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LANGHAM

HOSPITALITY INVESTMENTS

Langham Hospitality Investments

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

and

Langham Hospitality Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1270)

2023 ANNUAL RESULTS ANNOUNCEMENT

The boards of directors (the “Boards”) of LHIL Manager Limited (the “Trustee-Manager”, as the trustee-manager of Langham Hospitality Investments (the “Trust”)) and Langham Hospitality Investments Limited (the “Company”) are pleased to announce the consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “Trust Group”) for the year ended 31 December 2023 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2023	2022	Change
Revenue of hotel portfolio	1,618.8	970.6	66.8%
Total rental income for the Trust Group after netting service fees	514.0	332.1	54.8%
Profit attributable to Holders of Share Stapled Units excluding fair value change on investment properties and derivative financial instruments	224.1	118.1	89.8%
Distributable income	297.6	190.5	56.2%
Final distributable income	-	95.3	-100.0%
Interim distribution per Share Stapled Unit	-	-	-
Final distribution per Share Stapled Unit	-	HK2.9 cents	-100.0%
Annual distribution per Share Stapled Unit	-	HK2.9 cents	-100.0%

FINANCIAL HIGHLIGHTS (continued)

As at	31 Dec 2023	30 Jun 2023	31 Dec 2022
Gross value of hotel portfolio (in HK\$ million)	15,662	15,265	14,685
Net asset value per Share Stapled Unit	HK\$2.77	HK\$2.65	HK\$2.49
Gearing ratio	38.3%	40.5%	42.0%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Along with the China border opening and gradual growth in conferences, trade shows, and events, Hong Kong has experienced an influx of visitors with almost 34.0 million people visiting the city in 2023, compared to just 0.6 million in 2022. The average number of daily visitor arrivals has rebounded to more than 50% of pre-pandemic levels. Furthermore, the number of overnight visitors has surpassed 50% of the total visitor arrivals, which is a higher percentage of total visitor arrivals than the pre-pandemic levels.

These increases have fueled rising occupancy and the average room rate, helping our hotel portfolio record 61.7% year-over-year growth in revenue per available room (“RevPAR”) in 2023.

In 2022, The Langham, Hong Kong and Cordis, Hong Kong served as Community Isolate Facility (“CIF”)/quarantine hotels for a certain period, while Eaton HK offered rooms to the Hospital Authority's staff for three months. These initiatives helped to mitigate the impact of the pandemic on the Hotel's performance in 2022.

Food and Beverage (“F&B”) business has also grown in 2023. F&B revenue was 1.9 times of last year, mostly due to the good performance of all three Chinese restaurants, support for our buffet product in the all-day dining outlets, and stronger banquet and catering businesses. These increases are mainly due to the lifting of all social distance policies in early 2023 and no temporary outlet closures in 2023.

Driven by the above improvements in RevPAR and F&B business, total revenue of our hotel portfolio in 2023 achieved a 66.8% increase over 2022.

Our hotel portfolio witnessed a respectable operating profit flow-through of 50% which underpinning an aggregate gross operating profit before deduction of the global marketing fee of HK\$526.4 million in 2023, representing 2.5 times of last year.

However, as compared to the best year of 2018, our costs have risen dramatically, far outpacing the increase in price charged. For instance, cost per occupied room has increased by 25.3% while room rate over the period has dropped by 8.5%. The resultant rooms profit has deteriorated from 77.2% to 68.8%. Likewise, in F&B although our average check has increased by 8.2%, our average costs per cover have increased 16.0%, reducing our F&B profit from 34.7% to 30.6%. We are therefore focussed on improving as we move forward by increasing price as well as reducing costs in all areas, though it will not be easy.

In 2023, fixed rental income from GE (LHIL) Lessee Limited (the “Master Lessee”) amounted to HK\$225.0 million, and variable rental income amounted to HK\$368.5 million, representing our 70% share of the Hotels’ aggregate gross operating profit before deduction of the global marketing fee.

Overall, the gross rental income after accounting for service fee expenses increased by 54.8% to HK\$514.0 million in 2023. After deducting the hotel properties related expenses, the Trust Group’s net property income increased by 57.7% year-on-year to HK\$494.7 million.

During the year, the Trust Group continued to face the challenges of high interest rates. The constant interest rate hikes since the second half of 2022 was the primary reason that finance costs rose by 70.3% to HK\$247.1 million. The average interest rate of our bank borrowings incurred by the Trust Group rose to 5.0% per annum in 2023 as compared to 2.0% per annum in 2022. Since Hong Kong's interest rates may remain high in the near future, the Trust Group will closely monitor and actively manage risks by swapping certain proportion of the outstanding bank borrowings from floating to fixed rates when we think it is appropriate.

