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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Share Stapled Units (as defined herein) in **Langham Hospitality Investments and Langham Hospitality Investments Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

CONTINUING CONNECTED TRANSACTIONS – RESULTS OF THE 2023 RENT REVIEW PURSUANT TO MASTER LEASE AGREEMENTS

AND

RE-COMPLIANCE WITH THE APPLICABLE CONTINUING CONNECTED TRANSACTION REQUIREMENTS IN RESPECT OF THE TRANSACTIONS UNDER THE MASTER LEASE AGREEMENTS FOR THE PERIOD FROM 1 JANUARY 2024 TO 29 MAY 2027

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Holders of Share Stapled Units**

BALLAS

C A P I T A L

A subsidiary of Crosby

A letter from the Trustee-Manager Board and the Company Board is set out on pages N1 to N4 of this circular. A letter from the Independent Board Committee containing its advice and recommendation is set out on pages 20 to 21 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units is set out on pages 22 to 46 of this circular.

A notice convening the EGM (as defined herein) of Langham Hospitality Investments and Langham Hospitality Investments Limited to be held at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 21 July 2023 at 3:00 p.m. is set out on pages N1 to N4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit it to the Principal Place of Business in Hong Kong of the Company at Suite 2702, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

4 July 2023



CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Trustee-Manager Board and the Company Board	7
Letter from the Independent Board Committee	20
Letter from the Independent Financial Adviser	22
Appendix – General Information	47
Notice of EGM	N1

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“2019 Announcement”	the announcement of Langham dated 30 September 2019
“2019 Rent Review”	the Property Rental Valuation Report prepared by Vigers dated 30 September 2019 in respect of the rental review to determine the market rental package of the Hotels (including the market rent of the Hotels and the applicable percentage of the Variable Rent)
“2023 Rent Review”	the Property Rental Valuation Report prepared by Vigers dated 19 May 2023 in respect of the rental review to determine the market rental package of the Hotels (including the market rent of the Hotels and the applicable percentage of the Variable Rent)
“Asia”	for the purpose of this circular, Asia excludes Australia and New Zealand
“associate(s)”, “close associate(s)”, “connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)”, “deemed connected person(s)”, and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Base Rent”	the aggregate fixed rent of HK\$225 million per annum (pro rata for any period of less than one year) which the Master Lessee has agreed to pay to each of the Hotel Companies for the lease of the Hotels under the Master Lease Agreements
“Boards”	the Trustee-Manager Board and the Company Board
“Company”	Langham Hospitality Investments Limited (朗廷酒店投資有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2013
“Company Board”	the board of directors of the Company
“Company’s Articles”	the amended and restated articles of association of the Company adopted on 22 April 2016 and 12 May 2022 as amended, supplemented, substituted or otherwise modified for the time being in force

DEFINITIONS

“Cordis, Hong Kong”	Cordis, Hong Kong, being the hotel located at 555 Shanghai Street, Mong Kok, Kowloon, Hong Kong
“Directors”	the directors of the Trustee-Manager and the Company
“Eaton HK”	Eaton HK, being the hotel located at 380 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong
“EGM”	the extraordinary general meeting of unitholders of the Trust and shareholders of the Company to be held on a combined basis as a single meeting characterised as an extraordinary general meeting of Holders of Share Stapled Units, convened by the Trustee-Manager and the Company, will be held on Friday, 21 July 2023 at 3:00 p.m. to consider and, if thought fit, approve the remaining transactions under the Master Lease Agreements for the Third Period, the notice of which is set out on pages N1 to N4 of this circular
“First Period”	has the meaning ascribed to it under the section headed “Letter from the Trustee-Manager Board and the Company Board – Background” of this circular
“Global Marketing Fees”	the aggregate global marketing fees payable by each of the Hotel Companies to Langham Hotels Services Limited in relation to the provisions of global marketing services to each Hotel
“Great Eagle”	Great Eagle Holdings Limited (鷹君集團有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0041)
“Great Eagle Group”	Great Eagle and its subsidiaries (excluding the Trust Group)
“Gross Operating Profit”	the excess of total revenue of a Hotel over the operating expenses of that Hotel, as calculated in accordance with the provisions under the relevant Master Lease Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holders of Share Stapled Units”	persons registered in the Share Stapled Units register as holders of Share Stapled Units

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel(s)”	the three hotels comprising The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK
“Hotel Company(ies)”	the companies which own the Hotels, being Harvest Star International Limited (發星國際有限公司), Cordis Hong Kong Limited (康得思酒店(香港)有限公司) and Grow On Development Limited (展安發展有限公司)
“Hotel Manager”	Langham Hotels International Limited (朗廷酒店國際有限公司), a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
“Independent Board Committee”	an independent committee of each of the Boards (which comprises Professor Chan Ka Keung, Ceajer, Professor Lin Syaru, Shirley and Mr. Wong Kwai Lam, all being Independent Non-executive Directors) established to advise the Independent Holders of Share Stapled Units with regard to the remaining transactions contemplated under the Master Lease Agreements for the Third Period
“Independent Financial Adviser” or “Ballas Capital”	Ballas Capital Limited, a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, is the independent financial adviser appointed by the Boards and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Holders of Share Stapled Units with regard to the remaining transactions contemplated under the Master Lease Agreements for the Third Period
“Independent Holders of Share Stapled Units”	holders of Share Stapled Units other than Great Eagle and its associates
“Langham”	the Trust and the Company
“Langham Hotels Services Limited”	Langham Hotels Services Limited (朗廷酒店服務有限公司), a company incorporated in Hong Kong with limited liability on 15 July 2011 and an indirect wholly-owned subsidiary of Great Eagle
“Latest Practicable Date”	26 June 2023, being the latest practicable date for ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Date”	30 May 2013, being the date of first listing of, and dealings in, the Share Stapled Units on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mainland China”	the People’s Republic of China, but for the purposes of this circular only, except where the context requires, references in this circular to Mainland China exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Master Lease Agreements”	the separate lease agreements each dated 10 May 2013 and addendum to existing lease agreements dated 16 February 2015 entered into between each Hotel Company and the Master Lessee in relation to the lease of the Hotels by the Hotel Companies to the Master Lessee
“Master Lessee”	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Monetary Cap Waiver”	has the meaning ascribed to it under the section headed “Letter from the Trustee-Manager Board and the Company Board – Listing Rules Implications” of this circular
“Prospectus”	the initial public offering prospectus of Langham dated 16 May 2013
“Second Period”	has the meaning ascribed to it under the section headed “Letter from the Trustee-Manager Board and the Company Board – Background” of this circular
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong as amended, supplemented or otherwise modified for the time being

DEFINITIONS

“Share Stapled Unit(s)” or “SSU(s)”	share stapled unit(s) jointly issued by Langham. A share stapled unit is the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others: (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit in the Trust and held by the Trustee-Manager; and (c) a specifically identified preference share of the Company stapled to the unit in the Trust
“Share Stapled Units Register”	the register of Holders of Share Stapled Units
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“The Langham, Hong Kong”	The Langham, Hong Kong, being the hotel located at 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong
“Third Period”	has the meaning ascribed to it under the section headed “Letter from the Trustee-Manager Board and the Company Board – Background” of this circular
“Trust”	Langham Hospitality Investments (朗廷酒店投資), as constituted pursuant to the Trust Deed
“Trust Deed”	the trust deed dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company as amended, supplemented, substituted or otherwise modified from time to time
“Trust Group”	the Trust and the Group
“Trustee-Manager”	LHIL Manager Limited, a company incorporated in Hong Kong in its capacity as trustee-manager of the Trust and an indirect wholly-owned subsidiary of Great Eagle
“Trustee-Manager Board”	the board of directors of the Trustee-Manager

DEFINITIONS

“Variable Rent”	the variable rent which the Master Lessee has agreed to pay to the Hotel Companies for the lease of the Hotels under the Master Lease Agreements
“Variable Rent Percentage”	the percentage of the Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies under the Master Lease Agreements on an annual basis
“Vigers”	Vigers Appraisal and Consulting Limited, an independent property valuer appointed by the Company pursuant to the Master Lease Agreements
“%”	per cent.

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)

Directors of the Trustee-Manager and the Company

LO Ka Shui *(Chairman and
Non-executive Director)*
Brett Stephen BUTCHER *(Chief Executive
Officer and Executive Director)*
CHAN Ka Keung, Ceajer*
LIN Syaru, Shirley*
LO Chun Him, Alexander#
LO Chun Lai, Andrew#
WONG Kwai Lam*

Non-executive Directors

* *Independent Non-executive Directors*

Registered Office of the Company

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Grand Cayman
KY1-1111
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Principal Place of Business in Hong Kong of the Company

Suite 2702, 27th Floor
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23 Harbour Road
Wanchai, Hong Kong

Registered Office of the Trustee-Manager

33rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

4 July 2023

To the Holders of Share Stapled Units

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
RESULTS OF THE 2023 RENT REVIEW PURSUANT TO
MASTER LEASE AGREEMENTS
AND
RE-COMPLIANCE WITH THE APPLICABLE
CONTINUING CONNECTED TRANSACTION
REQUIREMENTS IN RESPECT OF THE TRANSACTIONS
UNDER THE MASTER LEASE AGREEMENTS
FOR THE PERIOD FROM 1 JANUARY 2024 TO 29 MAY 2027**

INTRODUCTION

References are made to (i) the Prospectus and the subsequent interim reports and annual reports of Langham in relation to, *inter alia*, the Master Lease Agreements, pursuant to which

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

each Hotel Company had agreed to lease the relevant Hotel owned by it to the Master Lessee; (ii) the 2019 Announcement in relation to the results of the 2019 Rent Review pursuant to the Master Lease Agreements for the Second Period; and (iii) the announcement of Langham dated 19 May 2023 in relation to, *inter alia*, re-compliance with the applicable continuing connected transaction requirements in respect of the transactions under the Master Lease Agreements for the Third Period.

The purpose of this circular is to provide Holders of Share Stapled Units with, among other things, (i) further particulars of the Master Lease Agreements; (ii) updates on the Monetary Cap Waiver; (iii) the recommendations of the Independent Board Committee; (iv) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units; and (v) a notice of the EGM, and to seek your approval for the remaining transactions under the Master Lease Agreements for the Third Period at the EGM.

BACKGROUND

As disclosed in the Prospectus and the 2019 Announcement, under the Master Lease Agreements, the rent for leases under the Master Lease Agreements to be paid by the Master Lessee shall consist of (i) an aggregate Base Rent of HK\$225 million per annum (pro rata for any period of less than one year); and (ii) a Variable Rent.

During the term of the Master Lease Agreements, the Variable Rent shall represent the following:

- from the commencement date of the Master Lease Agreements (i.e. 30 May 2013) to 31 December 2019 (the “**First Period**”), the Variable Rent will be calculated on the basis of 70% of the Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fees; and
- from 1 January 2020 to 31 December 2023 (the “**Second Period**”) and 1 January 2024 to the expiry date of the Master Lease Agreements (i.e. 29 May 2027) (the “**Third Period**”), the Variable Rent will be calculated on a basis to be determined by an independent property valuer to be appointed by the Company, such basis to be determined by reference to the Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fees for the relevant period.

RESULTS OF THE 2023 RENT REVIEW PURSUANT TO THE MASTER LEASE AGREEMENTS

Under the Master Lease Agreements, the Company shall appoint an independent property valuer to conduct a further rent review no later than six months prior to the commencement of the Third Period.

Accordingly, the Company has appointed Vigers to conduct a rental review to determine the market rental package of the Hotels (including the market rent of the Hotels and the applicable percentage of the Variable Rent) for the Third Period.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

Vigers is a member of The Hong Kong Institute of Surveyors and has experience in the market rental assessment engagements including those that are similar to the rental review of the Hotels. The 2023 Rent Review is prepared by Vigers' professional team which is led by Mr. David Cheung, the deputy managing director of Vigers and the signor of the 2023 Rent Review. Mr. David Cheung is a registered professional surveyor under the "Surveyors Registration Ordinance" in Hong Kong and is a registered valuer under the Royal Institution of Chartered Surveyors with over 37 years of property and business valuation experiences.

The Company understands that Vigers mainly conducted its rental review procedures through its own research and has relied on public information obtained through its own research as well as financial and operational information provided by the Trust Group. As advised by Vigers, the rental valuation was carried out in accordance with the "RICS Valuation – Global Standards" published by the Royal Institution of Chartered Surveyors and "HKIS Valuation Standards 2020" published by the Hong Kong Institute of Surveyors, both of which incorporates the "International Valuation Standards" published by the "International Valuation Standards Council".

Methodology of the rental valuation

As set out in the 2023 Rent Review, Vigers adopted the market approach in conducting the rental review of the Hotels, which provides an indication of value by comparing the asset with identical or comparable assets for which price information is available.

