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Langham Hospitality Investments

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

and

Langham Hospitality Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1270)

2022 INTERIM RESULTS ANNOUNCEMENT

The boards of directors (the “Boards”) of LHIL Manager Limited (the “Trustee-Manager”, as the trustee-manager of Langham Hospitality Investments (the “Trust”)) and Langham Hospitality Investments Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Trust and of the Company together with the Company’s subsidiaries (the “Trust Group”) for the six-month period ended 30 June 2022 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	1H 2022	1H 2021	Change
Revenue of hotel portfolio	432.4	287.5	50.4%
Total rental income for the Trust Group after netting service fees	181.1	103.7	74.6%
Profit attributable to Holders of Share Stapled Units excluding fair value change on investment properties and derivative financial instruments	87.7	19.9	340.7%
Distributable income	124.6	36.0	246.1%
Distribution per Share Stapled Unit*	-	-	-

* No interim distribution is declared for the period.

As at	30 Jun 2022	31 Dec 2021	30 Jun 2021
Gross Value of Hotel Portfolio (in HK\$ million)	14,887	14,407	14,270
Net Asset Value per Share Stapled Unit	HK\$2.56	HK\$2.41	HK\$2.36
Gearing Ratio	41.7%	43.2%	44.1%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The hospitality sector continued to be affected by the Covid-19 pandemic over the first half of 2022 due to the travel restrictions across Hong Kong's key arrival markets and the imposition of extended mandatory quarantine requirements. Overnight visitor arrivals have been almost non-existent since the catastrophic plunge in early 2020.

The emergence of the Omicron variant started the fifth wave of the COVID-19 pandemic in late December 2021, which stretched the healthcare system in Hong Kong to its limits. A series of measures were implemented in Hong Kong to further safeguard the community. Earlier in the pandemic our hotels, The Langham, Hong Kong and Cordis, Hong Kong, were carrying out extensive mechanical and engineering projects which restricted our ability to join quarantine hotel ("Q-Hotel") operation. As these projects completed and due to the prolonged impact of COVID-19 to the hospitality sector, the hotels have changed their operating mode in order to stabilise both occupancy and average room rate. During the turbulent phase of the fifth wave of the COVID-19 pandemic, The Langham, Hong Kong and Cordis, Hong Kong participated in the Government's Community Isolation Facility ("CIF") Hotel Scheme and provide accommodation to COVID-19 patients while Eaton HK has provided accommodation for the Hospital Authority's staff. Afterwards, The Langham, Hong Kong and Cordis, Hong Kong were operated as Q-Hotels in the Designated Quarantine Hotel Scheme ("DQHS") while Eaton HK resumed normal operations.

As a result, compared with the first half of 2021, our hotels delivered higher occupancies and average room rate, which has increased the room revenue of our hotels by 3.4 times year-on-year in the first half of 2022.

On the other hand, the Food and Beverage ("F&B") operating performance of our hotel was severally impacted by the fifth wave of COVID-19 pandemic in the first half of 2022. All food and beverage outlets in The Langham, Hong Kong and Cordis, Hong Kong were closed down temporarily when they were operating as CIF or Q-Hotels under the CIF Hotel Scheme. Overall, F&B revenue of our hotels dropped 48.1% year-on-year in the first half of 2022.

Despite the decline in F&B revenue, the Trust Group's hotel portfolio delivered a 50.4% year-on-year increase in total revenue in the first half of 2022. Excluding the increase in government subsidies of HK\$12.2 million, total revenue from our hotels actually rose by 46.7% year-on-year. Due to the changing of operating modes, the portfolio generated an aggregate gross operating profit before deduction of global marketing fees amounting to HK\$129.9 million in the first half of 2022, compared with an aggregate gross operating loss before the deduction of global market fees of HK\$18.2 million during the same period last year.