As at 31 December 2023, valuation of the hotel portfolio rose to HK\$15,662.0 million as compared with HK\$14,685.0 million as at the end of December 2022. This gain in the fair value of investment properties (hotel portfolio) booked during the year amounted to HK\$926.3 million was partially offset by the decrease in the fair value of derivative financial instruments of HK\$70.1 million. The combined effect of these two key non-cash items helped to deliver a net profit of HK\$1,080.3 million for the year.

However, net profit, excluding these non-cash fair value changes of investment properties and derivative financial instruments, was HK\$224.1 million, representing an increase of 89.8% as compared with 2022. After adjusting for other non-cash items, total distribution income amounted to HK\$297.6 million for the year ended 31 December 2023.

Net Asset Value (“NAV”) of the Trust Group amounted to HK\$9,190.7 million or HK\$2.77 per Share Stapled Unit as at 31 December 2023.

In 2023, in a continued effort to reduce debt, we repaid a portion of our bank loan. The outstanding bank loan balance as at 31 December 2023 has been lowered by HK\$257.9 million to HK\$6,059.1 million as compared with 31 December 2022. As a result of this reduction in debt and the increasing valuation of our hotel properties, our gearing ratio was lowered to 38.3% at the end of 2023 as compared with 42.0% at the end of 2022.

The Trust Group has secured a 12-month extension of its bank loan until December 2024. However, it continues to be exposed to refinancing risk due to the persistently high interest rates and the tighter credit conditions. The Trust Group will proactively engage with the banks to seek better terms and enhance its financing capacity.

Although there was an evident recovery in the Hotels' business during the year, the profitability and stability of the Hotels' future business remain uncertain, especially in a high interest rate environment, and this in turn makes the timing of the ultimate business recovery uncertain. Given the uncertain economic outlook, we need to preserve a strong balance sheet for our business, the Boards recommended not to declare a final distribution for the year ended 31 December 2023.

As the market continues to recover, fueling business growth, and as interest rate begin to wane, it is The Boards intention, as we move forward, to pay appropriate distributions when the time is right.

OPERATIONAL REVIEW

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

The Trust Group continued to receive a fixed rental income of HK\$225.0 million for 2023. Since the Hotels reported an aggregate gross operating profit in 2023, variable rental income of HK\$368.5 million was also earned. Combined with a modest rental income from the retail shops at Eaton HK of HK\$1.7 million, total rental income received by the Trust Group before service fees was HK\$595.2 million for the year, representing a growth of 58.3% year-on-year. After netting off HK\$81.2 million in service fees incurred, total rental income was HK\$514.0 million, representing a year-on-year increase of 54.8%.

(in HK\$ million)	2023	2022	Change
Fixed rental income	225.0	225.0	-
Variable rental income	368.5	148.9	147.5%
Rental income from retail shops	1.7	2.1	-19.0%
Total rental income before service fees	595.2	376.0	58.3%
Service fees expenses	(81.2)	(43.9)	85.0%
Total rental income for the Trust Group	514.0	332.1	54.8%

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

In 2023, reflecting the improvement in the operating performances of the Hotels as compared with 2022, hotel management fees rose by 103.8% to HK\$47.7 million, licence fee rose by 67.0% to HK\$16.2 million and the global marketing fee rose by 60.2% to HK\$17.3 million. Total service fees payable to the hotel management company increased by 85.0% year-on-year to HK\$81.2 million.

(in HK\$ million)	2023	2022	Change
Hotel management fees	47.7	23.4	103.8%
Licence fee	16.2	9.7	67.0%
Global marketing fee	17.3	10.8	60.2%
Total service fees	81.2	43.9	85.0%

Hotel properties related expenses increased by 4.9% year-on-year to HK\$19.3 million in 2023, which was primarily due to an increase in property management services fee and the higher rateable value of the hotel properties resulting from higher government rates. Overall, the net property income of the Trust Group was HK\$494.7 million in 2023, representing a 57.7% year-on-year increase.

(in HK\$ million)	2023	2022	Change
Total rental income after service fees	514.0	332.1	54.8%
Hotel properties related expenses	(19.3)	(18.4)	4.9%
Net property income	494.7	313.7	57.7%

The main reason for the 70.3% increase in total finance costs to HK\$247.1 million was the higher HIBOR since July 2022. This resulted in interest expenses on bank borrowings rising to HK\$312.5 million in 2023, a 142.1% increase from 2022. However, we realised a net interest gain of HK\$77.6 million from our swaps to partially offset the effects of the rising HIBOR, because the average swap rates were lower than the floating rates in 2023.

A considerable proportion of our swaps, with a total notional amount of HK\$3,200.0 million, were set to expire in December 2023. The total notional amount of interest rate swap contracts used to hedge the existing floating rate loans as at 31 December 2023 was HK\$1,500.0 million, representing 24.8% of our outstanding borrowing (before accounting for the loan extension fee). The Trust Group will continue to remain vigilant and closely monitor the interest rate movements and, depending on market conditions, may consider further mitigating its interest rate exposure on

the remaining bank debts by swapping part of them from floating to fixed rates when appropriate.