The Company notes that Vigers had assessed comparable rental transactions in Hong Kong (namely the hotel rental transactions of Regal Real Estate Investment Trust ("**Regal REIT**") as detailed below), taking into account the differences between the Hotels and the hotels of the comparable rental transactions. Vigers advised that in conducting the rental review for the Third Period, Vigers projected the total rent of the Hotels from 1 January 2024 to 31 December 2027, taking into account the rental details of the comparable rental transactions and the Hotels as well as market situation (including the trend of hotel room rates, office and retail rental indices, rental relief and visitor arrivals in Hong Kong), before determining the Variable Rent Percentage for the Hotels for the Third Period.

Comparable rental transactions

Vigers identified comparable rental transactions based on the following criteria: (i) one of the parties of the rental transaction involves a company listed in Hong Kong for the leasing of hotel(s) in Hong Kong; and (ii) the rental details of the hotel(s) are publicly disclosed. Based on the selection criteria, Vigers identified the hotel rental transactions of Regal REIT as the only comparable rental transactions.

Regal REIT owns a portfolio of nine operating hotels in Hong Kong, comprising five hotels under the full-service Regal brand and four hotels under the select-service iclub brand, commanding a total room count of over 4,900 rooms. Apart from the iclub Wan Chai Hotel, (i) the five Regal hotels (namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel); and (ii) other three iclub hotels (namely

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel) have been leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited, the intermediate listed parent of Regal REIT, for hotel operations.

As set out in the 2023 Rent Review, the full-service hotels of Regal REIT offer a wide range of services including food and beverage outlets and other facilities, whilst the select-service hotels are equipped with tech-savvy facilities. Vigers advised that although the location, grading, room size, room number and facility variety of the hotels of Regal REIT are not directly comparable to the Hotels, the rental packages are similar that are composite of base rent and variable rent. Vigers considers that given hotel rental transactions are rare in Hong Kong and the hotel rental transactions of Regal REIT reflect certain important market performance, it is regarded as the most suitable comparable in the Hong Kong hotel rental market.

Assessment of the market rental package of the Hotels for the Third Period

The Variable Rent Percentage of 50% for the Third Period was determined by Vigers based on the following:

- (i) based on market approach as set out above, which is the most commonly adopted valuation methodology for rental valuation, Vigers projected the total rent (i.e. the market rent) of the Hotels to be paid by the Master Lessee to the Hotel Companies for each year from 2024 to 2027, taking into account the market situation and the respective rental details of comparable transactions and the Hotels;
- (ii) Vigers deducted the Base Rent (fixed at HK\$225 million per annum) from the projected total rent for each year, to arrive at the projected Variable Rent for each year from 2024 to 2027; and
- (iii) the projected Variable Rent Percentage for each year from 2024 to 2027 was determined by dividing (a) the projected Variable Rent by (b) the projected Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees for each year.

As set out in the 2023 Rent Review, Vigers determined the Variable Rent Percentage of 48.34%, 50.10%, 51.00% and 52.45% for 2024, 2025, 2026 and 2027, respectively, representing an average Variable Rent Percentage of approximately 50% for the Third Period.

Based on the 2023 Rent Review in accordance with the Master Lease Agreements, Vigers determined that the market rental package for the Hotels for the Third Period is comprised of (i) a Base Rent being fixed at HK\$225 million per annum under the Master Lease Agreements; and (ii) a Variable Rent being 50% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees on an annual basis as determined by Vigers.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

RE-COMPLIANCE WITH THE APPLICABLE CONTINUING CONNECTED TRANSACTION REQUIREMENT IN RESPECT OF THE TRANSACTIONS UNDER THE MASTER LEASE AGREEMENTS FOR THE PERIOD FROM 1 JANUARY 2024 TO 29 MAY 2027

Pursuant to the Master Lease Agreements, in the event that the independent property valuer determines that the Variable Rent payable under the Master Lease Agreements for the Second Period or the Third Period shall be calculated on the basis of less than 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees, Langham shall re-comply with the reporting, announcement and Independent Holders of Share Stapled Units' approval requirements under Chapter 14A of the Listing Rules in respect of the relevant transactions contemplated under the Master Lease Agreements for the relevant period. In case the transactions under the Master Lease Agreements for the relevant period are required to be re-approved by the Independent Holders of Share Stapled Units at the general meeting of the Holders of Share Stapled Units, the Master Lease Agreements shall be terminated if the approval of Independent Holders of Share Stapled Units is not obtained at such general meeting.

In respect of the Second Period, as disclosed in the 2019 Announcement, the Company appointed Vigers to conduct the 2019 Rent Review for the Second Period. Based on the 2019 Rent Review, Vigers determined that the market rental package for the Hotels for the Second Period is comprised of (i) a Base Rent being fixed at HK\$225 million per annum under the Master Lease Agreements; and (ii) a Variable Rent being 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees on an annual basis. As such, Langham did not have to re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under Master Lease Agreements for the Second Period.

In respect of the Third Period, as Vigers determines in the 2023 Rent Review that the Variable Rent for the Third Period would be 50% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees on annual basis, which is less than the 70% threshold as set out in the Master Lease Agreements in respect of the remaining transactions contemplated under the Master Lease Agreements, Langham is required to re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the remaining transactions contemplated under the Master Lease Agreements for the Third Period.

PRINCIPAL TERMS OF THE MASTER LEASE AGREEMENTS

Subject matter and term

On 10 May 2013, each of the Hotel Companies (as lessors) and the Master Lessee (as lessee) entered into the Master Lease Agreements in relation to the lease of the Hotels by the Hotel Companies to the Master Lessee.

Pursuant to the Master Lease Agreements, each of the Hotel Companies has agreed to lease the Hotel owned by it (excluding the designated outlets at Eaton HK) to the Master Lessee for a term of 14 years from and including the Listing Date and shall, subject to the compliance with the relevant requirements of the Listing Rules by the Company, be renewable by mutual agreement of

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

the parties. The Master Lessee assumes such responsibilities as are set out under the relevant hotel management agreements and bears all operating expenses in respect of the Hotels (other than payment of the hotel management fees, the license fee, the global marketing fees, etc), and delegates the management and operations obligations to the Hotel Manager of the respective Hotels on terms of the relevant hotel management agreements.

Rent

Under the Master Lease Agreements, the rent for leases under the Master Lease Agreements to be paid by the Master Lessee shall consist of (i) an aggregate Base Rent of HK\$225 million per annum (pro rata for any period of less than one year); and (ii) a Variable Rent. For the First Period, the Variable Rent was calculated on the basis of 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees. The annual rent payable under the Master Lease Agreements will be settled in cash.

The above basis for calculating the amount of Variable Rent payable only applied until 31 December 2019 (i.e. the end of the First Period) and thereafter the Variable Rent will be calculated on a basis to be determined by an independent property valuer, to be appointed by the Company. In 2019, the Company appointed an independent property valuer, Vigers, to conduct a rental review to determine the market rental package of the Hotels (including the market rent of the Hotels and the applicable percentage of the Variable Rent) for the Second Period. As disclosed in the 2019 Announcement, Vigers determined that the market rental package of the Hotels for the Second Period was the same as the one for the First Period.

A rental review under the 2023 Rental Review has been performed for the Third Period, the outcome of which is mentioned above.

Please also refer to the Prospectus and previous interim reports and annual reports of Langham on other principal terms of the Master Lease Agreements.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

HISTORICAL BASE RENT AND VARIABLE RENT ANALYSIS

For the period from the Listing Date to 31 December 2013 and each of the financial year ended 31 December 2014 to 2022, the aggregate amount of Base Rent and Variable Rent paid to each of the Hotel Companies under the Master Lease Agreements and the Hotels' aggregate Gross Operating Profit/(Loss) before deduction of the Global Marketing Fees are as follows:

For the financial year ended	Base Rent	Variable Rent	Total rents paid by the Master Lessee to Hotel Companies	Hotels' aggregate Gross Operating Profit/ (Loss) before deduction of the Global Marketing Fees received by the Master Lessee	Excess/ (shortfall) assumed by the Master Lessee from hotel operations
31 December	(audited)	(audited)	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2013^{Note}	133,151	335,649	468,800	479,499	10,699
2014	225,000	521,534	746,534	745,048	(1,486)
2015	225,000	451,769	676,769	645,384	(31,385)
2016	225,000	475,705	700,705	679,578	(21,127)
2017	225,000	468,259	693,259	668,941	(24,318)
2018	225,000	481,208	706,208	687,440	(18,768)
2019	225,000	325,420	550,420	464,885	(85,535)
2020	225,000	–	225,000	(13,193)	(238,193)
2021	225,000	21,756	246,756	31,080	(215,676)
2022	225,000	148,856	373,856	212,652	(161,204)
Total:	<u>2,158,151</u>	<u>3,230,156</u>	<u>5,388,307</u>	<u>4,601,314</u>	<u>(786,993)</u>

Note: The financial year for 2013 commenced on the Listing Date.

REASONS FOR AND BENEFITS OF THE CONTINUATION OF THE MASTER LEASE AGREEMENTS

Similar to the reasons set out in the Prospectus in relation to the Master Lease Agreements, the continued setting of the rent payable under the Master Lease Agreements by way of having two components, i.e. a fixed annual base rent and a variable rent, is a complementary structure designed to provide the Trust Group with a visible income stream combining both a fixed element and a participation in a portion of any potential upside in the profitability of the Hotels.

The Base Rent gives the Trust Group a guaranteed rental income, which would reduce the Trust Group's exposure to risks in the hotel industry in Hong Kong and provide downside protection and income certainty to the Trust Group. The Variable Rent provides exposure to the underlying performance of the Hotels, and accordingly to the potential of income growth.

The split between the Base Rent and the Variable Rent is determined having regard to the certain degree of downside protection from the fixed Base Rent, whilst continuously allowing the Trust Group to benefit from upside in the profitability of the Hotels. On the other hand, there can

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

be no guarantee for the Hotel Companies that the actual revenue derived from the Hotels would be equivalent to the Base Rent and the Variable Rent payable under the Master Lease Agreements.

The Master Lessee had assumed shortfall from the hotel operations for each of the financial year from 2014 to 2022. As shown in the table under the section headed “Historical Base Rent and Variable Rent Analysis” on page 13, the aggregate amount of the Base Rent and the Variable Rent for each of the financial year ended 31 December 2014 to 2022 is greater than the corresponding Hotel’s aggregate Gross Operating Profit before deduction of Global Marketing Fees. For the financial year ended 31 December 2020, a fixed rent of HK\$225 million was still required to pay to the Trust Group even when the Hotels had an aggregate Gross Operating Loss before deduction of the Global Marketing Fees.

The hotel rental market is subject to fluctuations, and the current trend is a decline in hotel rental rates. In view of the market situation and the shortfalls assumed by the Master Lessee starting from the financial year 2014, adjustment to the Variable Rent Percentage for the Third Period as determined by Vigers is not unreasonable. Interests of the Master Lessee and the Hotel Companies will be better served after taking into their respective situations and the market condition.

The Company will continue to disclose details of the actual amount and how the amount of Variable Rent was calculated in its annual financial statements.

Holders of Share Stapled Units should note that if the remaining transactions contemplated under the Master Lease Agreements are not approved by the Independent Holders of Share Stapled Units at the EGM, the Master Lease Agreements will be terminated. Termination of the Master Lease Agreements may have an impact on the stability of the business of the Trust Group, results of operations, financial condition and prospects as it would result in the Trust Group ceasing to enjoy the guaranteed minimum revenue payable as the Base Rent under the Master Lease Agreements.

LISTING RULES IMPLICATIONS

Great Eagle, as the controlling Holder of Share Stapled Units, is a connected person of the Company. As the Master Lessee is an indirect wholly-owned subsidiary of Great Eagle, it is also a connected person of the Company. The remaining transactions contemplated under the Master Lease Agreements for the Third Period therefore constitute continuing connected transactions for the Company in accordance with the Listing Rules.