Fixed rental income from GE (LHIL) Lessee Limited (the “Master Lessee”) amounting to HK\$111.6 million in the first half of 2022 and a variable rental income of HK\$90.9 million representing our share of the Hotels’ aggregate gross operating profit before deduction of global market fee were earned. Overall, total gross rental income after accounting for service fees expenses incurred increased by 74.6% to HK\$181.1 million in the first half of 2022, whereas the Trust Group’s net property income increased by 85.8% year-on-year to HK\$171.9 million.

During the period, finance costs slightly dropped 4.3% to HK\$57.4 million as less interest expense was incurred on the interest rate swaps, which was partly offset by the increase of interest expense on the variable rate borrowings resulting from the rising of interest rates in the first half of 2022. The potential of further U.S. interest rate hikes may lead to further rise of interest rates in Hong Kong. Although 42.7% of our outstanding borrowings (before accounting for the loan front-end fee) were hedged at various fixed rates, the Trust Group will continue to monitor the trends of interest rates closely and consider hedging the exposure of the floating interest rate against rate hikes if necessary. Along with the gain in fair value of investment properties (hotel portfolio) amounting to HK\$444.1 million booked during the reporting period, there was also a HK\$78.6 million increase in the fair value of derivative financial instruments. These two key non-cash items helped to deliver a net profit of HK\$610.4 million for the period. Net profit, excluding the non-cash fair value changes of investment properties and derivative financial instruments, was HK\$87.7 million, representing an increase of 340.7% as compared with the first half of 2021.

As at 30 June 2022, valuation of the hotel portfolio rose to HK\$14,887.0 million as compared with HK\$14,407.0 million as at the end of December 2021. Net Asset Value (“NAV”) of the Trust Group amounted to HK\$8,335.3 million or HK\$2.56 per Share Stapled Unit as at the end of June 2022. Gearing ratio was 41.7% as at the end of June 2022 as compared with 43.2% as at the end of December 2021.

OPERATIONAL REVIEW

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

The Trust Group continued to receive a fixed rental income of HK\$111.6 million in the first half of 2022. Since the Hotels reported an aggregate gross operating profit in the first half of 2022, variable rental income of HK\$90.9 million was earned. Combined with a modest rental income from the retail shops at Eaton HK of HK\$1.1 million, total rental income received by the Trust Group before service fees was HK\$203.6 million in the first half of 2022, representing a growth of 80.8% year-on-year. After netting off HK\$22.5 million in service fees incurred, total rental income was HK\$181.1 million, representing a year-on-year increase of 74.6%.

(in HK\$ million)	1H 2022	1H 2021	Change
Fixed rental income	111.6	111.6	-
Variable rental income	90.9	-	100.0%
Rental income from retail shops	1.1	1.0	10.0%
Total rental income before service fees	203.6	112.6	80.8%
Service fees expenses	(22.5)	(8.9)	152.8%
Total rental income for the Trust Group	181.1	103.7	74.6%

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

In the first half of 2022, reflecting the improvement in the operating performance of the Hotels as compared with the first half of 2021, hotel management fees rose by 165.2% to HK\$12.2 million, licence fee rose by 48.3% to HK\$4.3 million and global marketing fee rose by 328.6% to HK\$6.0 million. Total service fees payable to the hotel management company increased by 152.8% year-on-year to HK\$22.5 million in the first half of 2022.

(in HK\$ million)	1H 2022	1H 2021	Change
Hotel management fees	12.2	4.6	165.2%
Licence fee	4.3	2.9	48.3%
Global marketing fee	6.0	1.4	328.6%
Total service fees	22.5	8.9	152.8%

Property-related expenses declined by 17.9% year-on-year to HK\$9.2 million in the first half of 2022, which was primarily due to the lower rateable value of the Hotels and resulted in lower government rates. Overall, the net property income of the Trust Group came to HK\$171.9 million in the first half of 2022, representing a year-on-year increase of 85.8%.