(in HK\$ million)	2023	2022	Change
Breakdown of finance costs			
Interest expense on bank borrowings	(312.5)	(129.1)	142.1%
Net interest on interest rate swaps	77.6	(3.7)	n.m.
Loan front-end/extension fee amortisation	(11.1)	(11.3)	-1.8%
Other borrowing costs	<u>(1.1)</u>	<u>(1.0)</u>	10.0%
Total finance costs	(247.1)	(145.1)	70.3%

Net profit after tax for 2023 was HK\$1,080.3 million. The key factor that significantly lifted the profit after tax for the year ended 31 December 2023 was the increase in fair value of investment properties (hotel portfolio) of HK\$926.3 million, which was partially offset by the decrease in fair value of derivative financial instruments (interest rate swap contracts) of HK\$70.1 million and the finance costs of HK\$247.1 million. The valuation of the hotel properties reflected the evident recovery of the Hotels' business during the year and the journey toward normalcy, even though the performance of the Hotels' business has not yet entirely recovered to its pre-pandemic level. Excluding the fair value changes of investment properties and derivative financial instruments, a net profit of HK\$224.1 million in 2023 was recorded, representing a year-on-year increase of HK\$106.0 million, or 89.8%.

(in HK\$ million)	2023	2022	Change
Net property income	494.7	313.7	57.7%
Interest and other income	9.9	3.6	175.0%
Increase in fair value of investment properties (hotel portfolio)	926.3	218.4	324.1%
Change in fair value of derivative financial instruments (interest rate swaps)	(70.1)	83.1	n.m.
Finance costs	(247.1)	(145.1)	70.3%
Administrative and other expenses	(13.9)	(12.6)	10.3%
Profit before tax	1,099.8	461.1	138.5%
Income tax expense	(19.5)	(41.5)	-53.0%
Profit attributable to Holders of Share			
Stapled Units	1,080.3	419.6	157.5%
Profit attributable to Holders of Shares			
Stapled Units excluding fair value change on investment properties and derivative financial instruments	224.1	118.1	89.8%

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

(in HK\$ million)	2023	2022	Change
Profit attributable to Holders of Share			
Stapled Units	1,080.3	419.6	157.5%
Adjustments:			
Increase in fair value of investment properties	(926.3)	(218.4)	324.1%
Change in fair value of derivative financial instruments	70.1	(83.1)	n.m.
Hotel management fees and licence fee payable in form of Share Stapled Units	63.9	33.1	93.1%
Loan front-end/extension fee amortisation	11.1	11.3	-1.8%
Deferred tax	21.7	41.4	-47.6%
Depreciation	1.1	1.2	-8.3%
Reserve for furniture, fixtures and equipment	(24.3)	(14.6)	66.4%
Distributable income	297.6	190.5	56.2%
Final distributable income	-	95.3	-100.0%
Final distribution per Share Stapled Unit	-	HK2.9 cents	-100.0%

After adjusting for the non-cash items, total distribution income came to HK\$297.6 million for the year ended 31 December 2023, representing a year-on-year increase of 56.2%.

Given the uncertain economic outlook, we need to preserve a strong balance sheet for our business, the Boards recommended not to declare a final distribution for the year ended 31 December 2023. In comparison, final distributable income in 2022 of HK\$95.3 million or HK2.9 cents per Share Stapled Unit was declared.

Hotel Performances

	Average Daily				Average		RevPAR	
	Rooms		Occupancy		Room Rate		(in HK\$)	
	Available				(in HK\$)		(in HK\$)	
	2023	2022	2023	2022	2023	2022	2023	2022
The Langham, Hong Kong	498	498	86.9%	59.8%	2,173	1,753	1,887	1,048
<i>year-on-year growth</i>			+27.1 ppt		+24.0%		+80.1%	
Cordis, Hong Kong	667	668	89.8%	66.4%	1,638	1,428	1,471	948
<i>year-on-year growth</i>			+23.4 ppt		+14.7%		+55.2%	
Eaton HK	465	465	87.0%	73.4%	1,110	911	966	669
<i>year-on-year growth</i>			+13.6 ppt		+21.8%		+44.4%	
Hotel Portfolio	1,630	1,631	88.1%	66.4%	1,650	1,354	1,454	899
<i>year-on-year growth</i>			+21.7 ppt		+21.9%		+61.7%	

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	343.0	358.0	164.0	865.0
Food & Beverages	224.4	284.2	206.7	715.3
Others	9.1	12.6	16.8	38.5
Total revenue	576.5	654.8	387.5	1,618.8

Year-on-year change	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	80.1%	54.8%	44.5%	61.6%
Food & Beverages	115.1%	125.9%	34.2%	86.2%
Others	-26.0%	-5.3%	-34.6%	-25.0%
Total revenue	87.7%	76.8%	32.2%	66.8%

Individual hotels

The Langham, Hong Kong benefited from its luxury shopping location since the borders reopened in early 2023 and has experienced robust demand. This is largely due to the strong influx of leisure travellers from Mainland China seeking to experience luxurious hotel accommodations in the heart of Tsim Sha Tsui Canton Road district.