As disclosed in the Prospectus, the Stock Exchange granted a waiver (the “**Monetary Cap Waiver**”) from the setting of a monetary cap for the Variable Rent payable under the Master Lease Agreements for the duration of the Master Lease Agreements, subject to certain conditions, including but not limited to the condition that the Trust Group will have to comply with the then applicable Listing Rules if the independent property valuer determines that the Variable Rent payable under the Master Lease Agreements for the Second Period or the Third Period is to be calculated on the basis of less than 70% of the Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fees.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

As the highest applicable percentage ratios of the remaining transactions contemplated under the Master Lease Agreements for the Third Period is, on an annual basis, expected to be more than 5%, these transactions would, in the absence of the grant of a waiver by the Stock Exchange, be subject to the reporting, annual review, announcement and approval requirements of Independent Holders of Share Stapled Units under Chapter 14A of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Directors believe that it is not appropriate to set a fixed monetary cap on, and that it is fair and reasonable and in the interests of the Holders of Share Stapled Units not to have capped the rent receivable under the Master Lease Agreements. The setting of any monetary cap on the Variable Rent would limit the amount of revenue the Trust Group could receive from the operation of the Hotels without the prior approval of the Holders of Share Stapled Units, which may potentially be a disincentive to the Trust Group to expand its hotel investments and pursue its acquisition growth strategy. As the Variable Rent is subject to the future performance of the Hotels, it is not possible for the Directors to provide any meaningful estimates for a monetary cap as this will necessarily involve making assumption regarding the performance of the Hotels from 1 January 2024 up to the expiry date of the Master Lease Agreements (i.e. 29 May 2027).

The Trustee-Manager and the Company have applied for, and the Stock Exchange has granted to the Trustee-Manager and the Company, the Monetary Cap Waiver for the Variable Rent payable under the Master Lease Agreements for the whole term of the Master Lease Agreements in May 2013, subject to the following conditions:

- (i) a clear description of the bases for calculating the Variable Rent for the Master Lease Agreements, and disclosure on the relevant calculation and the amounts of the Variable Rents under the Master Lease Agreements will be included in the Trust Group's future interim and annual financial statements;
- (ii) the Independent Non-executive Directors will review the Master Lease Agreements and confirm in the Trust Group's annual report that the transactions for the financial year under review and at the time of the annual review have been entered into in the manner set out in Rule 14A.71(6) of the Listing Rules. If the Independent Non-executive Directors are unable to confirm the matters under Rule 14A.71(6) of the Listing Rules, the Trust Group will have to re-comply with the reporting, announcement and Independent Holders of Share Stapled Units approval requirements under the Listing Rules;
- (iii) any change to the bases of calculations of the rent under the Master Lease Agreements will be subject to the approval of the Independent Holders of Share Stapled Units; and
- (iv) the Trust Group will have to comply with the then applicable requirements of the Listing Rules upon expiry of the waiver for the Master Lease Agreements, or if the independent property valuer determines that the Variable Rent payable under the Master Lease Agreements from 1 January 2020 is to be calculated on the basis of less than 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

The Trustee-Manager and the Company have confirmed with the Stock Exchange that the Monetary Cap Waiver is valid notwithstanding that the Variable Rent Percentage for the Third Period is updated. As such, no annual cap has been set on the Variable Rent in respect of the Third Period.

INDEPENDENT FINANCIAL ADVISER'S OPINION

Given the remaining term of the Master Lease Agreements, being the Third Period (i.e. from 1 January 2024 to 29 May 2027) is more than three years, pursuant to Rule 14A.52 of the Listing Rules, Langham will engage an Independent Financial Adviser to review the Master Lease Agreements and explain why a longer period as contemplated under the Third Period is required and confirm that it is normal business practice for agreements of this type to be of such duration.

In assessing the reasons for the duration of the Master Lease Agreements to be longer than three years, the Independent Financial Adviser considered the following factors:

- (i) a longer lease period allows the Holders of the Share Stapled Units to receive the guaranteed Base Rent for a longer period of time, providing additional certainty for the source of revenue for the Trust Group;
- (ii) a longer lease period reduces short term uncertainties as there is no assurance that the Trust Group and Great Eagle would be able to agree the terms of new master lease agreements when the Master Lease Agreements expire; and
- (iii) the Master Lease Agreements have been in force since 10 May 2013, which the Third Period represents a continuation of the Master Lease Agreements until its expiry in May 2027.

In considering whether it is normal business practice for agreements of similar nature with the Master Lease Agreements, the Independent Financial Adviser has assessed the durations of the hotel leases of Regal REIT as disclosed in the announcements of Regal REIT and noted that the duration of the extended leases of such hotels of Regal REIT range from 5 years to 10 years.

Taking into account the above, the Independent Financial Adviser is of the view that it is normal business practice for the duration of the Third Period (from 1 January 2024 to 29 May 2027) of the Master Lease Agreement to be more than three years.

INFORMATION OF THE TRUST, THE COMPANY, THE MASTER LESSEE AND THEIR ULTIMATE BENEFICIAL OWNER(S)

The Company acts as an investment holding company. The principal activities of the Trust Group are primarily to own and invest in a portfolio of hotels, with a focus on completed hotels located in Asia. The current hotel portfolio of the Trust Group comprises: The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK.

The Trustee-Manager acts as the trustee-manager of the Trust, and its specific and limited role is to administer the Trust, but not actively involved in the management of the Hotels.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

Great Eagle is the controlling Holder of Share Stapled Units. The principal activities of Great Eagle and its subsidiaries are property development and investment, operations of hotel, restaurant and flexible workspace, manager of real estate investment trust, trading of building materials, securities investment, provision of property management, maintenance and property agency services, property leasing and asset management. Great Eagle's operations are mainly located in Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand, Mainland China, Japan, Italy and others.

The Master Lessee is an indirect wholly-owned subsidiary of Great Eagle. It is principally engaged in hotel operations.

Harvest Star International Limited (發星國際有限公司), being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment.

Cordis Hong Kong Limited (康得思酒店(香港)有限公司), being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment.

Grow On Development Limited (展安發展有限公司), being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment.

EGM AND PROXY ARRANGEMENT

At the EGM, an ordinary resolution will be proposed to approve the remaining transactions under the Master Lease Agreements for the Third Period.

The notice of the EGM is set out on pages N1 to N4 of this circular. Holders of Share Stapled Units are advised to read the notice and to complete and return the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon.

The resolution proposed to approve a matter to be considered by the Holders of Share Stapled Units at the EGM shall serve as both a resolution of unitholders of the Trust and a resolution of shareholders of the Company.

The form of proxy provided to Holders of Share Stapled Units for use at the EGM, and the form of voting paper to be used at the EGM, are, in each case, a single composite form. The effect of completing a form of proxy or voting paper (as the case may be) indicating a vote either for or against a resolution of Holders of Share Stapled Units to be proposed at the EGM shall be the vote cast in respect of the relevant Share Stapled Units and shall constitute:

- (a) a vote of the units of the Trust (as component of the relevant Share Stapled Units) in respect of the resolution of unitholders of the Trust under the Trust Deed;
- (b) a vote of the preference shares of the Company (as component of the relevant Share Stapled Units) in respect of the resolution of shareholders of the Company under the Company's Articles; and

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

- (c) an instruction to the Trustee-Manager to vote the number of ordinary shares of the Company held by the Trustee-Manager (as component of the relevant Share Stapled Units) in the same way of the resolution of shareholders of the Company under the Company's Articles.

In respect of each individual Share Stapled Unit, the voting rights conferred by the unit, the preference share and the interest in an ordinary share which are components of the relevant Share Stapled Unit can only be exercised in the same way (either for or against) in respect of a resolution of Holders of Share Stapled Units to be proposed at the EGM; and completion of a form of proxy or voting paper in respect of a Share Stapled Unit will have that effect, as described in the paragraph immediately above.

Pursuant to Rule 13.39(4) of the Listing Rules, Article 13.6 of the Company's Articles and paragraph 3.4 of Schedule 1 of the Trust Deed, the Chairman will put the proposed resolution set out in the notice of the EGM to be voted by way of a poll. On a poll, votes may be given either personally, by corporate representative or by proxy. An announcement on the poll results will be published on Langham's website at www.langhamhospitality.com and the HKEXnews website at www.hkexnews.hk on the same day after the EGM.

As at the Latest Practicable Date, Great Eagle and its associates, holding 2,301,139,933 Share Stapled Units of the Trust and the Company, representing approximately 69.96% of the issued Share Stapled Units of the Trust and the Company, will abstain from voting at the EGM on the resolution relating to the approval for the remaining transactions under the Master Lease Agreements for the Third Period.

Since Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are the common directors of the Trustee-Manager, the Company and Great Eagle, and Mr. Lo Chun Lai, Andrew is the deemed connected person of Dr. Lo Ka Shui, they have abstained from voting on the resolution(s) of the Trustee-Manager Board and the Company Board in this respect.

CLOSURE OF REGISTERS

The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Wednesday, 19 July 2023 to Friday, 21 July 2023, both days inclusive, for the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the EGM. During such period, no transfer of Share Stapled Units will be registered.

In order to be eligible to attend and vote at the EGM, 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 Tuesday, 18 July 2023.

LETTER FROM THE TRUSTEE-MANAGER BOARD AND THE COMPANY BOARD

RECOMMENDATIONS

An Independent Board Committee comprising all the Independent Non-executive Directors has been established to advise the Independent Holders of Share Stapled Units on the remaining transactions contemplated under the Master Lease Agreements for the Third Period. Your attention is drawn to its letter of recommendation set out on pages 20 to 21 of this circular.

Ballas Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Holders of the Share Stapled Units as to whether to approve the remaining transactions under the Master Lease Agreements for the Third Period. Your attention is drawn to their letter of recommendation set out on pages 22 to 46 of this circular.

The Directors (including the Independent Non-executive Directors who have expressed their views on the remaining transactions contemplated under the Master Lease Agreements for the Third Period after taking into account the advice of the Independent Financial Adviser) consider that the remaining transactions contemplated under the Master Lease Agreements for the Third Period are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Trust Group and in the interests of the Trust, the Company and the Holders of Share Stapled Units as a whole. Accordingly, the Directors recommend all Holders of Share Stapled Units to vote in favour of the relevant resolution to be proposed at the EGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

4 July 2023

To the Independent Holders of Share Stapled Units

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
RESULTS OF THE 2023 RENT REVIEW PURSUANT TO
MASTER LEASE AGREEMENTS
AND
RE-COMPLIANCE WITH THE APPLICABLE
CONTINUING CONNECTED TRANSACTION
REQUIREMENTS IN RESPECT OF THE TRANSACTIONS
UNDER THE MASTER LEASE AGREEMENTS
FOR THE PERIOD FROM 1 JANUARY 2024 TO 29 MAY 2027**

Reference is made to the circular dated 4 July 2023 of the Trust and the Company (the “**Circular**”) of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you on the fairness and reasonableness of the remaining transactions contemplated under the Master Lease Agreements for the Third Period, details of which are set out in the letter from the Trustee-Manager Board and the Company Board contained in the Circular. Ballas Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Holders of Share Stapled Units in this respect.

We wish to draw your attention to the letter from the Trustee-Manager Board and the Company Board on pages 7 to 19 of the Circular, which sets out information in connection with the terms of the Master Lease Agreements and the remaining transactions contemplated thereunder for the Third Period. We also wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units, which contains its advice in respect of the remaining transactions under the Master Lease Agreements for the Third Period, set out on pages 22 to 46 of the Circular.

Having considered the advice of Ballas Capital as set out in its letter of advice and the principal factors and reasons considered by them, we consider that the remaining transactions contemplated under the Master Lease Agreements for the Third Period are fair and reasonable, on

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

normal commercial terms in the ordinary and usual course of business of the Trust Group and in the interests of the Trust, the Company and the Holders of Share Stapled Units as a whole. Accordingly, we recommend the Independent Holders of Share Stapled Units to vote in favour of the ordinary resolution to be proposed at the EGM to approve the remaining transactions under the Master Lease Agreements for the Third Period.

Yours faithfully,

For and on behalf of

Independent Board Committee

CHAN Ka Keung, Ceajer

*Independent Non-Executive
Director*

LIN Syaru, Shirley

*Independent Non-Executive
Director*

WONG Kwai Lam

*Independent Non-Executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BALLAS

C A P I T A L

A subsidiary of Crosby

5/F Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

4 July 2023

*To the Independent Board Committee and
the Independent Holders of Share Stapled Units*

Dear Sir or Madam,

**REMAINING TRANSACTIONS
IN RELATION TO THE TRANSACTIONS UNDER
THE MASTER LEASE AGREEMENTS FOR THE THIRD PERIOD**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Holders of Share Stapled Units in respect of the Master Lease Agreements and the remaining transactions contemplated thereunder for the Third Period, details of which are set out in the letter from the Trustee-Manager Board and the Company Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Trust and the Company to the Holders of Share Stapled Units dated 4 July 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 10 May 2013, each of the Hotel Companies and the Master Lessee entered into the Master Lease Agreements in relation to the lease of the Hotels by the Hotel Companies to the Master Lessee. Under the Master Lease Agreements, the rent for leases under the Master Lease Agreements to be paid by the Master Lessee shall consist of (i) an aggregate Base Rent of HK\$225 million per annum (pro rata for any period of less than one year); and (ii) a Variable Rent.

