000
Segment revenue	<u>125,406</u>	<u>145,180</u>	<u>105,372</u>	<u>375,958</u>	<u>(43,852)</u>	<u>332,106</u>
Segment results	<u>106,684</u>	<u>118,737</u>	<u>88,332</u>	<u>313,753</u>	<u>-</u>	<u>313,753</u>
Other income						3,581
Increase in fair value of investment properties						218,416
Change in fair value of derivative financial instruments						83,085
Administrative and other expenses						(12,590)
Finance costs						(145,111)
Profit before tax						461,134
Income tax expense						(41,573)
Profit for the year attributable to holders of Share Stapled Units						<u>419,561</u>

2021

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

Note: Reconciliation represents netting of service fees income of HK\$43,852,000 (2021: HK\$24,386,000) with the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee) that has been adjusted from revenue.

6. SEGMENT INFORMATION - continued

Segment assets and liabilities

For the purpose of performance assessment, other than the fair value of investment properties, no other segment assets are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK were HK\$4,950,000,000, HK\$6,320,000,000 and HK\$3,415,000,000 (2021: HK\$4,920,000,000, HK\$6,240,000,000 and HK\$3,247,000,000), respectively.

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

Geographical information

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

Information about major customers

Revenue from the Master Lessee is HK\$330,004,000 (2021: HK\$222,370,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2022.

7. OTHER INCOME

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Interest income on bank deposits	2,890	628
Management fee income	493	1,157
Sundry income	198	78
	<u>3,581</u>	<u>1,863</u>

For the year ended 31 December 2022, included in the sundry income was an amount of HK\$108,000 (2021: nil) relating to the Employment Support Scheme.

8. FINANCE COSTS

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Interest on bank borrowings	129,062	59,651
Net interest on interest rate swaps	3,689	43,696
Loan front-end fee amortisation	11,250	11,250
Interest on lease liabilities	58	103
Other borrowing costs	1,052	820
	<u>145,111</u>	<u>115,520</u>

9. INCOME TAX EXPENSE

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	183	149
Overprovision in prior years	(19)	(99)
	<u>164</u>	<u>50</u>
Deferred tax:		
Current year	41,424	9,247
(Over)underprovision in prior years	(15)	47
	<u>41,409</u>	<u>9,294</u>
	<u>41,573</u>	<u>9,344</u>

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

10. TOTAL DISTRIBUTABLE INCOME

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

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Profit (loss) for the year attributable to holders of Share Stapled Units	419,561	(346,562)
Adjustments:		
Depreciation	1,208	1,873
Deferred tax	41,409	9,294
Loan front-end fee amortisation	11,250	11,250
Hotel management fees and licence fee payable in form of Share Stapled Units	33,148	20,550
(Increase) decrease in fair value of investment properties	(218,416)	475,383
Change in fair value of derivative financial instruments	(83,085)	(61,970)
Reserve for furniture, fixtures and equipment	(14,558)	(11,296)
Total distributable income	<u>190,517</u>	<u>98,522</u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June		124,601	35,980
Percentage of distributable income for distribution (note c)		-	-
Distributable income for interim distribution period		-	-
Interim distribution		-	-
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December	10	190,517	98,522
Less: distributable income paid for interim distribution period (note b)		-	-
Distributable income available for final distribution period		190,517	98,522
Percentage of distributable income for distribution (note c)		50%	90%
Distributable income for final distribution period		95,259	88,670
Final distribution (note d)		95,259	88,670
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June (note b)		-	-
Final distribution per Share Stapled Unit in respect of the six months ended 31 December (note d)		HK2.9 cents	HK2.7 cents

Notes:

- (a) The interim distribution in 2022 and 2021 were based on total distributable income for the six months ended 30 June 2022 and 2021, 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) Interim distribution

No distribution income was distributed in respect of the six months ended 30 June 2022 and 2021.

11. DISTRIBUTION STATEMENT - continued

Notes: - continued

- (c) In order to reserve more funds for operations and conservative capital management, including allowing more leeway for meeting the financial covenants, 50% of the total distribution income was recommended to distribute 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.

- (d) Final distribution

Final distribution per Share Stapled Unit of HK2.9 cents (2021: HK2.7 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 (2021: HK\$88,670,000 and 3,240,973,711 Share Stapled Units). Final distribution will be paid to holders of Share Stapled Units on 6 June 2023.