The hotel saw an immediate uptick in room business following the full reopening of China's borders and the lifting of all quarantine controls and social distance measures in the first half of 2023, and this momentum continued in the second half of 2023. The occupancy increased from 59.8% in 2022 to 86.9% in 2023, while the average room rate increased by 24.0% to HK\$2,173 per night year-over-year in 2023. As a result, 2023 RevPAR increased 80.1% to HK\$1,887 per night year-over-year.

The enhanced business performance at the T'ang Court and the catering sector in 2023 boosted the F&B revenue, which more than doubled compared to the previous year. We are delighted to share that T'ang Court has once again received the prestigious three Michelin stars in the Michelin Guide Hong Kong and Macau 2023, making it the eighth year in a row that it has received this honour.

In 2023, total revenue rose 87.7% from the previous year to HK\$576.5 million.

Room revenue of **Cordis, Hong Kong** was 1.5 times of that in 2022, which was supported by the growth in guest arrivals from Mainland China and other short haul markets. Room revenue from long haul market also improved. Hotel occupancy increased from 66.4% in 2022 to 89.8% in 2023, while the average room rate increased by 14.7% to HK\$1,638 per night year-over-year. As a result, the RevPAR increased by 55.2% to HK\$1,471 per night year-over-year.

F&B revenue of the hotel in full year 2023 was 2.3 times of last year. The hotel's Ming Court Chinese restaurant and banquet business, which is fuelled by events, meetings, and weddings, made up the majority of this increase. The banquet business in particular saw an over 5-fold rise in revenue year-on-year. This could be attributed to the pent-up demand due to the temporary closure of all outlets and event spaces in previous year.

Total revenue rose 76.8% year-on-year to HK\$654.8 million in 2023.

Eaton HK managed to deliver a more moderate growth in occupancy from 73.4% in 2022 to 87.0% in 2023 with average room rate also increasing 21.8% to HK\$1,110 per night. As a result, the RevPAR improved by 44.4% year-on-year.

The hotel was contracted to provide accommodation to the staff from the Hospital Authority from mid-March to mid-June 2022, at a favourable guaranteed room rate, and this “buy-out” stabilised both occupancy and average room rate in 2022 and made year-on-year increase less dramatic.

Furthermore, as Eaton Food and Beverage was less restricted in 2022 than our other hotels, we witnessed a moderate growth in F&B revenue of 34.2% in 2023. Yat Tung Heen, The Astor, and banquet business all saw good improvement during year.

The hotel’s overall revenue increased by 32.2% compared to prior year.

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2023	2022	2023	2022	2023	2022
High Tariff A	76.0%	56.0%	2,347	1,707	1,784	956
<i>year-on-year growth</i>	<i>+20.0 ppt</i>		<i>+37.5%</i>		<i>+86.6%</i>	
High Tariff B	84.0%	72.0%	1,098	824	922	593
<i>year-on-year growth</i>	<i>+12.0 ppt</i>		<i>+33.3%</i>		<i>+55.5%</i>	
All hotels	82.0%	66.0%	1,392	1,065	1,141	703
<i>year-on-year growth</i>	<i>+16.0 ppt</i>		<i>+30.7%</i>		<i>+62.3%</i>	

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

In comparison to the RevPAR of The Langham, Hong Kong, and Cordis, Hong Kong, which saw increases of 80.1% and 55.2%, respectively, those of Tariff A hotels saw an increase of 86.6%. The increase lagged the market because our hotels were operated as CIF/quarantine hotels for a portion of the previous year, which stabilised both occupancy and the average room rate in 2022. Furthermore, in 2022, Eaton HK’s RevPAR remained high compared to other hotels due to the Hospital Authority’s three-month buy-out. As a result, in 2023, Eaton HK’s RevPAR increased by 44.4%, while the RevPAR of Tariff B hotel rose 55.5%.

OUTLOOK

The aviation sector was severely affected by COVID-19, which led to a drastic cut in flight capacity. Until now, this capacity is still far below the pre-pandemic level. This has also had a ripple effect on the hospitality industry, which has seen a sharp decline in overnight arrivals as compared to the pre-pandemic level. We anticipate that airlines will still face challenges to restore normal operations, and as a result, capacity will most likely remain below pre-pandemic levels throughout 2024.

World economics have become more uncertain. Further headwinds for the hospitality industry, including labour scarcity, rising energy costs, high travel costs, pressure on corporate trip budgets, and escalating geopolitical tensions, will also result in a difficult operating environment. On top of these headwinds, the Trust Group's bottom line has declined due to the high interest rates which more than double of last year. Hopefully the interest rate will decline in later 2024.