Pursuant to the terms of the Master Lease Agreements, in the event that the independent property valuer determines that the Variable Rent payable under the Master Lease Agreements for the Second Period (i.e. from 1 January 2020 to 31 December 2023) or the Third Period (i.e. from 1 January 2024 to 29 May 2027) shall be calculated on the basis of less than 70% of the Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fees on annual basis as determined, Langham shall re-comply with the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the relevant transactions contemplated under the Master Lease Agreements for the relevant period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the Third Period, as Vigers determines in the 2023 Rent Review that the Variable Rent for the Third Period would be 50% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees on annual basis, which is less than the 70% threshold as set out in the Master Lease Agreements in respect of the remaining transactions contemplated under the Master Lease Agreements for the Third Period, Langham is required to re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the remaining transactions contemplated under the Master Lease Agreements for the Third Period.

Great Eagle, as the controlling Holder of Share Stapled Units, is a connected person of the Company. As the Master Lessee is an indirect wholly-owned subsidiary of Great Eagle, it is also a connected person of the Company. The remaining transactions contemplated under the Master Lease Agreements for the Third Period (the "**Remaining Transactions**") therefore constitute continuing connected transactions for the Company in accordance with the Listing Rules.

As the highest applicable percentage ratios of the remaining transactions contemplated under the Master Lease Agreements for the Third Period is, on an annual basis, expected to be more than 5%, these transactions would, in the absence of the grant of waiver by the Stock Exchange, be subject to the reporting, annual review, announcement and approval requirements of Independent Holders of Share Stapled Units under Chapter 14A of the Listing Rules.

Given the remaining term of the Master Lease Agreements, being the Third Period (i.e. from 1 January 2024 to 29 May 2027), is more than three years, we will explain why a longer period as contemplated under the Third Period is required and confirm that it is normal business practice for agreements of this type to be of such duration pursuant to Rule 14A.52 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Holders of Share Stapled Units on the remaining transactions contemplated under the Master Lease Agreements for the Third Period.

INDEPENDENCE DECLARATION

We are not associated or connected with the Trust and the Company, the counterparties of the Remaining Transactions or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser by Champion Real Estate Investment Trust (stock code: 2778), a subsidiary of Great Eagle (the controlling Holder of Share Stapled Units) in respect of certain continuing connected transactions as disclosed in the circular of Champion Real Estate Investment Trust dated 8 November 2022; and (ii) this appointment as the independent financial adviser in relation to the Remaining Transactions, we did not have any other relationship with or interests in the Trust and the Company, the counterparties of the Remaining Transactions or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Trust and the Company in the last two years that could reasonably be regarded as a hindrance to our independence as defined under the Listing Rules. Accordingly, we consider we are eligible to give independent advice on the Remaining Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Trust Group.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Trust Group. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Trust and the Company, the counterparties of the Remaining Transactions or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Remaining Transactions, we have considered the following principal factors and reasons:

1. Background of the Master Lease Agreements and the results of the rent review

On 10 May 2013, each of the Hotel Companies (as lessors) and the Master Lessee (as lessee) entered into the Master Lease Agreements in relation to the lease of the Hotels (namely the three hotels comprising The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK) by the Hotel Companies to the Master Lessee.

As set out in the Letter from the Board and as disclosed in the Prospectus, under the Master Lease Agreements, the rent for leases under the Master Lease Agreements to be paid by the Master Lessee shall consist of (i) an aggregate Base Rent of HK\$225 million per annum (pro rata for any period of less than one year); and (ii) a Variable Rent.

During the term of the Master Lease Agreements, the Variable Rent shall represent the following: (a) from the commencement date of the Master Lease Agreements (i.e. 30 May 2013) to 31 December 2019, being the First Period, the Variable Rent will be calculated on the basis of 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees; and (b) from 1 January 2020 to 31 December 2023 (the Second Period) and from 1 January 2024 to the expiry date of the Master Lease Agreements (i.e. 29 May 2027) (the Third Period), the Variable Rent will be calculated on a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

basis to be determined by an independent property valuer to be appointed by the Company, such basis to be determined by reference to the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees for the relevant period.

Results of the 2019 Rent Review for the Second Period

Based on the 2019 Rent Review in accordance with the Master Lease Agreements, Vigers determined that the market rental package for the Hotels for the Second Period was the same as the one for the First Period.

Results of the 2023 Rent Review for the Third Period

Based on the 2023 Rent Review in accordance with the Master Lease Agreements, Vigers determined that the market rental package for the Hotels for the Third Period is comprised of (i) a Base Rent being fixed at HK\$225 million per annum under the Master Lease Agreements; and (ii) a Variable Rent being 50% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees on an annual basis.

In respect of the Third Period, as Vigers determines in the 2023 Rent Review that the Variable Rent for the Third Period would be 50% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees on annual basis, which is less than the 70% threshold as set out in the Master Lease Agreements in respect of the remaining transactions contemplated under the Master Lease Agreements for the Third Period, Langham is required to re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the remaining transactions contemplated under the Master Lease Agreements for the Third Period.

2. Information of the Trust Group and the counterparties of the Remaining Transactions

2.1 Background information

The Trust Group

The principal activities of the Trust Group are primarily to own and invest in a portfolio of hotels, with a focus on completed hotels located in Asia. The current hotel portfolio of the Trust Group comprises (i) The Langham, Hong Kong; (ii) Cordis, Hong Kong; and (iii) Eaton HK.

Harvest Star International Limited

Harvest Star International Limited (發星國際有限公司), being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Cordis Hong Kong Limited

Cordis Hong Kong Limited (康得思酒店(香港)有限公司), being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment.

Grow On Development Limited

Grow On Development Limited (展安發展有限公司), being one of the Hotel Companies and an indirect wholly-owned subsidiary of the Company, is principally engaged in property investment.

Master Lessee

The Master Lessee, namely GE (LHIL) Lessee Limited, is an indirect wholly-owned subsidiary of Great Eagle. It is principally engaged in hotel operations.

The principal activities of Great Eagle and its subsidiaries are property development and investment, operations of hotel, restaurant and flexible workspace, manager of real estate investment trust, trading of building materials, securities investment, provision of property management, maintenance and property agency services, property leasing and asset management. Great Eagle's operations are mainly located in Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand, Mainland China, Japan, Italy and others.

2.2 Historical rental income from the Master Lessee

Set out below is a summary of the rental income from the Master Lessee for the three years ended 31 December 2020, 2021 and 2022 as extracted from the respective annual reports of Langham.

	31 December		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Rental income from Master Lessee			
— Base rent	225,000	225,000	225,000
— Variable rent	—	21,756	148,856

Based on the historical financial results of the Trust Group, we note that the rental income from the Master Lessee (after service fees expense) accounted for approximately 99% of the total revenue of the Trust Group.

Since the commencement of the Master Lease Agreements on 10 May 2013 and up to the Latest Practicable Date, the Trust Group advised that the Master Lessee had fulfilled its financial obligations by paying the Base Rent and Variable Rent to the Hotel Companies in accordance with the terms of the Master Lease Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for and benefits of the continuation of the Master Lease Agreements

As set out in the Letter from the Board, similar to the reasons set out in the Prospectus in relation to the Master Lease Agreements, the continued setting of the rent payable under the Master Lease Agreements by way of having two components, i.e. a fixed annual base rent and variable rent, is a complementary structure designed to provide the Trust Group with a visible income stream combining both a fixed element and a participation in a portion of any potential upside in the profitability of the Hotels.

The Base Rent gives the Trust Group a guaranteed rental income, which would reduce the Trust Group's exposure to risks in the hotel industry in Hong Kong and provide downside protection and income certainty to the Trust Group. The Variable Rent provides exposure to the underlying performance of the Hotels, and accordingly to the potential of income growth.

The split between the Base Rent and the Variable Rent is determined having regard to the certain degree of downside protection from the fixed Base Rent, whilst continuously allowing the Trust Group to benefit from upside in the profitability of the Hotels.

The Master Lessee had assumed shortfall from the hotel operations for each of the financial year from 2014 to 2022. As illustrated in the section headed "*Historical Base Rent and Variable Rent Analysis*" of the Letter from the Board, the aggregate amount of the Base Rent and the Variable Rent for each of the financial year ended 31 December 2014 to 2022 is greater than the corresponding Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees. For the financial year ended 31 December 2020, a fixed rent of HK\$225 million was still required to pay to the Trust Group even when the Hotels had an aggregate Gross Operating Loss before deduction of the Global Marketing Fees.

The hotel rental market is subject to fluctuations, and the current trend is a decline in hotel rental rates. As set out in the Letter from the Board, in view of the market situation and the shortfalls assumed by the Master Lessee starting from the financial year 2014, adjustment to the Variable Rent Percentage for the Third Period as determined by Vigers is not unreasonable. Interests of the Master Lessee and the Hotel Companies will be better served after taking into their respective situations and market condition.

Holders of Share Stapled Units should note that if the remaining transactions contemplated under the Master Lease Agreements are not approved by the Independent Holders of Share Stapled Units at the EGM, the Master Lease Agreements will be terminated. Termination of the Master Lease Agreements may have an impact on the stability of the business of the Trust Group, results of operations, financial condition and prospects as it would result in the Trust Group ceasing to enjoy the guaranteed minimum revenue payable as the Base Rent under the Master Lease Agreements.

Given the above, and in particular taking into account (i) that the Master Lease Agreements have been in force since 10 May 2013, the terms of which govern the rental income received by the Trust Group (through the Hotel Companies) from the Master Lessee for the lease of the Hotels; (ii) the rental income from the Master Lessee as governed by the Master Lease Agreements is a significant source of income to the Trust Group (which the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

rental income from the Master Lessee after service fees expense represents around 99% of the revenue of the Trust Group); (iii) the components of an annual base rent and variable rent under the Master Lease Agreements is a complementary structure designed to provide the Trust Group with a visible income stream combining both a fixed element and a participation in a portion of any potential upside in the profitability of the Hotels, which the annual base rent of HK\$225 million (pro rata for any period less than one year) will continue to be a guaranteed rental income to the Trust Group and provide downside protection and income certainty to the Trust Group; (iv) the basis of the Variable Rent determined for the Third Period (which reflects the adjustment of the Variable Rent Percentage from 70% to 50%), despite resulting in a possible reduction in the Trust Group's share of the potential profits of the Hotels, is a reflection of the market situation and continues to allow the Trust Group to benefit from upside in the profitability of the Hotels; and (v) our analysis on the principal terms of the Master Lease Agreements as discussed in the sections below, we concur with the view of the Directors that the Remaining Transactions (which represent a continuation of the Master Lease Agreements under the market rental package of the Hotels for the Third Period) are fair and reasonable, on normal commercial terms, fall within the ordinary and usual course of business of the Trust Group and are in the interests of the Trust and the Company and the Holders of the Share Stapled Units as a whole.

4. Principal terms of the Master Lease Agreements

Subject matter and term

On 10 May 2013, each of the Hotel Companies (as lessors) and the Master Lessee (as lessee) entered into the Master Lease Agreements in relation to the lease of the Hotels by the Hotel Companies to the Master Lessee.

Pursuant to the Master Lease Agreements, each of the Hotel Companies has agreed to lease the Hotel owned by it (excluding the designated outlets at Eaton HK) to the Master Lessee for a term of 14 years from and including the Listing Date and shall, subject to the compliance with the relevant requirements of the Listing Rules by the Company, be renewable by mutual agreement of the parties. The Master Lessee assumes such responsibilities as are set out under the relevant hotel management agreements and bears all operating expenses in respect of the Hotels (other than payment of the hotel management fees, the license fee, the global marketing fees, etc.), and delegates the management and operations obligations to the Hotel Manager of the respective Hotels on terms of the relevant hotel management agreements.

Rent

Under the Master Lease Agreements, the rent for leases under the Master Lease Agreements to be paid by the Master Lessee shall consist of (i) an aggregate Base Rent of HK\$225 million per annum (pro rata for any period of less than one year); and (ii) a Variable Rent. For the First Period, the Variable Rent was calculated on the basis of 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees. The annual rent payable under the Master Lease Agreements will be settled in cash.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The above basis for calculating the amount of Variable Rent payable only applied until 31 December 2019 (i.e. the end of the First Period) and thereafter the Variable Rent will be calculated on a basis to be determined by an independent property valuer, to be appointed by the Company. In 2019, the Company appointed an independent property valuer, Vigers, to conduct a rental review to determine the market rental package of the Hotels (including the market rent of the Hotels and the applicable percentage of the Variable Rent) for the Second Period. As disclosed in the 2019 Announcement, Vigers determined that the market rental package of the Hotels for the Second Period was the same as the one for the First Period.