(in HK\$ million)	1H 2022	1H 2021	Change
Total rental income after service fees	181.1	103.7	74.6%
Hotel properties related expenses	(9.2)	(11.2)	-17.9%
Net property income	171.9	92.5	85.8%

Interest expenses on the floating rate loan and other borrowing costs increased by 12.8% to HK\$34.3 million during the period, mainly caused by the increase in average HIBOR in the first half of 2022. Due to the expiry of five interest swap contracts totalling HK\$2,500.0 million in the first half of 2021, interest expenses on interest rate swaps decreased by 27.1% to HK\$17.5 million. Loan front-end fee amortisation, which is a non-cash item, remained the same as last year at HK\$5.6 million. Overall finance costs slightly dropped 4.3% to HK\$57.4 million.

After the expiry of a HK\$500.0 million interest rate swap contract in June 2022, total notional amount of interest rate swap contracts amounted to HK\$2,700.0 million as at the end of June 2022. The hedging arrangements will help mitigate the impact of a potential hike in interest rates on the Trust Group's distributable income in the coming years.

(in HK\$ million)	1H 2022	1H 2021	Change
Breakdown of finance costs			
Interest expense and other borrowing costs	(34.3)	(30.4)	12.8%
Interest expense on interest rate swaps	(17.5)	(24.0)	-27.1%
Loan front-end fee amortisation	(5.6)	(5.6)	-
Total finance costs	(57.4)	(60.0)	-4.3%

Net profit after tax was HK\$610.4 million in the first half of 2022. Two key factors which significantly lifted the net profit after tax in the first half of 2022 were the increase in the fair value of investment properties (Hotel portfolio) of HK\$444.1 million and the increase in the fair value of derivative financial instruments (interest swap contracts) of HK\$78.6 million. The mild increment in the valuation of the Hotel portfolio reflected the moderate revival of the Hotels' business. Excluding the fair value changes of investment properties and derivative financial instruments, a net profit of HK\$87.7 million in the first half of 2022 is noted, representing a year-on-year increase of HK\$67.8 million or 340.7%.

(in HK\$ million)	1H 2022	1H 2021	Change
Net property income	171.9	92.5	85.8%
Interest and other income	0.6	0.9	-33.3%
Increase (decrease) in fair value of investment properties (Hotel portfolio)	444.1	(553.7)	180.2%
Change in fair value of derivative financial instruments (interest rate swaps)	78.6	24.3	223.5%
Finance costs	(57.4)	(60.0)	-4.3%
Administrative and other expenses	(6.6)	(7.0)	-5.7%
Profit (loss) before tax	631.2	(503.0)	225.5%
Income tax expense	(20.8)	(6.5)	220.0%
Profit (loss) attributable to Holders of Share Stapled Units	610.4	(509.5)	219.8%
Profit attributable to Holders of Shares Stapled Units excluding fair value change on investment properties and derivative financial instruments	87.7	19.9	340.7%

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

(in HK\$ million)	1H 2022	1H 2021	Change
Profit (loss) attributable to Holders of Share Stapled Units	610.4	(509.5)	219.8%
Adjustments:			
(Increase) decrease in fair value of investment properties	(444.1)	553.7	-180.2%
Change in fair value of derivative financial instruments	(78.6)	(24.3)	223.5%
Hotel management fees and licence fee payable in form of Share Stapled Units	16.5	7.5	120.0%
Loan front-end fee amortisation	5.6	5.6	-
Deferred tax	20.7	6.3	228.6%
Depreciation	0.6	1.0	-40.0%
Reserve for furniture, fixtures and equipment	(6.5)	(4.3)	51.2%
Distributable income	124.6	36.0	246.1%

The present policy of the Trust Group is to distribute not less than 90% of total distributable income to its Holders of Share Stapled Units. The total distributable income in the first half of 2022 is HK\$124.6 million. Although there was a moderate recovery in the hotels' business for the first half of 2022, the performance of the hotels' business is still highly affected by the fluctuations in the COVID-19 pandemic situation, which can have quick and dramatic effect on our net profit. In view of this situation and in consideration of the administrative expenses incurred and the amount of distribution per Share Stapled Unit is minimal, the Board has decided not to declare an interim distribution for the six months ended 30 June 2022.