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 final distribution in 2021 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 has not been recognised as a liability as at 31 December 2022 and 2021, respectively.

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

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Profit (loss) and total comprehensive income (expense) for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	6,257	6,191
Share-based payment expenses (including directors' emoluments) (Note)	-	24
	<u>6,257</u>	<u>6,215</u>
Depreciation	1,208	1,873
Auditor's remuneration	1,414	1,414
	<u>1,414</u>	<u>1,414</u>

Note: There is no expense recognised for the year ended 31 December 2022 (2021: HK\$24,000 in relation to share options granted by the ultimate holding company under its share option scheme).

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

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

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Profit (loss)		
Profit (loss) for the year for the purposes of basic and diluted earnings (loss) per Share Stapled Unit	<u>419,561</u>	<u>(346,562)</u>
	<u>2022</u> '000	<u>2021</u> '000
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purpose of basic and diluted earnings (loss) per Share Stapled Unit	<u>3,263,302</u>	<u>3,238,095</u>

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Receivable from Master Lessee	9,211	17,121
Lease receivable	70	-
Deferred rent receivable	228	106
Other receivables	1,316	91
Deposits and prepayments	<u>7,474</u>	<u>7,367</u>
	18,299	24,685
Less: deposits paid to contractors for hotels renovation classified as non-current assets	<u>(5,277)</u>	<u>(5,009)</u>
Debtors, deposits and prepayments classified as current assets	<u>13,022</u>	<u>19,676</u>

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

14. DEBTORS, DEPOSITS AND PREPAYMENTS - continued

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:

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Within 3 months	<u>9,281</u>	<u>17,121</u>

Receivable from Master Lessee represents an amount due from a fellow subsidiary of HK\$9,211,000 (2021: HK\$17,121,000) which was unsecured, interest free and payable on presentation of invoice.

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

15. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Trade creditors	17,446	13,587
Deposits received	758	958
Construction fee payables	9,355	12,550
Accruals and other payables	<u>18,092</u>	<u>11,671</u>
	<u>45,651</u>	<u>38,766</u>

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

	<u>2022</u> HK\$'000	<u>2021</u> HK\$'000
Within 3 months	8,174	7,808
More than 3 months and within 6 months	<u>9,272</u>	<u>5,779</u>
	<u>17,446</u>	<u>13,587</u>

Trade creditors represent amounts due to fellow subsidiaries of HK\$17,446,000 (2021: HK\$13,587,000) which are unsecured, interest-free and payable on presentation of invoices.

Included in accruals and other payables are amounts due to fellow subsidiaries of HK\$1,587,000 (2021: HK\$147,000) which are unsecured, interest-free and payable on presentation of invoices.

Included in construction fee payables are retention payables to contractors of HK\$3,042,000 (2021: HK\$2,937,000) which are payable within two years.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>NOTES</u>	<u>2022</u> HK\$	<u>2021</u> HK\$
Revenue		-	-
Administrative expenses		(23,850)	(21,960)
Less: Amount borne by a fellow subsidiary		<u>23,850</u>	<u>21,960</u>
Profit or loss before tax	4	-	-
Income tax	5	<u>-</u>	<u>-</u>
Profit or loss and total comprehensive income/expense for the year		<u>-</u>	<u>-</u>

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 31 DECEMBER 2022

	<u>2022</u> HK\$	<u>2021</u> HK\$
Current asset		
Cash on hand	<u>1</u>	<u>1</u>
NET ASSET	<u><u>1</u></u>	<u><u>1</u></u>
Capital		
Share capital	<u>1</u>	<u>1</u>
TOTAL EQUITY	<u><u>1</u></u>	<u><u>1</u></u>

**NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. GENERAL

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Amendments to HKFRSs that are mandatorily effective for the current year - continued

The application of the amendments to HKFRSs in the current year has had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

4. PROFIT OR LOSS BEFORE TAX

	<u>2022</u> HK\$	<u>2021</u> HK\$
Profit or loss before tax has been arrived at after charging:		
Auditor's remuneration	20,000	20,000
Directors' remuneration	-	-
	<u> </u>	<u> </u>

5. INCOME TAX

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