A rental review under the 2023 Rental Review has been performed for the Third Period, the outcome of which is mentioned in the Letter from the Board and the section headed “1. Background of the Master Lease Agreements and results of the rent review” above.

5. Assessment of the market rental package of the Hotels for the Third Period

In assessing the fairness and reasonableness of the market rental package of the Hotels for the Third Period (which comprises (i) the Base Rent; and (ii) the Variable Rent being 50% of the Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fees on an annual basis) as determined by Vigers (the “**Valuer**”), we have relied on the property rental valuation report dated 19 May 2023 prepared by the Valuer in respect of the 2023 Rent Review (the “**Rental Valuation Report**”).

The market rental package of the Hotels represents the total market rent of the Hotels. Pursuant to the Master Lease Agreements, the total market rent of the Hotels is divided into (i) the Base Rent; and (ii) the Variable Rent. The Variable Rent is the difference between the total market rent of the Hotels as determined by the Valuer less the Base Rent.

The following is a summary of how the Variable Rent Percentage of 50% for the Third Period was determined by the Valuer.

1. Based on market approach, which is the most commonly adopted valuation methodology for rental valuation, the Valuer projected the total rent (i.e. the market rent) of the Hotels to be paid by the Master Lessee to the Hotel Companies for each year from 2024 to 2027, taking into account the market situation and the respective rental details of comparable transactions and the Hotels;
2. the Valuer deducted the Base Rent (fixed at HK\$225 million per annum) from the projected total rent for each year, to arrive at the projected Variable Rent for each year from 2024 to 2027; and
3. the projected Variable Rent Percentage for each year from 2024 to 2027 was determined by dividing (a) the projected Variable Rent by (b) the projected Hotels’ aggregate Gross Operating Profit before deduction of the Global Marketing Fees for each year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Rental Valuation Report, the Valuer determined the Variable Rent Percentage of 48.34%, 50.10%, 51.00% and 52.45% for 2024, 2025, 2026 and 2027, respectively, representing an average Variable Rent Percentage of approximately 50% for the Third Period.

The Variable Rent (determined at 50% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees on an annual basis) for the Third Period continues to provide the Trust Group exposure to the underlying performance and potential upside in the profitability of the Hotels.

Details of our work performed in relation to the Rental Valuation Report are set out below:

(i) *Suitability and qualification of the Valuer*

We have reviewed the Rental Valuation Report and interviewed the relevant team members of the Valuer with particular attention to: (i) the terms of engagement of the Valuer with the Company; (ii) the qualifications and expertise of the Valuer; and (iii) the steps and measures taken by the Valuer in performing the rental review in respect of the leases of the Hotels comprising The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK (collectively, the “**Collective Leased Premises**”) for the Third Period. Based on our review of the engagement letter between the Company and the Valuer, we are satisfied that the scope of work of the Valuer is appropriate to perform the rental review of the Collective Leased Premises. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. The Valuer has confirmed that it is independent from the Company, the Trust, the counterparties of the Remaining Transactions or their respective core connected persons or associates. We enquired the Valuer's qualification and experience in relation to rental valuation. The Valuer is a member of The Hong Kong Institute of Surveyors and has experience in market rental assessment engagements including those that are similar to the rental review of the Collective Leased Premises. The Rental Valuation Report is prepared by the Valuer's professional team which is led by Mr. David Cheung, the deputy managing director of the Valuer and the signor of the Rental Valuation Report. Mr. David Cheung is a registered professional surveyor under the “Surveyors Registration Ordinance” in Hong Kong and is a registered valuer under the Royal Institution of Chartered Surveyors with over 37 years of property and business valuation experiences. We understand that the Valuer mainly conducted its rental review procedures through its own research and has relied on public information obtained through its own research as well as financial and operational information provided by the Trust Group. The Valuer advised that the rental valuation was carried out in accordance with the “RICS Valuation — Global Standards” published by the Royal Institution of Chartered Surveyors and “HKIS Valuation Standards 2020” published by the Hong Kong Institute of Surveyors, both of which incorporates the “International Valuation Standards” published by the “International Valuation Standards Council”.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we are not aware of any matters that would cause us to question the Valuer's competence and independence and we consider that the Valuer has sufficient expertise and is independent to perform the rental review of the Collective Leased Premises.

(ii) *Methodology of the rental valuation*

As set out in the Rental Valuation Report, the Valuer adopted the market approach in conducting the rental review of the Collective Leased Premises, which provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. We note that the Valuer had assessed comparable rental transactions in Hong Kong (namely the hotel rental transactions of Regal Real Estate Investment Trust ("**Regal REIT**") as detailed in the sub-section "*Comparable rental transactions*" below), taking into account the differences between the Collective Lease Premises and the hotels of the comparable rental transactions. The Valuer advised that in conducting the rental review for the Third Period, the Valuer projected the total rent of the Collective Leased Premises from 1 January 2024 to 31 December 2027, taking into account the rental details of the comparable rental transactions and the Collective Leased Premises as well as market situation (including the trend of hotel room rates, office and retail rental indices, rental relief and visitor arrivals in Hong Kong), before determining the Variable Rent Percentage for the Collective Leased Premises for the Third Period.

We understand from the Valuer that the market approach is a commonly adopted method in conducting rental assessments. Taking into account the differences between the Collective Leased Premises and the hotels of the comparable rental transactions, we concur with the view of the Valuer that it is appropriate for the Valuer to consider factors including the rental details of the comparable rental transactions and the Collective Leased Premises (taking into account the market situation) on a collective basis, when adopting the market approach for the rental valuation of the Collective Leased Premises.

Comparable rental transactions

We have obtained and reviewed the comparable rental transactions identified by the Valuer and note that the Valuer identified the hotel rental transactions of Regal REIT (stock code: 1881) as comparable transactions. The Valuer identified comparable rental transactions based on the following criteria: (i) one of the parties of the rental transaction involves a company listed in Hong Kong for the leasing of hotel(s) in Hong Kong; and (ii) the rental details of the hotel(s) are publicly disclosed. Based on the selection criteria, the Valuer identified the hotel rental transactions of Regal REIT as the only comparable rental transactions. We have performed our own search for comparable rental transactions based on the selection criteria adopted by the Valuer and obtained the same result of comparable rental transactions (namely the hotel rental transactions of Regal REIT) as chosen by the Valuer. We have further discussed with the Valuer on whether the Valuer considered hotel rental transactions outside of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hong Kong, and understand that such transactions were not considered as comparable given that the market environment for each country and region is different with varying prospects for their respective hotel rental markets.

As set out in the Rental Valuation Report, Regal REIT owns a portfolio of nine operating hotels in Hong Kong, comprising five hotels under the full-service Regal brand and four hotels under the select-service iclub brand, commanding a total room count of over 4,900 rooms. Apart from the iclub Wan Chai Hotel, (i) the five Regal hotels (namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel (collectively, “**Comparable 1**”)); and (ii) other three iclub hotels (namely iclub Sheung Wan Hotel (“**Comparable 2**”), iclub Fortress Hill Hotel (“**Comparable 3**”) and iclub To Kwa Wan Hotel (“**Comparable 4**”)) have been leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited, the intermediate listed parent of Regal REIT, for hotel operations.

As set out in the Rental Valuation Report, the full-service hotels of Regal REIT offer a wide range of services including food and beverage outlets and other facilities, whilst the select-service hotels are equipped with tech-savvy facilities. The Valuer advised that although the location, grading, room size, room number and facility variety of the hotels of Regal REIT are not directly comparable to the Collective Leased Premises, the rental packages are similar that are composite of base rent and variable rent. The Valuer considers that given hotel rental transactions are rare in Hong Kong and the hotel rental transactions of Regal REIT reflect certain important market performance, it is regarded as the most suitable comparable in the Hong Kong hotel rental market.

(iii) Rental valuation of the Collective Leased Premises

The Valuer confirmed that in performing the rental valuation of the Collective Leased Premises, the Valuer had considered the rental details of the comparable rental transactions and the Collective Leased Premises.

A. Rental details of the comparable rental transactions

The Valuer advised that in assessing the comparable rental transactions (being the hotel rental transactions of Comparable 1, Comparable 2, Comparable 3 and Comparable 4), the Valuer had examined the historical rental details of the comparable rental transactions, including (a) the “unit rent”, which represents the amount of total rent (including base rent and variable rent) paid by lessee to lessor for each room for the year, as indicated by the total rent per total room available (the “**Total Rent per TRA**”); and (b) the Total Rent per TRA as a proportion of revenue per available room (the “**Total Rent per TRA/RevPAR**”), which indicates the amount of total rent paid by lessee to lessor as a proportion of revenue received by lessee for each room for the year. A ratio in excess of 100% indicates that the lessee paid more rent to the lessor than the room revenue received by the lessee. The Valuer confirmed that the rental details of the comparable rental transactions were extracted or derived from the information in the annual reports of Regal REIT.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Analysis of the rental details of the comparable rental transactions:

As set out in the Rental Valuation Report, from 2013 to 2022, (i) the Total Rent per TRA of the comparable rental transactions ranged between HK\$211 and HK\$916, meaning that Regal REIT as lessor received rent from lessee ranging from HK\$211 to HK\$916 per room, whilst (ii) the Total Rent per TRA/RevPAR of the comparable rental transactions ranged between 43.5% and 258.6%, meaning that Regal REIT as lessor received from lessee 43.5% to 258.6% of the room revenue as rental income.

We have discussed with the Valuer and understand that out of the four comparables of Regal REIT, Comparable 1 (representing the “Regal Initial Five Hotels” comprising Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Airport Hotel, Regal Oriental Hotel and Regal Riverside Hotel) is considered to be relatively more representative in relation to the Collective Leased Premises, as collectively the hotels for Comparable 1 are generally of higher grading with higher average room rates that are more comparable to those of the Collective Leased Premises.

For Comparable 1, from 2013 to 2022, (i) the Total Rent per TRA ranged between HK\$324 and HK\$586, meaning that Regal REIT as lessor received rent from lessee ranging between HK\$324 and HK\$586 per room, whilst (ii) the Total Rent per TRA/RevPAR ranged between 59.0% to 231.0%, meaning that Regal REIT as lessor received from lessee 59.0% to 231.0% of the room revenue as rental income.

For Comparable 1, taking into account only the years (from 2013 to 2018) prior to 2019, which represented the years prior to the local social movement in Hong Kong in mid-2019 and the spread of COVID-19 worldwide in late 2019 that disrupted the hotel market in Hong Kong, (i) the average Total Rent per TRA was HK\$560, meaning that Regal REIT as lessor received rent from lessee amounting to HK\$560 per room (on average) from 2013 to 2018, whilst (ii) the average Total Rent per TRA/RevPAR was 61.1%, meaning that Regal REIT as lessor received from lessee 61.1% (on average) of the room revenue as rental income from 2013 to 2018.

B. Rental details of the Collective Leased Premises

The Valuer advised that in performing the rental valuation, the historical rental details of Collective Leased Premises were also taken into consideration. The Valuer confirmed that the rental details of the Collective Leased Premises were extracted or derived from the information in the annual reports of Langham.

Analysis of the rental details of the Collective leased Premises:

As set out in the Rental Valuation Report, from 2014 to 2022 (excluding 2013 which was not recorded as a full year for the Collective Leased Premises), (i) the Total Rent per TRA of the Collective Leased Premises ranged between HK\$373 and HK\$1,262, meaning that the Hotel Companies received rent from the Master Lessee ranging from HK\$373 to \$1,262 per room, whilst (ii) the Total Rent per TRA/RevPAR

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Collective Leased Premises ranged between 67.9% and 160.8%, meaning that the Hotel Companies received from the Master Lessee 67.9% to 160.8% of the room revenue as rental income.

Taking into account only the years (from 2014 to 2018) prior to 2019, which represented the years prior to the local social movement in Hong Kong in mid-2019 and the spread of COVID-19 worldwide in late 2019 that disrupted the hotel market in Hong Kong, (i) the average Total Rent per TRA of the Collective Leased Premises was HK\$1,186, meaning that the Hotel Companies received rent from the Master Lessee amounting to HK\$1,186 per room (on average) from 2014 to 2018; whilst (ii) the Total Rent per TRA/RevPAR of the Collective Leased Premises was 77.2%, meaning that the Hotel Companies received from the Master Lessee 77.2% (on average) of the room revenue as rental income from 2014 to 2018.

We note from the Rental Valuation Report that for years 2020 and 2021, being years where COVID-19 remained an escalated situation in Hong Kong, the Total Rent per TRA/RevPAR of the Collective Leased Premises exceeded 100% (being 160.8% and 126.7% for 2020 and 2021 respectively), which indicated that the Master Lessee paid more rent to the Hotel Companies than the room revenue received by the Master Lessee for 2020 and 2021. Despite that the Variable Rent paid by the Master Lessee for 2020 and 2021 amounted to only nil and HK\$21.8 million respectively (which the Collective Leased Premises recorded loss for 2020 and insignificant profit of HK\$31.1 million for 2021 as illustrated in the table below), the amount of Base Rent paid by the Master Lessee exceeded room revenue received, which resulted in the ratios exceeding 100% for 2020 and 2021.