Hotel Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2022	1H 2021	1H 2022	1H 2021	1H 2022	1H 2021	1H 2022	1H 2021
	The Langham, Hong Kong	498	498	70.6%	20.6%	1,644	1,137	1,160
<i>year-on-year growth</i>			<i>+50.0 ppt</i>		<i>+44.6%</i>		<i>+393.6%</i>	
Cordis, Hong Kong	668	667	71.1%	26.2%	1,501	1,008	1,067	264
<i>year-on-year growth</i>			<i>+44.9 ppt</i>		<i>+48.9%</i>		<i>+304.2%</i>	
Eaton HK	465	465	76.3%	35.9%	1,096	522	836	188
<i>year-on-year growth</i>			<i>+40.4 ppt</i>		<i>+110.0%</i>		<i>+344.7%</i>	
Hotel Portfolio	1,631	1,630	72.4%	27.3%	1,422	855	1,029	233
<i>year-on-year growth</i>			<i>+45.1 ppt</i>		<i>+66.3%</i>		<i>+341.6%</i>	

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	1H 2022	1H 2021	1H 2022	1H 2021	1H 2022	1H 2021
	High Tariff A	54.0%	36.0%	1,643	1,439	887
<i>year-on-year growth</i>	<i>+18.0 ppt</i>		<i>+14.2%</i>		<i>+71.2%</i>	
High Tariff B	69.0%	55.0%	793	614	547	338
<i>year-on-year growth</i>	<i>+14.0 ppt</i>		<i>+29.2%</i>		<i>+61.8%</i>	
All Hotels	63.0%	56.0%	1,036	837	653	469
<i>year-on-year growth</i>	<i>+7.0 ppt</i>		<i>+23.8%</i>		<i>+39.2%</i>	

Comparisons for our hotels with the Hong Kong Tourism Board hotels are not meaningful this year, given that the Q-Hotels business is artificially inflated.

Revenue breakdown (in HK\$ million)	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	104.5	129.0	70.4	303.9
Food & Beverages	24.5	27.2	52.3	104.0
Others*	4.8	5.2	14.5	24.5
Total revenue	133.8	161.4	137.2	432.4

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

Year-on-year change	The Langham, Hong Kong	Cordis, Hong Kong	Eaton HK	Total
Rooms	394.2%	305.1%	345.3%	341.7%
Food & Beverages	-59.2%	-64.2%	-18.7%	-48.1%
Others*	53.6%	-20.5%	69.1%	34.6%
Total revenue	58.7%	41.1%	54.6%	50.4%

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

Performance of the individual hotels

The Langham, Hong Kong, participated in the CIF Hotel Scheme by providing accommodation to COVID-19 patients with mild symptoms from March to the end of May 2022. Due to the decrease in confirmed cases, from 1 May the hotel swapped into operating as a Q-Hotel for providing quarantine accommodation to overseas travellers or returning residents. In view of the immense demand for Q-Hotels, the hotel has agreed to continue to operate as a Q-Hotel until 31 October 2022.

Due to the changes of the operating mode to a CIF/Q-Hotel, the hotel witnessed a 70.6% occupancy in the first half of 2022, as compared with a 20.6% occupancy posted in the first half of 2021. The average room rate increased by 44.6% year-on-year in the first half of 2022.

While the room revenue soared 394.2% year-on-year in the first half of 2022, F&B revenue for the hotel declined 59.2% year-on-year in the first half of 2022, mainly due to the temporary closure of all F&B outlets under the CIF Hotel Scheme. Nevertheless, the total revenue of the hotel increased by 58.7% year-on-year in the first half of 2022. Excluding the increase of HK\$2.8 million in the Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 55.7% year-on-year in the first half of 2022.