However, we believe that our Hotels offer a unique value proposition to our guests and partners and that we have the spirit and adaptability to navigate an uncertain environment. We will continue to stay vigilant on costs and productivity to improve our underlying profitability and ensure business resilience.

At the extraordinary general meeting on 21 July 2023, the independent unitholders of the Trust and the Company approved the market rental package of the Hotels (including the applicable percentage of the Variable Rent) for the period from 1 January 2024 to the expiry date of the Master Lease agreements, or 29 May 2027. The Trust Group continues to receive a Base Rent of HK\$225.0 million per annum on a pro-rata basis, while the applicable percentage of the Variable Rent is changed to 50%. The split between the Base Rent and the Variable Rent gives a certain degree of downside protection from uncertainties while continuously allowing the Trust Group to benefit from the upside in the profitability of the Hotels through the variable rent percentage.

FINANCIAL REVIEW

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$9,190.7 million or HK\$2.77 per Share Stapled Unit as at 31 December 2023 (2022: HK\$8,161.0 million or HK\$2.49 per Share Stapled Unit) which represented a 313.4% premium to the closing Share Stapled Unit price of HK\$0.67 as at 29 December 2023.

Debt Profile

Total outstanding borrowings, before accounting for the loan front-end/extension fee, of the Trust Group as at 31 December 2023 were HK\$6,059.1 million (2022: HK\$6,317.0 million). The secured term loans of HK\$5,706.2 million (2022: HK\$5,990.0 million) were on a floating-rate interest basis and repayable in full in December 2024 (2022: December 2023). The secured revolving loans facilities as at 31 December 2023 was HK\$541.4 million (2022: HK\$700.0 million). The secured revolving loans drawn of HK\$352.9 million (2022: HK\$327.0 million) will revolve on a monthly basis until December 2024 (2023: December 2023).

In order to mitigate the interest rate exposure, the Trust Group entered into several interest rate swap transactions with banks by swapping certain proportion of the outstanding bank borrowings from floating rates to fixed rates. As at 31 December 2023, total notional amount of the remaining interest rate swap transactions amounted to HK\$1,500.0 million (2022: excluding two interest rate swap transactions totaling HK\$1,300.0 million with effective dates commenced after 31 December 2022, total notional amount was HK\$3,700.0 million). Hence, out of total outstanding bank loans (before accounting for the loan front-end/extension fee) of HK\$6,059.1 million (2022: HK\$6,317.0 million), 24.8% (2022: 58.6%) were fixed at an average swap rate of 3.99% per annum (2022: 1.77% per annum).

The Trust Group will continue to monitor interest rate movements and may, depending on market conditions, consider to further mitigate its interest rate exposure on part of the remaining bank debt by swapping part of them from floating to fixed rates when appropriate.

As at 31 December 2023, total gross assets of the Trust Group were HK\$15,835.0 million (2022: HK\$15,022.6 million). Gearing ratio, calculated at total outstanding borrowings as a percentage of gross assets, was 38.3% (2022: 42.0%).

Cash Position

As at 31 December 2023, the Trust Group had a cash balance of HK\$122.5 million (2022: HK\$245.1 million) to satisfy a portion of asset enhancement of the Hotels, as well as its working capital and operating requirements.

In addition, the Trust Group had unused revolving loans amounting to HK\$188.5 million as of 31 December 2023 (2022: HK\$373.0 million).

Pledge of Assets

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

Commitments

As at 31 December 2023, the Trust Group has authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$15.7 million (2022: HK\$17.1 million), of which HK\$14.2 million (2022: HK\$13.6 million) was contracted for.

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

FINAL DISTRIBUTION

Given the uncertain economic outlook, we need to preserve a strong balance sheet for our business, the Boards recommended not to declare a final distribution for the year ended 31 December 2023 (2022: HK2.9 cents per Share Stapled Unit).

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 Friday, 3 May 2024 to Wednesday, 8 May 2024, both days inclusive for the purpose of ascertaining the entitlement of Holders of Share Stapled Units to attend and vote at the 2024 Annual General Meeting (“2024 AGM”). During this period, no transfer of Share Stapled Units will be registered.

In order to be eligible to attend and vote at the 2024 AGM, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 May 2024.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2024 AGM of the Trust and the Company will be held on Wednesday, 8 May 2024. The notice of 2024 AGM together with the 2023 Annual Report and all other relevant documents will be despatched to Holders of Share Stapled Units and published on the Company’s website at www.langhamhospitality.com and the HKExnews website at www.hkexnews.hk in March 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH THE MODEL CODE

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

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions for the year ended 31 December 2023.