Year	Hotels' aggregate Gross Operating Profit/(Loss) before deduction of Global Marketing Fees of the Collective Leased Premises (HK\$'million)
2013*	479.5
2014	745.0
2015	645.4
2016	679.6
2017	668.9
2018	687.4
2019	464.9
2020	(13.2)
2021	31.1
2022	212.7

* Represents the period from 30 May 2013 to 31 December 2013

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For 2022, we understand that the Collective Leased Premises were able to improve performance as compared to the years of 2020 and 2021, attributable to higher occupancies and average room rates in 2022 as The Langham, Hong Kong and Cordis, Hong Kong participated in the Government's Community Isolation Facility Hotel Scheme whilst Eaton HK provided accommodation for the Hospital Authority's staff for three months as part of COVID-19 measures.

We understand from the Valuer and the management of the Trust Group that the COVID-19 situation in recent years highlighted and elevated the business and financial risks associated with the hotel market (including the hotel rental market) in Hong Kong, in particular the risks faced by hotel operators and hotel lessees that bear substantial operating and rental costs.

C. Projected rent and Variable Rent Percentage of the Collective Leased Premises

In determining the Variable Rent Percentage for the Third Period, the Valuer projected the total rent for the Collective Leased Premises from 1 January 2024 to 31 December 2027, mainly taking into account the rental details of the comparable rental transactions and Collective Leased Premises as well as market situation (including the trend of hotel room rates, office and retail indices, rental relief and visitor arrivals in Hong Kong), before determining the Variable Rent Percentage for the Collective Leased Premises of 50% for the Third Period.

Market rental package for the Third Period

Base Rent	HK\$225 million per annum
Variable Rent	50% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees on an annual basis
Total rent	Sum of Base Rent and Variable Rent

Determination of projected total rent and Variable Rent Percentage

In determining the projected total rent of the Collective Leased Premises for each year from 2024 to 2027, the Valuer advised that it was based on (i) the projected number of total rooms available of the Collective Leased Premises for the relevant year; and (ii) the projected unit rent ("Unit Rent") (i.e. total rent per room) of the Collective Leased Premises to be paid by the Master Lessee to the Hotel Companies for the relevant year. For the avoidance of doubt, the Unit Rent of the Collective Leased Premises represents the total rent per room to be paid by the Master Lessee to the Hotel Companies (and it does not represent the room rate charged to hotel customers).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Rental Valuation Report, the determined Variable Rent Percentage for each year from 2024 to 2027 represented (i) the projected Variable Rent for the relevant year (which in turn was determined by deducting the Base Rent of HK\$225 million from the projected total rent for the relevant year); divided by (ii) the projected Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees for the relevant year.

Projection of Variable Rent Percentage for the relevant year from 2024 to 2027		<i>Note</i>
a	Projected total rooms available	1
b	Projected Unit Rent	2
c*	Projected total rent of the Collective Leased Premises	
d	Less: Base rent of HK\$225 million	
e = c – d	Projected Variable Rent	3
f	Projected Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees	4
g = e/f	Variable Rent Percentage for the relevant year	5

* The projected total rent of the Collective Leased Premises was derived from the projected total rooms available times projected Unit Rent and was adjusted to reflect total projected rent before deduction of Global Marketing Fees (the projected Unit Rent adopted in the calculation was based on after Global Marketing Fees). Global Marketing Fees are payable by the Hotel Companies.

Based on the result of the rental review, the Valuer arrived at Variable Rent Percentage for the Collective Leased Premises of 48.34%, 50.10%, 51.00% and 52.45% for 2024, 2025, 2026 and 2027, respectively, representing an average Variable Rent Percentage of approximately 50% for the Third Period.

Note 1: Projected total rooms available

In determining the projected total rooms available for the Collective Leased Premises for 2024 to 2027, the Valuer assumed that the total number of rooms for the Hotels (i.e. The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK) from 2024 to 2027 will remain the same as their respective existing number of rooms (1,632 rooms in aggregate). We understand from the Valuer that the same number of rooms are projected throughout 2024 to 2027 as there is no indicative expansion plan by Langham for the Collective Leased Premises.

Note 2: Projected Unit Rent

Based on the Rental Valuation Report, the Valuer projected the Unit Rent of the Collective Leased Premises of HK\$900 for year 2024 (the “**2024 Projected Unit Rent**”), HK\$950 for year 2025, HK\$990 for year 2026 and HK\$1,040 for year 2027, representing a projected annual growth rate of around 5%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In determining the 2024 Projected Unit Rent of HK\$900, the Valuer advised that it mainly considered (i) the historical Unit Rent of the Collective Leased Premises taking into account the market situation; and (ii) the Unit Rent of the comparable rental transactions. Set out below is the historical and projected Unit Rent of the Collective Leased Premises, as extracted from the Rental Valuation Report.

	Year	Unit Rent of the Collective Leased Premises* (HK\$)
<i>Actual</i>	2013 [^]	1,324
	2014	1,262
	2015	1,173
	2016	1,156
	2017	1,138
	2018	1,200
	2019	903
	2020	373
	2021	408
	2022	610
	<i>Projected</i>	2024
2025		950
2026		990
2027		1,040

* Unit Rent represents the Total Rent per TRA (after deducting Global Marketing Fees)

[^] Represents the period from 30 May 2013 to 31 December 2013.

(i) 2024 Projected Unit Rent — historical Unit Rent and market considerations:

The Valuer considered the historical Unit Rent of the Collective Leased Premises in determining the 2024 Projected Unit Rent of HK\$900. The Valuer advised that it had particularly considered the historical Unit Rent in the years prior to 2019, which were before the local social movement in Hong Kong in mid-2019 and the spread of COVID-19 worldwide in late 2019 that disrupted the hotel market in Hong Kong. As mentioned in the Rental Valuation Report, the industry was paralysed due to global travel curbs and flight suspensions since 2019. During COVID-19, some hotels in Hong Kong changed to quarantine hotels or changed its business direction to target “staycation”. In late 2022, the Hong Kong Government announced that visitors and returning residents were not required to undergo insolation in quarantine hotels.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the disruptions to the Hong Kong hotel market that remained evident from 2019 to 2022, in determining the 2024 Projected Unit Rent of HK\$900, the Valuer advised that it had considered the historical Unit Rent of HK\$1,200 for the year of 2018 as a reference point (2018 being the most recent year prior to COVID-19), factoring in the uncertain outlook of the hotel rental market in Hong Kong. As a reference, the 2024 Projected Unit Rent of HK\$900 represents a decrease of 25% from the Unit Rent of HK\$1,200 for 2018.

We have discussed with the Valuer to understand that 2024 Projected Unit Rent of HK\$900 (which for reference, represents a 25% decrease from the Unit Rent of HK\$1,200 for 2018) was determined after taking into account market situation including the trend of hotel room rates, office and retail rental indices, rental relief and visitor arrivals in Hong Kong, as elaborated below.

Hotel room rates

In respect of the trend of hotel room rates, based on statistics published by the Hong Kong Tourism Board, the average achieved hotel room rate in Hong Kong for (i) all hotels decreased by approximately 22.6% from 2018 to 2022; (ii) High Tariff A hotels decreased by approximately 20.8% from 2018 to 2022; and (iii) High Tariff B hotels decreased by approximately 30.0% from 2018 to 2022. The Langham, Hong Kong and Cordis, Hong Kong are High Tariff A hotels, whilst Eaton HK is a High Tariff B hotel.

We understand from the Valuer that although tourism in Hong Kong is recovering, where restrictions have progressively relaxed in late 2022 and visitor arrivals have picked up after Mainland China's reopening in January 2023, the Valuer does not foresee the hotel room rate to be adjusted much in the short term. The Valuer expects that the hotel industry still needs time to recover and it will not likely rebound to the pre-COVID-19 levels in a short period of time. According to the Hong Kong Tourism Board, the average occupancy rate for all hotels was approximately 76% for the first quarter of 2023, which was still below pre-COVID-19 levels, where the average occupancy rate for all hotels in 2018 was approximately 91%.

Office and retail rental index

There is no hotel rental index in Hong Kong. The Valuer advised that it had considered the office rental index and retail rental index as an approximate indicator of the situation of the Hong Kong hotel rental market, as office rentals and retail rentals reflect the spending appetite and ability of both corporations and individuals.

In respect of office rentals, as mentioned in the Rental Valuation Report, there was a huge decline in the private office market due to COVID-19. According to the Rating and Valuation Department (private offices — average rents by grade and district), the average rents for Grade A office for core districts (representing Sheung Wan/Central, Wanchai/Causeway Bay and Tsim Sha Tsui) on average (i) decreased by approximately 18.7% from 2018 to 2022; and (ii) decreased by approximately 27.0% from 2018 to the first quarter of 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of private retail, according to the Rating and Valuation Department (private retail — rental and price indices), the private retail rent index on average decreased by approximately 10.7% from 2018 to 2022. As set out in the Rental Valuation Report, in addition to the fact that the flow of tourists is not as prosperous as pre-COVID-19 levels, the consumption power of tourists has not yet recovered.

Rental relief

The Valuer advised that rental relief provided by property companies in Hong Kong during the COVID-19 pandemic was also taken into consideration when considering the market situation. As set out in the Rental Valuation Report, during the COVID-19 pandemic, many property companies in Hong Kong offered rental relief to their tenants, where some property companies have offered rent reductions or waivers for a certain period of time or deferral of rental payments to help ease the financial burden on their tenants. As set out in the Rental Valuation Report, such rental relief measures aimed to provide support to tenants during the pandemic to help them weather the economic challenges.

Visitor arrivals

In respect of visitor arrivals, the peak number of tourist arrivals before the outbreak of COVID-19 was about 6.8 million in January 2019. During COVID-19, the number of tourist arrivals to Hong Kong dropped sharply to only a few thousand per month. Although the number of tourists visiting Hong Kong has been rebounding in 2023, it is still far below the pre-pandemic level. According to the Hong Kong Tourism Board, the total number of visitors in March 2023 was around 2.5 million, as compared to peak tourist arrivals of about 6.8 million in January 2019. Although it is anticipated that tourism in Hong Kong will continue to gradually recover, the Valuer considers that delayed reopening in Hong Kong has caused a “scarring effect” for Hong Kong’s inbound tourism.

The Valuer advised that having considered the market situation, the Valuer does not anticipate that the Unit Rent of the Collective Leased Premises will return to the levels prior to COVID-19 in a short period of time. The 2024 Projected Unit Rent of HK\$900 is lower than the historical Unit Rent of the Collective Leased Premises from 2013 to 2018 and represents a 25% decrease from the Unit Rent of HK\$1,200 for the year of 2018.

(ii) 2024 Projected Unit Rent — considerations for comparable rental transactions:

In determining the 2024 Projected Unit Rent of HK\$900, apart from considering the historical Unit Rent of the Collective Leased Premises and market situation, the Valuer had considered the Unit Rent of the comparable rental transactions of Regal REIT. As set out in the sub-section headed “A. *Rental details of the comparable rental transactions*”, Regal REIT as lessor received rent from lessee (i) ranging from HK\$211 to HK\$916 per room among the four comparables; and (ii) amounting to HK\$560 per room for Comparable 1 (on average from 2013 to 2018).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Valuer advised that the Unit Rent received by Regal REIT as lessor in respect of the comparable rental transactions served as a reference point in determining the 2024 Projected Unit Rent of HK\$900, which the Valuer considered the differences between the Collective Lease Premises and the hotels of the comparable rental transactions in terms of location, grading, facility variety etc. The Collective Leased Premises generally are of higher grading compared to the hotels of the comparable rental transactions.

The Valuer advised that despite that the absolute amount of Unit Rent received by the Hotel Companies and Regal REIT (both in the capacity of lessor) is not directly comparable due to the differences of the hotels of the Collective Leased Premises and the comparable rental transactions, it is not unreasonable to expect that the absolute amount of Unit Rent received by the Hotel Companies (projected at HK\$900 for 2024) is generally higher than the Unit Rent received by Regal REIT (which ranged from around HK\$211 to HK\$916 per room), taking into account the generally higher grading of the Collective Leased Premises.