Cordis, Hong Kong, changed its operation mode to a CIF hotel from mid-March to mid-May 2022 by providing accommodation to COVID-19 patients with mild symptoms. Since this time the hotel was operated as a Q-Hotel offering quarantine accommodation to overseas travellers or returning residents until the end of July 2022. As a result, the hotel witnessed a 71.1% occupancy in the first half of 2022, as compared with a 26.2% occupancy posted in the first half of 2021. The average room rate grew 48.9% year-on-year in the first half of 2022.

F&B revenue decreased by 64.2% year-on-year in the first half of 2022, mainly due to the temporary closure of all F&B outlets when the hotel operated as CIF/Q-Hotel under the CIF Hotel Scheme and the continued closure of the banquet business when operated as a Q-Hotel. This decrease in F&B has been more than compensated by the increase in room revenue. The room revenue rose by 305.1% year-on-year in the first half of 2022. Overall, the total revenue of the hotel improved 41.1% year-on-year in the first half of 2022. Excluding the increase of HK\$3.0 million in Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 38.8% year-on-year in the first half of 2022.

In view of the immense demand for Q-Hotels, the hotel has agreed to continue to operate as a Q-Hotel until 31 October 2022.

Eaton HK, managed to deliver a 76.3% occupancy for first half of 2022, as it captured a good share of the staycation market by its value-for-money pricing as well as being contracted to provide accommodation to the staff from Hospital Authority for three months from mid-March to mid-June. As a result, the average room rate improved 110.0% year-on-year in the first half of 2022. Total room revenue increased by 345.3% year-on-year in the first half of 2022.

On the other hand, revenue from F&B at the Eaton HK decreased by 18.7% year-on-year in the first half of 2022, mainly due to the temporary closure of various F&B outlets at different times in the first half of 2022. The growth in room revenue in the first half of 2022 has offset the decline in F&B revenue. The total revenue of the hotel improved 54.6% year-on-year in the first half of 2022. Excluding the increase of HK\$6.4 million in Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 48.2% year-on-year in the first half of 2022.

OUTLOOK

The COVID-19 pandemic has struck the global economy hard over the past two years. Looking forward, the prolonged impact of the COVID-19 pandemic and the recent geopolitical tensions in various parts of the world may further intensify inflationary pressures. In addition, the potential U.S. interest rate hike may derail the recovery of the global economy.

In Hong Kong, the pace of economic growth was dragged down by the fifth wave of the COVID-19 pandemic. With the easing of the COVID-19 outbreak in Hong Kong and the increasing vaccination rate, we expect the Government may further relax the quarantine requirements for international arrivals and the social distancing measures gradually. However, the most important factor affecting the hospitality businesses would be the reopening of the Mainland-Hong Kong border, which cannot be ascertained. Given the uncertainties stemming from the lingering effects of COVID-19 and geopolitical tensions, the second half of 2022 will remain challenging.

Since there are still too many uncertainties as to gauge when a sustainable recovery of the Hong Kong hospitality sector will eventually take hold, The Langham, Hong Kong and Cordis, Hong Kong have continued to operate as Q-Hotels for three months from 1 August 2022 under the DQHS. Notwithstanding any unforeseen government restrictions, we hope that both occupancy and average room rate can be stabilised by operating in this environment, while F&B services in these two hotels will operate as normal, except for event business at Cordis, Hong Kong.

Eaton HK will continue to rely on local business for the second half of 2022, continuing to focus on the domestic staycation, as well as the local long-stay market.

Furthermore, not until F&B restrictions are a thing of the past and travel to and from Hong Kong is open, and there is no longer the need for extensive quarantine, will we see any significant uptick in the hotels' business volumes and results.

As too many uncertainties still exist, we will continue to watch the development and work diligently to tackle these unprecedented challenges.

FINANCIAL REVIEW

Distributions

Distributable income of the Trust Group for 2022 interim period was HK\$124,601,000 (2021 interim period: HK\$35,980,000). It is the present policy of the Trust Group to distribute not less than 90% of total distributable income to its Holders of Share Stapled Units.