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

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

During the year ended 31 December 2023, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

ISSUED SHARE STAPLED UNITS

As at 31 December 2023, the total number of issued Share Stapled Units of the Trust and the Company was 3,318,869,006. As compared with the position as at 31 December 2022, a total of 45,385,927 new Share Stapled Units were issued during the year, representing 1.37% of the total number of issued Share Stapled Units as at 31 December 2023.

Date	Particulars	No. of Share Stapled Units
31 December 2022	Total number of issued Share Stapled Units	3,273,483,079
7 March 2023	Issue of new Share Stapled Units at the price of HK\$1.053 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fee (collectively the “Hotel Manager’s Fees”) to the Hotel Manager of approximately HK\$16,686,000 for the second half of 2022	15,846,932
25 August 2023	Issue of new Share Stapled Units at the price of HK\$0.951 per Share Stapled Unit as payment of the Hotel Manager’s Fees to Hotel Manager of approximately HK\$28,091,000 for the first half of 2023	29,538,995
31 December 2023	Total number of Issued Share Stapled Units	3,318,869,006

PUBLIC FLOAT

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

AUDIT COMMITTEES

The annual results of the Trust Group for the year ended 31 December 2023 have been reviewed by the Audit Committees of the Trustee-Manager and the Company and the annual results of the Trustee-Manager for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Trustee-Manager.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Trust and the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Trust Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Trust and the Company for the year as approved by the Board of Directors on 19 February 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

The figures in respect of the Trustee-Manager's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Trustee-Manager's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited financial statements of the Trustee-Manager for the year as approved by the Board of Directors on 19 February 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

BOARD OF DIRECTORS

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

Non-executive Directors

* Independent Non-executive Directors

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

Hong Kong, 19 February 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME OF THE TRUST AND THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Revenue	5	513,965	332,106
Property related expenses		<u>(19,298)</u>	<u>(18,353)</u>
Net property income		494,667	313,753
Other income	7	9,993	3,581
Increase in fair value of investment properties		926,343	218,416
Change in fair value of derivative financial instruments		(70,114)	83,085
Administrative and other expenses		(13,928)	(12,590)
Finance costs	8	<u>(247,119)</u>	<u>(145,111)</u>
Profit before tax		1,099,842	461,134
Income tax expense	9	<u>(19,523)</u>	<u>(41,573)</u>
Profit and total comprehensive income for the year attributable to holders of Share Stapled Units	12	<u><u>1,080,319</u></u>	<u><u>419,561</u></u>
Profit per Share Stapled Unit			
Basic and diluted	13	<u><u>HK33 cents</u></u>	<u><u>HK13 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND THE COMPANY

AT 31 DECEMBER 2023

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Non-current assets			
Property, plant and equipment		924	2,040
Investment properties		15,662,000	14,685,000
Deposits	14	5,874	5,277
		<u>15,668,798</u>	<u>14,692,317</u>
Current assets			
Debtors, deposits and prepayments	14	43,718	13,022
Derivative financial instruments		-	72,143
Bank balances		122,516	245,149
		<u>166,234</u>	<u>330,314</u>
Current liabilities			
Creditors, deposits and accruals	15	68,205	45,651
Secured bank loans due within one year		6,050,305	6,306,416
Lease liabilities due within one year		808	1,067
Tax payable		42,100	44,423
		<u>6,161,418</u>	<u>6,397,557</u>
Net current liabilities		<u>(5,995,184)</u>	<u>(6,067,243)</u>
Total assets less current liabilities		<u>9,673,614</u>	<u>8,625,074</u>
Non-current liabilities			
Derivative financial instruments		12,277	14,306
Lease liabilities due after one year		67	875
Deferred tax liabilities		470,612	448,940
		<u>482,956</u>	<u>464,121</u>
NET ASSETS		<u>9,190,658</u>	<u>8,160,953</u>
Capital and reserves			
Issued capital/units		3,319	3,273
Reserves		9,187,339	8,157,680
TOTAL EQUITY		<u>9,190,658</u>	<u>8,160,953</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's consolidated financial statements for the year ended 31 December 2023 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's consolidated financial statements for the year ended 31 December 2023 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the year ended 31 December 2023 was investment in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust Group are identical to the consolidated financial statements of the Group with the differences being disclosures of capital. The Trustee-Manager and the Directors believe therefore that it is clearer to present the consolidated financial statements of the Trust Group and the Group together. The consolidated financial statements of the Trust Group and the consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Consolidated Financial Statements".

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT - continued

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Groups have applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Groups' annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

3.1 Impacts on application of Amendments to HKAS 8 "Definition of Accounting Estimates"

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

3.2 Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Groups have applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

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

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

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

The Groups have applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year
- continued

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

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

The application of the amendments has had no material impact on the Groups' financial positions and performance but has affected the disclosure of the Groups' accounting policies in the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

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

The consolidated financial statements have been prepared on a going concern basis because the Trustee Manager and the Directors are of the opinion that the Groups will have adequate sources of funding to meet in full its financial obligations, after taking into account the continuous cash flows generated from operating activities; the expectation of refinancing bank facilities amounting to HK\$6,247,600,000, after considering the existing relationships with the banks; the compliance of financial covenants records; and the investment properties of the Groups to be pledged.