(iii) 2024 Projected Unit Rent — summary of collective considerations:

As elaborated above, the 2024 Projected Unit Rent of HK\$900 was determined by the Valuer with reference to collective factors including (i) the historical Unit Rent of the Collective Leased Premises, which for reference the 2024 Projected Unit Rent of HK\$900 represents a decrease of 25% from the historical Unit Rent of 2018, factoring in market considerations including (a) the decrease in Hong Kong hotel room rates (the hotel room rates of High Tariff A hotels and High Tariff B hotels decreased by around 20% and 30% respectively from 2018 to 2022); (b) the decrease in office rentals (the office rental index for Grade A office for core districts decreased by around 27% from 2018 to the first quarter of 2023); (c) rental relief; and (d) visitor arrivals in Hong Kong (the number of tourist arrivals in the first quarter of 2023 was still significantly below pre-COVID 19 levels); and (ii) the comparable rental transactions of Regal REIT, which the Unit Rent received by Regal REIT served as a reference point for the Valuer in determining the 2024 Projected Unit Rent of HK\$900, taking into account the differences between the Collective Lease Premises and the hotels of the comparable rental transactions.

(iv) Projected Unit Rent for 2025 to 2027:

The Valuer projected the Unit Rent of the Collective Leased Premises at HK\$950, HK\$990, and HK\$1,040 for 2025, 2026 and 2027, respectively, representing a projected annual growth rate of around 5% (the “**Projected Annual Growth Rate**”).

The Valuer advised that the Projected Annual Growth Rate from 2025 to 2027 takes into account projected annual inflation. According to the statistics of the Hong Kong composite consumer price index, inflation in the first quarter of 2023 was an average of approximately 1.9%. We further note from the “2023–24 Budget” of Hong Kong (Speech by the Financial Secretary of Hong Kong) that domestic cost pressures

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

will increase alongside the economic recovery, which the Financial Secretary of Hong Kong forecasts that the headline inflation rate will rise to 2.9% for 2023, indicating an uptrend in inflation in Hong Kong.

Note 3: Projected Variable Rent

Based on the projected total rooms available and projected Unit Rent for the relevant year from 2024 to 2027, the Valuer determined the projected total rent of the Collective Leased Premises from 2024 to 2027.

Given that the Base Rent is fixed at HK\$225 million per annum, the Valuer determined the Projected Variable Rent for each year from 2024 to 2027 by deducting the Base Rent of HK\$225 million from the projected total rent of each year from 2024 to 2027.

Note 4: Projected Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees and projected proportion of rent/revenue paid by the Master Lessee

The Variable Rent Percentage represents (i) Variable Rent divided by (ii) the Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees.

In determining the projected Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees for the Collective Leased Premises from 2024 to 2027, the Valuer advised that it had made reference to the historical amounts of (a) the revenue per available room; and (b) the Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees of the Collective Leased Premises.

We note from the Rental Valuation Report that the projected revenue per available room and projected Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees for 2024 are similar to their respective historical actual amounts for the year of 2018. We note from the Rental Valuation Report that the projected revenue per available room and the Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees for each year from 2025 to 2027 represented annual growth rate of around 5% from the previous year.

Projected proportion of rent/revenue paid by Master Lessee:

As set out in the Rental Valuation Report, the Valuer determined that the projected total rent per room paid by the Master Lessee as a proportion of revenue per room received by the Master Lessee (as indicated by the projected Total Rent per TRA/RevPAR (after deducting Global Marketing Fees)) is approximately 54% for each year from 2024 to 2027.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The projected ratio of 54% from 2024 to 2027 is lower than the historical ratio of the Collective Leased Premises of around 77% (which represents the average ratio from 2014 to 2018 of the Collective Leased Premises as set out in the sub-section headed “*B. Rental details of the Collective Leased Premises*” above). We understand from the Valuer that the lower ratio projected for 2024 to 2027 is a reflection of the elevated business and financial risks associated with the hotel market (including the hotel rental market) in Hong Kong, in particular the risks faced by hotel operators and hotel lessees that bear substantial operating and rental costs. As mentioned in the sub-section headed “*B. Rental details of the Collective Leased Premises*”, the ratio exceeded 100% for 2020 and 2021, which indicated that the Master Lessee paid more rent to the Hotel Companies than the room revenue received by the Master Lessee.

The Valuer advised that in assessing the projected proportion of room revenue received by the Hotel Companies as rental income in respect of the Collective Leased Premises, the Valuer had considered the comparable rental transactions, in particular the proportion of room revenue received by Regal REIT as lessor from lessee. As set out in the sub-section headed “*A. Rental details of the comparable rental transactions*”, (i) among the four comparables, Regal REIT as lessor received from lessee 43.5% to 258.6% of room revenue as rental income; and (ii) for Comparable 1, which is considered to be more representative in relation to the Collective Leased Premises, Regal REIT as lessor received from lessee 61.1% (on average) of the room revenue as rental income from 2013 to 2018. We note that the projected ratio of the Collective Leased Premises of appropriately 54%, although lower than the ratio of Comparable 1 of approximately 61% (on average) from 2013 to 2018, is comparable taking into account the rental details of the Collective Leased Premises and market situation as mentioned above.

The Valuer advised that taking into consideration the rental details of the Collective Leased Premises and comparable rental transactions as well as market situation, the Valuer considers that the projected total rent per room paid by the Master Lessee as a proportion of revenue per room received by the Master Lessee of approximately 54% for the years from 2024 to 2027, is a reflection of the elevated business and financial risks of the hotel rental market as highlighted by the COVID-19 situation in recent years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note 5: Variable Rent Percentage

As set out in the Rental Valuation Report, based on the result of the rental review, the Valuer determined the Variable Rent Percentage for the Collective Leased Premises of 48.34%, 50.10%, 51.00% and 52.45% for 2024, 2025, 2026 and 2027, respectively, representing an average Variable Rent Percentage of approximately 50% for the Third Period.

	Variable Rent Percentage <i>(Variable Rent/Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees)</i>
2024	48.34%
2025	50.10%
2026	51.00%
2027	52.45%
Average	50.47%

6. Risk factors

Termination of the Master Lease Agreements

Holders of Share Stapled Units should note that termination of the Master Lease Agreements may have an impact on the stability of the business of the Trust Group, results of operations, financial condition and prospects of the Trust Group as it would result in the Trust Group ceasing to receive the Base Rent (representing a guaranteed minimum revenue) and Variable Rent under the Master Lease Agreements.

Actual performance of the Hotels

The Valuer's projected total rent of the Collective Leased Premises from 2024 to 2027 (based on assumptions that may or may not remain valid for the whole period up to 31 December 2027) set out in the Rental Valuation Report is not a forecast of the revenue of the Trust Group from 2024 to 2027. The actual rental income of the Trust Group from the Master Lessee may be higher or lower than the Valuer's projected total rent of the Collective Leased Premises, subject to the actual performance of the Hotels.

7. Assessment of the duration of the Master Lease Agreements

Given that the remaining term of the Master Lease Agreements, being the Third Period (i.e. from 1 January 2024 to 29 May 2027 (around three years and five months)) is more than three years, we have assessed why a longer period as contemplated under the Third Period is required and whether it is normal business practice for agreements of this type to be of such duration.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasons for the duration of the Master Lease Agreements to be longer than three years, we have considered the following factors: (i) a longer lease period allows the Holders of Share Stapled Units to receive the guaranteed Base Rent for a longer period of time, providing additional certainty for the source of revenue for the Trust Group; (ii) a longer lease period reduces short term uncertainties as there is no assurance that the Trust Group and Great Eagle would be able to agree the terms of new master lease agreements when the Master Lease Agreements expire; and (iii) the Master Lease Agreements have been in force since 10 May 2013, which the Third Period represents a continuation of the Master Lease Agreements until its expiry in May 2027.

In considering whether it is normal business practice for agreements of a similar nature to the Master Lease Agreements to have a term of such duration, we have assessed the durations of the hotel leases of Regal REIT as disclosed in the announcements of Regal REIT:

Regal REIT hotels	Location	Lease duration	Extended lease term
Regal Hong Kong Hotel	Hong Kong	10 years	1 January 2021 to 31 December 2030
Regal Kowloon Hotel	Hong Kong	10 years	1 January 2021 to 31 December 2030
Regal Oriental Hotel	Hong Kong	10 years	1 January 2021 to 31 December 2030
Regal Riverside Hotel	Hong Kong	10 years	1 January 2021 to 31 December 2030
Regal Airport Hotel	Hong Kong	8 years less 4 days	1 January 2021 to 27 December 2028
iclub Sheung Wan Hotel	Hong Kong	5 years	1 January 2020 to 31 December 2024
iclub Fortress Hill Hotel	Hong Kong	5 years	1 January 2020 to 31 December 2024
iclub To Kwa Wan Hotel	Hong Kong	5 years and around 4 months	4 September 2022 to 31 December 2027

We noted that the duration of the extended leases of the above hotels of Regal REIT range from 5 years to 10 years. Therefore, we are of the view that it is normal business practice for the duration of the Third Period (i.e. from 1 January 2024 to 29 May 2027) of the Master Lease Agreements to be more than three years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CONCLUSION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in full context of this letter):

- (a) the rental income from the Master Lessee as governed by the Master Lease Agreements (which have been in force since 10 May 2013) is a significant source of income to the Trust Group, which the rental income from the Master Lessee after service fees expense represents around 99% of the revenue of the Trust Group;
- (b) the components of an annual base rent and variable rent under the Master Lease Agreements is a complementary structure designed to provide the Trust Group with a visible income stream combining both a fixed element and a participation in a portion of any potential upside in the profitability of the Hotels, which the annual base rent of HK\$225 million (pro rata for any period less than one year) will continue to be a guaranteed rental income to the Trust Group and provide downside protection and income certainty to the Trust Group;
- (c) the basis of the Variable Rent determined for the Third Period (which reflects the adjustment of the Variable Rent Percentage from 70% to 50%), despite resulting in a possible reduction in the Trust Group's share of the potential profits of the Hotels, is a reflection of the market situation and continues to allow the Trust Group to benefit from upside in the profitability of the Hotels; and
- (d) based on our independent work performed on the Rental Valuation Report (which forms the basis of the market rental package of the Hotels for the Third Period) as set out in the section headed "*5. Assessment of the market rental package of the Hotels for the Third Period*", we are satisfied with the fairness and reasonableness of the methodology, principal basis, assumptions and parameters adopted in the Rental Valuation Report, and hence we consider that the market rental package of the Hotels for the Third Period is fair and reasonable,

we are of the opinion that the Remaining Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Trust Group, and in the interests of the Trust, the Company and the Holders of Share Stapled Units as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Holders of Share Stapled Units and advise the Independent Board Committee to recommend the Independent Holders of Share Stapled Units to vote in favour of the ordinary resolution to be proposed at the EGM to approve the remaining transactions under the Master Lease Agreements for the Third Period.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex Lau **Colin Lee**
Managing Director *Director*

Note: Mr. Alex Lau has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2004, and Mr. Colin Lee has been a licensed representative of Type 6 (advising on corporate finance) regulated activities from 2013 to 2018 and since 2020.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Trust Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

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

Long positions in Share Stapled Units and underlying Share Stapled Units

Name of Director	Total number of SSUs/ underlying SSUs held	Percentage of issued SSUs ⁽⁴⁾
Lo Ka Shui	2,425,824,183 ⁽¹⁾	73.75
Lo Chun Lai, Andrew	300,000 ⁽²⁾	0.01
Brett Stephen Butcher	2,170,545 ⁽³⁾	0.07

Notes:

- (1) These 2,425,824,183 Share Stapled Units comprise the following:
- (i) 31,584,000 Share Stapled Units were held by Dr. Lo Ka Shui personally;
 - (ii) 2,301,139,933 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 2,157,195,433 Share Stapled Units, Fine Noble Limited as to 87,894,750 Share Stapled Units and Great Eagle Nichemusic Limited as to 8,947,500 Share Stapled Units and The Great Eagle Company, Limited as to 47,102,250 Share Stapled Units, all of the said companies are wholly-owned subsidiaries of Great Eagle. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. His interests in Great Eagle are disclosed below;
 - (iii) 3,090,000 Share Stapled Units were held by two companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies; and
 - (iv) 90,010,250 Share Stapled Units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.

- (2) These 300,000 Share Stapled Units were held by Mr. Lo Chun Lai, Andrew personally.
- (3) These 2,170,545 Share Stapled Units were jointly held by Mr. Brett Stephen Butcher with his spouse.
- (4) This percentage has been compiled based on 3,289,330,011 Share Stapled Units of the Trust and the Company in issue as at the Latest Practicable Date.