Although there was a moderate recovery in the hotels' business for the first half of 2022, the performance of the hotels' business is still highly affected by the fluctuations in the COVID-19 pandemic situation, which can have quick and dramatic effect on our net profit. In view of this situation and in consideration of the administrative expenses incurred and the amount of distribution per Share Stapled Unit is minimal, the Board decided not to distribute any of the total distributable income for the six months ended 30 June 2022.

Net Assets Attributable to Holders of Share Stapled Units

Net Assets Attributable to Holders of Share Stapled Units was HK\$8,335.3 million or HK\$2.56 per Share Stapled Unit as at 30 June 2022 (31 December 2021: HK\$7,799.8 million or HK\$2.41 per Share Stapled Unit) which represents a 166.7% premium to the closing Share Stapled Unit price of HK\$0.96 as at 30 June 2022.

Use of Proceeds from Rights Issue

In September 2020, the Trust Group issued 1,072,743,916 Share Stapled Units upon the completion of the rights issue of one rights Share Stapled Unit for every 2 Share Stapled Units at the subscription price of HK\$0.95 per rights Share Stapled Unit. The proceeds from the rights issue amounted to HK\$1,019.1 million while the net proceeds amounted to HK\$1,011.2 million. The net proceeds were used according to the intentions previously disclosed in the circular of the Trust and the Company dated 21 August 2020 (the "Circular"). The unutilised net proceeds were deposited into the licensed banks in Hong Kong as interest-bearing deposits.

As at 30 June 2022, the use of net proceeds from the rights issue is as follows:

(in HK\$ million)		Utilised			Unutilised		
Intended use	Estimated amount for intended use	At 31 December 2021	Movement during the period	At 30 June 2022	At 31 December 2021	Movement during the period	At 30 June 2022
Utilise at least 80% of the net proceeds in prepayment of part of the outstanding loans	809.0	810.0	-	810.0	-	-	-
Utilise not more than 20% of the net proceeds in part as additional security deposits under the mitigation mechanism of the loan facilities agreement	202.2	-	-	-	-	-	-
Utilise the remainder of the net proceeds for general working capital	-	116.3	52.6	168.9	84.9	(52.6)	32.3
	1,011.2	926.3	52.6	978.9	84.9	(52.6)	32.3

The utilisation of HK\$52.6 million during the period represented the payments of finance costs. As at 30 June 2022 and the date of this announcement, the utilised amount of the net proceeds did not exceed the estimated amount for the intended use of net proceeds as disclosed in the Circular. The unutilised net proceeds in the amount of HK\$32.3 million is expected to be utilised by 31 December 2022.

Debt Profile

Total outstanding borrowings, before accounting for the loan front-end fee, of the Trust Group as at 30 June 2022 were HK\$6,317.0 million (31 December 2021: HK\$6,317.0 million). The secured term loans of HK\$5,990.0 million (31 December 2021: HK\$5,990.0 million) were on a floating-rate interest basis and repayable in full in December 2023. The secured revolving loans of HK\$327.0 million (31 December 2021: HK\$327.0 million) were revolving on a monthly basis until December 2023.

In order to mitigate the interest rate exposure, the Trust Group entered into several three-year to four-year interest rate swap contracts totaling HK\$6,700.0 million during 2016 to 2020. Upon the expiry of six interest rate swap contracts totaling of HK\$3,500.0 million from 2020 to 2021 and the expiry of a HK\$500.0 million interest rate swap contract in the first half of 2022, HK\$2,700.0 million (31 December 2021: 3,200.0 million) out of the total outstanding bank loan, before accounting for the loan front-end fee, of HK\$6,317.0 million (31 December 2021: HK\$6,317.0 million) or 42.7% (31 December 2021: 50.7%) was fixed at a weighted average swap rate of 1.08% p.a. (31 December 2021: 1.31% p.a.).

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

As at 30 June 2022, total gross assets of the Trust Group were HK\$15,148.9 million (31 December 2021: HK\$14,612.6 million). Gearing ratio, calculated as total outstanding borrowings as a percentage of total gross assets, was 41.7% (31 December 2021: 43.2%).