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

5. REVENUE

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Rental income from Master Lessee (Note)		
Base rent	225,000	225,000
Variable rent	368,469	148,856
Service fees expense	<u>(81,202)</u>	<u>(43,852)</u>
	512,267	330,004
Rental income from retail shops in Eaton HK	<u>1,698</u>	<u>2,102</u>
	<u>513,965</u>	<u>332,106</u>

Note: Included in rental income from Master Lessee, service fees income of HK\$81,202,000 (2022: HK\$43,852,000) has been netted with the same amount of the corresponding service fees expenses.

6. SEGMENT INFORMATION

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

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

Segment revenue and results

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

2023

	The Langham, Hong Kong HK\$'000	Cordis, Hong Kong HK\$'000	Eaton HK HK\$'000	Segment total HK\$'000	Reconciliation HK\$'000 (Note)	Consolidated HK\$'000
Segment revenue	<u>228,389</u>	<u>243,840</u>	<u>122,938</u>	<u>595,167</u>	<u>(81,202)</u>	<u>513,965</u>
Segment results	<u>192,906</u>	<u>200,540</u>	<u>101,221</u>	<u>494,667</u>	<u>-</u>	<u>494,667</u>
Other income						9,993
Increase in fair value of investment properties						926,343
Change in fair value of derivative financial instruments						(70,114)
Administrative and other expenses						(13,928)
Finance costs						<u>(247,119)</u>
Profit before tax						1,099,842
Income tax expense						<u>(19,523)</u>
Profit for the year attributable to holders of Share Stapled Units						<u>1,080,319</u>

2022

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

Note: Reconciliation represents netting of service fees income of HK\$81,202,000 (2022: HK\$43,852,000) with the same amount of the corresponding service fees expense (including hotel management fees, licence fee and global marketing fee) that has been adjusted from revenue.

6. SEGMENT INFORMATION - continued

Segment assets and liabilities

For the purpose of performance assessment, other than the fair value of investment properties, no other segment assets are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK were HK\$5,460,000,000, HK\$6,660,000,000 and HK\$3,542,000,000 (2022: HK\$4,950,000,000, HK\$6,320,000,000 and HK\$3,415,000,000), respectively.

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

Geographical information

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

Information about major customers

Revenue from the Master Lessee is HK\$512,267,000 (2022: HK\$330,004,000), contributing over 10% of the total revenue of the Groups for the year ended 31 December 2023.

7. OTHER INCOME

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Interest income on bank deposits	9,111	2,890
Management fee income	600	493
Sundry income	<u>282</u>	<u>198</u>
	<u>9,993</u>	<u>3,581</u>

For the year ended 31 December 2022, included in the sundry income was HK\$108,000 (2023: Nil) relating to the Employment Support Scheme.

8. FINANCE COSTS

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Interest on bank borrowings	312,521	129,062
Net interest on interest rate swaps	(77,593)	3,689
Loan front-end/extension fee amortisation	11,114	11,250
Interest on lease liabilities	45	58
Other borrowing costs	<u>1,032</u>	<u>1,052</u>
	<u>247,119</u>	<u>145,111</u>

9. INCOME TAX EXPENSE

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	8,261	183
Overprovision in prior years	<u>(10,410)</u>	<u>(19)</u>
	<u>(2,149)</u>	<u>164</u>
Deferred tax:		
Current year	28,257	41,424
Overprovision in prior years	<u>(6,585)</u>	<u>(15)</u>
	<u>21,672</u>	<u>41,409</u>
	<u>19,523</u>	<u>41,573</u>

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

10. TOTAL DISTRIBUTABLE INCOME

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Profit for the year attributable to holders of Share Stapled Units	1,080,319	419,561
Adjustments:		
Depreciation	1,118	1,208
Deferred tax	21,672	41,409
Loan front-end/extension fee amortisation	11,114	11,250
Hotel management fees and licence fee payable in form of Share Stapled Units	63,901	33,148
Increase in fair value of investment properties	(926,343)	(218,416)
Change in fair value of derivative financial instruments	70,114	(83,085)
Reserve for furniture, fixtures and equipment	<u>(24,282)</u>	<u>(14,558)</u>
Total distributable income	<u>297,613</u>	<u>190,517</u>

11. DISTRIBUTION STATEMENT

	<u>NOTE</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June		136,792	124,601
Percentage of distributable income for distribution (note c)		-	-
Distributable income for interim distribution period		-	-
Interim distribution		-	-
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December	10	297,613	190,517
Less: distributable income paid for interim distribution period (note b)		-	-
Distributable income available for final distribution period		297,613	190,517
Percentage of distributable income for distribution (note c)		-	50.0%
Distributable income for final distribution period		-	95,259
Final distribution (note d)		-	95,259
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June (note b)		-	-
Final distribution per Share Stapled Unit in respect of the six months ended 31 December (note d)		-	HK2.9 cents

Notes:

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

The final distribution in 2023 and 2022 were based on total distributable income for the year ended 31 December 2023 and 2022, respectively.