Long positions in shares and underlying shares of associated corporations

Great Eagle

As at the Latest Practicable Date, Great Eagle owned 69.96% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The interests of Directors of the Trustee-Manager and the Company in Great Eagle as at Latest Practicable Date are disclosed as follows:

Name of Director	Total number of of ordinary shares/ underlying shares held	Percentage of issued share capital ⁽⁵⁾
Lo Ka Shui	481,392,268 ⁽¹⁾	64.38
Lo Chun Him, Alexander	1,163,488 ⁽²⁾	0.16
Lo Chun Lai, Andrew	721,000 ⁽³⁾	0.10
Brett Stephen Butcher	858,433 ⁽⁴⁾	0.11

Notes:

- (1) These interests comprise the following:
- (i) 61,542,835 shares and 3,390,000 share options were held by Dr. Lo Ka Shui personally;
 - (ii) 95,928,364 shares were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies;
 - (iii) 254,664,393 shares were held by a discretionary trust of which Dr. Lo Ka Shui is one of the discretionary beneficiaries; and
 - (iv) 65,866,676 shares were held by a discretionary trust of which Dr. Lo Ka Shui is the founder.
- (2) These interests comprise 128,488 shares and 1,035,000 share options held by Mr. Lo Chun Him, Alexander personally.
- (3) These interests comprise 545,000 shares and 176,000 share options held by Mr. Lo Chun Lai, Andrew personally.
- (4) These interests comprise 52,000 shares and 775,000 share options held by Mr. Brett Stephen Butcher personally and 31,433 shares jointly held by Mr. Brett Stephen Butcher with his spouse.
- (5) This percentage has been compiled based on 747,723,345 shares of Great Eagle in issue as at the Latest Practicable Date.

Champion Real Estate Investment Trust (“Champion REIT”)

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at the Latest Practicable Date, Great Eagle owned 68.78% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the holdings of Directors of the Trustee-Manager and the Company in Champion REIT as at Latest Practicable Date are disclosed as follows:

Name of Director	Total number of units/ underlying units held	Percentage of issued units ⁽²⁾
Lo Ka Shui	4,137,007,625 ⁽¹⁾	69.06

Notes:

- (1) These 4,137,007,625 units comprise the following:
- (i) 3,592,007 units were held by Dr. Lo Ka Shui personally;
 - (ii) 4,120,096,008 units indirectly held by Great Eagle of which Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director. His interests in Great Eagle are disclosed above;
 - (iii) 3,258,610 units were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies;
 - (iv) 10,061,000 units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.
- (2) This percentage has been compiled based on 5,990,682,244 units of Champion REIT in issue as at the Latest Practicable Date.

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

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Trust Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Trust Group were made up) been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Trust Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Share Stapled Units, underlying Share Stapled Units and debentures of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Trust Group other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Trust Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Trust Group were made up.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests of Directors (other than Independent Non-executive Directors) in a business apart from the business of the Trust Group which competes or is likely to compete, either directly or indirectly, with the Trust Group's business as informed by the relevant Directors pursuant to Rule 8.10(2) of the Listing Rules are as follows:

Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, Mr. Lo Chun Him, Alexander and Mr. Lo Chun Lai, Andrew, both being the Non-executive Directors of the Trustee-Manager and the Company, and Mr. Brett Stephen Butcher, being the Chief Executive Officer and Executive Director of the Trustee-Manager and the Company, hold directorships and/or senior management positions in Great Eagle and/or subsidiary(ies) of Great Eagle.

The Great Eagle Group, as an associated corporation of the Trust and the Company and a controlling Holder of Share Stapled Units, develops, invests in and manages high quality residential, offices, retail and hotel properties in Asia, North America, Australasia and Europe. The interests of Dr. Lo Ka Shui, Mr. Lo Chun Him, Alexander, Mr. Lo Chun Lai, Andrew and Mr. Brett Stephen Butcher held in Great Eagle are disclosed in the section headed "Long positions in shares and underlying shares of associated corporations" above.

The Great Eagle Group and the Trust Group have distinct business focuses of their own and adopt different development strategy. The Trust Group focuses on optimising the performance of its three hotel properties in Hong Kong, namely The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK, and adopts a growth strategy of investing in completed stand-alone hotels in Asia. The Great Eagle Group, on the other hand, focuses on developing its global hotel management

services operations and brand building. In 2022, Great Eagle has rebranded one of its properties located in Wanchai, Hong Kong, from Eaton Residences to Ying'nFlo as a hotel brand operating hospitality business which targets at securing management contracts in the Mainland China.

To further maintain a clear delineation of the geographical location of their hotel properties in and outside Asia, a Deed of Right of First Refusal (“**ROFR**”) was entered into between Great Eagle and the Company to ensure the Trust Group would have the first right to participate and to acquire completed stand-alone hotels in Asia (excluding Australia and New Zealand) should the Great Eagle Group wish to sell or is given the opportunity to invest in these hotels. Pursuant to the terms of the ROFR, the rebranding of Ying'nFlo does not fall into the requirements of ROFR as there is no change of ownership of Hotel Property (as defined in the ROFR) from the Great Eagle Group to the Trust Group.

As for daily operation, the Executive Director and Chief Executive Officer of the Trustee-Manager and the Company is primarily responsible for the overall day-to-day management of the Group and has oversight of the performance of the Master Lessee and the Hotel Manager. The management team and staff of the Group report directly to the Executive Director and Chief Executive Officer and he is accountable to the Trustee-Manager Board and Company Board, operates and manages the Trust Group under various corporate governance measures and the schedule of matters reserved for the Trustee-Manager Board and the Company Board with due care and in the best interest of the Trust Group and Holders of Share Stapled Units.

In addition, the Trust Group has established various corporate governance measures to address any potential conflict of interest of the common Directors of the Trust Group and the Great Eagle Group.

In view of the above, the Directors believe that the Trust Group is able to operate independently with the Great Eagle Group and has been capable of carrying on its businesses at arm's length from the businesses of the Great Eagle Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates (as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any interest in a business which competes or may compete with the business of the Trust Group.

6. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions and advice, which are contained in this circular:

Name	Qualification
Ballas Capital	Licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The expert named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which it appears. The letter of the Independent Financial Adviser contained herein was issued on 4 July 2023 and was made by the Ballas Capital for incorporation in this circular.

7. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, Ballas Capital:

- (a) did not have any holding of Share Stapled Units/shareholding, directly or indirectly, in any member of the Trust Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Trust Group; and
- (b) did not have any direct or indirect interest in any assets which had since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Trust Group were made up) been acquired or disposed of by or leased to any member of the Trust Group, or were proposed to be acquired or disposed of by or leased to any member of the Trust Group.

8. DOCUMENTS ON DISPLAY

Copies of the Master Lease Agreements will be published on the HKEXnews website at www.hkexnews.hk and Langham's website at www.langhamhospitality.com from the date of this circular and up to and including the date which is 14 days from the date of this circular.

NOTICE OF EGM

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (“EGM”) of Langham Hospitality Investments (the “Trust”) and Langham Hospitality Investments Limited (the “Company”) (collectively referred as “Langham”), as convened by LHIL Manager Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the Trust) and the Company, will be held on Friday, 21 July 2023 at 3:00 p.m. at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, for the purpose of considering and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution (which shall serve as an ordinary resolution of registered holders of units under the trust deed constituting the Trust and as an ordinary resolution of shareholders of the Company under the Company’s amended and restated articles of association (the “Company’s Articles”)):

ORDINARY RESOLUTION

“THAT:

- (a) (i) the remaining transactions under the Master Lease Agreements (as defined in the circular of the Trust and the Company dated 4 July 2023 of which this notice forms part (the “Circular”)) (a copy of which is tabled at the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) for the period from 1 January 2024 to the expiry date of the Master Lease Agreements (i.e. 29 May 2027) (the “Third Period”) be and are hereby approved, confirmed and ratified; and
- (ii) the Base Rent (as defined in the Circular) and the Variable Rent (as defined in the Circular) for the three financial years ending on 31 December 2024, 31 December 2025 and 31 December 2026 and for the period from 1 January 2027 to 29 May 2027 be and are hereby approved; and

NOTICE OF EGM

- (b) the directors of the Trustee-Manager and the Company be and are hereby authorised for and on behalf of the Trust and the Company to execute any such documents, instruments and agreements and to do any such acts or things as may be deemed by them in their absolute discretion as necessary or desirable, incidental to, ancillary to or in connection with or otherwise to give effect to consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the remaining transactions contemplated under the Master Lease Agreement for the Third Period.”

By Order of the Boards
LHIL Manager Limited
and
Langham Hospitality Investments Limited
WONG Mei Ling, Marina
Company Secretary

Hong Kong, 4 July 2023

Registered Office of the Company:

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

Principal Place of Business in Hong Kong of the Company:

Suite 2702, 27th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Registered Office of the Trustee-Manager:

33rd Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

Notes:

1. Any holder of Share Stapled Units entitled to attend and vote at the EGM (or any adjournment thereof) of the Trust and the Company is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. A proxy need not be a holder of Share Stapled Units. Holders of Share Stapled Units may appoint the Chairman of the EGM as their proxy to vote on the resolution, instead of attending the EGM in person.
2. Where there are joint registered holders of any Share Stapled Unit, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share Stapled Unit as if he/she was solely entitled thereto; but if more than one of such joint holders is present at the EGM personally or by proxy, that one of the holders so present whose name stands first on the Share Stapled Units Register in respect of such Share Stapled Unit shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased holder of Share Stapled Units in whose name any Share Stapled Unit stands shall for this purpose be deemed joint holders thereof.

NOTICE OF EGM

3. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power of attorney or authority) must be deposited at the Principal Place of Business in Hong Kong of the Company at Suite 2702, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong no later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).

Completion and return of the form of proxy will not preclude holders of Share Stapled Units from attending and voting in person at the EGM should they so wish. In the event that the holders of Share Stapled Units attend the EGM or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.

4. The Share Stapled Units Register, the register of holders of units, the principal and Hong Kong branch registers of members, and the register of beneficial interests as established and maintained by the Trustee-Manager and the Company in accordance with the provisions of the Trust Deed will all be closed from Wednesday, 19 July 2023 to Friday, 21 July 2023, both days inclusive, for the purpose of ascertaining the entitlement of holders of Share Stapled Units to attend and vote at the EGM. During such period, no transfer of Share Stapled Units will be registered. In order to be eligible to attend and vote at the EGM, 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 Tuesday, 18 July 2023.

5. Each Share Stapled Unit comprises:

- (i) a unit in the Trust;
- (ii) a beneficial interest in a specifically identified ordinary share in the Company held by the Trustee-Manager, which is “linked” to the unit; and
- (iii) a specifically identified preference share in the Company with is “stapled” to the unit.

Under the Trust Deed and the Company's Articles, the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

6. The EGM is convened as a combined meeting of unitholders of the Trust and shareholders of the Company. Each resolution proposed to approve a matter to be considered by the holders of Share Stapled Units at the EGM shall serve as both a resolution of unitholders of the Trust and a resolution of shareholders of the Company.

7. The form of proxy provided to holders of Share Stapled Units for use at the EGM, and the form of voting paper to be used at the EGM, are, in each case, a single composite form. The effect of completing a form of proxy or voting paper (as the case may be) indicating a vote either for or against a resolution of holders of Share Stapled Units to be proposed at the EGM shall be the vote cast in respect of the relevant Share Stapled Units and shall constitute:

- (i) a vote of the units of the Trust (as component of the relevant Share Stapled Units) in respect of the resolution of unitholders of the Trust under the Trust Deed;
- (ii) a vote of the preference shares of the Company (as component of the relevant Share Stapled Units) in respect of the resolution of shareholders of the Company under the Company's Articles; and
- (iii) an instruction to the Trustee-Manager to vote the number of ordinary shares of the Company held by the Trustee-Manager (as component of the relevant Share Stapled Units) in the same way of the resolution of shareholders of the Company under the Company's Articles.

8. In respect of each individual Share Stapled Unit, the voting rights conferred by the unit, and the preference share and the interest in the ordinary share which are components of the relevant Share Stapled Unit can only be exercised in the same way (either for or against) in respect of a resolution of holders of Share Stapled Units to be proposed at the EGM; and completion of a form of proxy or voting paper in respect of a Share Stapled Unit will have that effect, as described in note 7 above.

NOTICE OF EGM

9. The votes at the EGM will be taken by poll.
10. If a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 1:00 p.m. on Friday, 21 July 2023, the EGM will be rescheduled. The Trust and the Company will publish an announcement on the HKEXnews website at www.hkexnews.hk and Langham's website at www.langhamhospitality.com to notify holders of Share Stapled Units of the date, time and venue of the rescheduled meeting.
11. The EGM venue has wheelchair access. Anyone accompanying a holder of Share Stapled Units in need of assistance will be admitted to the EGM. If any member with a disability has a question regarding attendance, please contact the Company Secretarial Division of the Company by email at Langham.ecom@langhamhospitality.com.