Cash Position

As at 30 June 2022, the Trust Group had a cash balance of HK\$139.0 million (31 December 2021: HK\$179.2 million) to satisfy a portion of asset enhancement of the Hotels, as well as its working capital and operating requirements.

In addition, the Trust Group had unused revolving loans amounting to HK\$373.0 million as of 30 June 2022 (31 December 2021: HK\$373.0 million).

Pledge of Assets

As at 30 June 2022, all investment properties (31 December 2021: all investment properties) of the Trust Group, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the properties, are pledged to secure the term and revolving loan facilities granted to the Trust Group.

Commitments

As at 30 June 2022, the Trust Group has authorised capital expenditures for investment properties which were not provided for in the condensed consolidated financial statements amounting to HK\$24.9 million (31 December 2021: HK\$40.6 million), of which HK\$17.0 million (31 December 2021: HK\$30.4 million) was contracted for.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

During the six-month period ended 30 June 2022, the Trust (via the Trustee-Manager) and the Company had complied with all applicable code provisions, and where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code. Only the Company established a Nomination Committee and a Remuneration Committee, as these are not relevant to the Trustee-Manager. The Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company, and the Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust or the Trustee-Manager. As such, the Trustee-Manager does not have any employees.

COMPLIANCE WITH THE MODEL CODE

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

Having made specific enquiry, all Directors and relevant employees of the Trustee-Manager and the Company have confirmed that they had fully complied with the Code of Conduct for Securities Transactions for the six-month period ended 30 June 2022.

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

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

During the six-month period ended 30 June 2022, none of the Trust, the Trustee-Manager, the Company nor the Company’s subsidiaries had bought back, sold or redeemed any Share Stapled Units.

ISSUED SHARE STAPLED UNITS

As at 30 June 2022, the total number of issued Share Stapled Units of the Trust and the Company was 3,255,820,285. As compared with the position of 31 December 2021, 14,846,574 new Share Stapled Units were issued during the reporting period, representing approximately 0.46% of the total number of issued Share Stapled Units as at 30 June 2022.

Date	Particulars	No. of Share Stapled Units
31 December 2021	Total number of issued Share Stapled Units	3,240,973,711
2 March 2022	Issue of new Share Stapled Units at the price of HK\$0.879 per Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees to the Hotel Manager of approximately HK\$13,051,000 for the second half of 2021	14,846,574
30 June 2022	Total number of issued Share Stapled Units	3,255,820,285

SUFFICIENCY OF 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.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Trust Group and unaudited condensed financial statements of the Trustee-Manager for the six-month period ended 30 June 2022 were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have also been reviewed by the Audit Committees of the Trustee-Manager and the Company. Such financial information has been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Trustee-Manager and the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

ISSUANCE OF INTERIM REPORT

The 2022 Interim Report 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 September 2022.

BOARD OF DIRECTORS

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

Non-executive Directors

* Independent Non-executive Directors

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

Hong Kong, 12 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME OF THE TRUST AND OF THE COMPANY
 FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<u>NOTES</u>	Six months ended 30 June <u>2022</u> HK\$'000 (unaudited)	<u>2021</u> HK\$'000 (unaudited)
Revenue	4	181,063	103,662
Property related expenses		<u>(9,141)</u>	<u>(11,184)</u>
Net property income		171,922	92,478
Other income		614	912
Increase (decrease) in fair value of investment properties		444,044	(553,741)
Change in fair value of derivative financial instruments		78,634	24,324
Administrative and other expenses		(6,647)	(7,043)
Finance costs	6	<u>(57,418)</u>	<u>(59,975)</u>
Profit (loss) before tax		631,149	(503,045)
Income tax expense	7	<u>(20,755)</u>	<u>(6,465)</u>
Profit (loss) and total comprehensive income (expense) for the period attributable to holders of Share Stapled Units	10	<u>610,394</u>	<u>(509,510)</u>
Earnings (loss) per Share Stapled Unit			
Basic and diluted	11	<u>HK19 cents</u>	<u>(HK16 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND
OF THE COMPANY
AT 30 JUNE 2022