- (b) Interim distribution

No distribution income was distributed in respect of the six months ended 30 June 2023 and 2022.

11. DISTRIBUTION STATEMENT - continued

Notes: - continued

- (c) It has been recommended not to distribute any of the total distributable income for the financial year ended 31 December 2023.

50% of the total distributable income was distributed for the financial year ended 31 December 2022.

- (d) Final distribution

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

The final distribution after 31 December 2022 has not been recognised as a liability as at 31 December 2022.

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Profit and total comprehensive income for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	6,369	6,257
Depreciation	1,118	1,208
Auditor's remuneration	1,312	1,414
	<u> </u>	<u> </u>

13. BASIC AND DILUTED EARNINGS PER SHARE STAPLED UNIT

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Profit		
Profit for the year for the purposes of basic and diluted earnings per Share Stapled Unit	<u>1,080,319</u>	<u>419,561</u>
	<u>2023</u> '000	<u>2022</u> '000
Number of Share Stapled Units		
Weighted average number of Share Stapled Units for the purpose of basic and diluted earnings per Share Stapled Unit	<u>3,310,200</u>	<u>3,263,302</u>

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Receivable from Master Lessee	39,512	9,211
Lease receivable	2	70
Deferred rent receivable	86	228
Other receivables	579	1,316
Deposits and prepayments	<u>9,413</u>	<u>7,474</u>
	49,592	18,299
Less: deposits paid to contractors for hotels renovation classified as non-current assets	<u>(5,874)</u>	<u>(5,277)</u>
Debtors, deposits and prepayments classified as current assets	<u>43,718</u>	<u>13,022</u>

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

14. DEBTORS, DEPOSITS AND PREPAYMENTS - continued

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Within 3 months	<u>39,514</u>	<u>9,281</u>

Receivable from Master Lessee represents an amount due from a fellow subsidiary of HK\$39,512,000 (2022: HK\$9,211,000) which was unsecured, interest free and payable on presentation of invoice.

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

15. CREDITORS, DEPOSITS AND ACCRUALS

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Trade creditors	37,687	17,446
Accruals and other payables	24,701	18,092
Construction fee payables	5,211	9,355
Deposits received	<u>606</u>	<u>758</u>
	<u>68,205</u>	<u>45,651</u>

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

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Within 3 months	21,767	8,174
More than 3 months and within 6 months	<u>15,920</u>	<u>9,272</u>
	<u>37,687</u>	<u>17,446</u>

Trade creditors represent amounts due to fellow subsidiaries of HK\$37,687,000 (2022: HK\$17,446,000) which are unsecured, interest-free and payable on presentation of invoices.

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

Included in accruals and other payables are amounts due to fellow subsidiaries of HK\$166,000 (2022: HK\$1,587,000) which are unsecured, interest-free and payable on presentation of invoices.

Included in construction fee payables are retention payables to contractors of HK\$1,471,000 (2022: HK\$3,042,000) which are payable within two years.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL
MANAGER LIMITED**
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>NOTES</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Revenue		-	-
Administrative expenses		(22,255)	(23,850)
Less: Amount borne by a fellow subsidiary and Trust Property (as defined in note 1)		<u>22,255</u>	<u>23,850</u>
Profit or loss before tax	4	-	-
Income tax	5	<u>-</u>	<u>-</u>
Profit or loss and total comprehensive income/expense for the year		<u>-</u>	<u>-</u>

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 31 DECEMBER 2023

	<u>2023</u> HK\$	<u>2022</u> HK\$
Current asset		
Cash on hand	<u>1</u>	<u>1</u>
NET ASSET	<u><u>1</u></u>	<u><u>1</u></u>
Capital		
Share capital	<u>1</u>	<u>1</u>
TOTAL EQUITY	<u><u>1</u></u>	<u><u>1</u></u>

**NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. GENERAL

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

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

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the register holders of units of the Trust (the "Trust Property"), in accordance with the terms of the deed of trust dated 8 May 2013 constituting the Trust entered into between the Company and Langham Hospitality Investments Limited as amended by the first supplemental deed dated 22 April 2016 and the second supplemental deed dated 12 May 2023 (collectively, the "Trust Deed") but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

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

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

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

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

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

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

4. PROFIT OR LOSS BEFORE TAX

	<u>2023</u> HK\$	<u>2022</u> HK\$
Profit or loss before tax has been arrived at after charging:		
Auditor's remuneration	20,000	20,000
Directors' remuneration	-	-
	<u> </u>	<u> </u>

5. INCOME TAX

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