	<u>NOTES</u>	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		1,388	1,611
Investment properties		14,887,000	14,407,000
Derivative financial instruments		49,912	-
Deposits	12	4,801	5,009
		<u>14,943,101</u>	<u>14,413,620</u>
Current assets			
Debtors, deposits and prepayments	12	63,333	19,676
Derivative financial instrument		3,474	-
Tax recoverable		14	98
Bank balances		138,952	179,182
		<u>205,773</u>	<u>198,956</u>
Current liabilities			
Creditors, deposits and accruals	13	38,832	38,766
Derivative financial instrument		-	5,641
Secured bank loans due within one year		327,000	327,000
Lease liabilities due within one year		493	1,648
Tax payable		44,412	44,390
		<u>410,737</u>	<u>417,445</u>
Net current liabilities		<u>(204,964)</u>	<u>(218,489)</u>
Total assets less current liabilities		<u>14,738,137</u>	<u>14,195,131</u>
Non-current liabilities			
Derivative financial instruments		-	19,607
Secured bank loans due after one year		5,973,791	5,968,166
Lease liabilities due after one year		842	41
Deferred tax liabilities		428,180	407,531
		<u>6,402,813</u>	<u>6,395,345</u>
NET ASSETS		<u>8,335,324</u>	<u>7,799,786</u>
Capital and reserves			
Issued capital/units		3,256	3,241
Reserves		8,332,068	7,796,545
TOTAL EQUITY		<u>8,335,324</u>	<u>7,799,786</u>

NOTES TO THE TRUST AND THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. **GENERAL**

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

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

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

2. **BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The Trust's condensed consolidated financial statements for the six months ended 30 June 2022 comprise the condensed consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's condensed consolidated financial statements for the six months ended 30 June 2022 comprise the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

The unitholders of the Trust have beneficial interest in the ordinary shares of the Company and the sole activity of the Trust during the period ended 30 June 2022 was investment in the Company. Therefore, the condensed consolidated results and financial position that would be presented in the condensed consolidated financial statements of the Trust Group are identical to the condensed consolidated financial statements of the Group with the only differences being the disclosures of capital. The Trustee-Manager and the directors of the Company (the "Directors") believe therefore that it is clearer to present the condensed consolidated financial statements of the Trust Group and the Group together. The condensed consolidated financial statements of the Trust Group and the condensed consolidated financial statements of the Group are presented together to the extent they are identical and are hereinafter referred as "the Trust and the Company's Condensed Consolidated Financial Statements".

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

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

3.1 Basis of preparation of condensed consolidated financial statements

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

The condensed consolidated financial statements have been prepared on a going concern basis because the Trustee-Manager and the Directors are of the opinion that the Groups will have adequate sources of funding to meet in full its financial obligations, after taking into account the continuous cash flows generated from operating activities and the expected rollover of secured revolving loans amounting to HK\$327,000,000 which are revolving on a monthly basis.

3.2 Principal accounting policies

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Groups' annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Groups have applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Groups' annual period beginning on 1 January 2022 for the preparation of the Groups' condensed consolidated financial statements:

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

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

4. **REVENUE**

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental income from GE (LHIL) Lessee Limited (the "Master Lessee") (Note)		
Base rent	111,575	111,575
Variable rent	90,933	-
Service fees expenses	<u>(22,540)</u>	<u>(8,875)</u>
	179,968	102,700
Rental income from retail shops in Eaton HK	<u>1,095</u>	<u>962</u>
	<u>181,063</u>	<u>103,662</u>

Note: Included in rental income from Master Lessee, service fees income of HK\$22,540,000 (six months ended 30 June 2021: HK\$8,875,000) has been netted with the same amount of the corresponding service fees expenses.

5. **SEGMENT INFORMATION**

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

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

5. **SEGMENT INFORMATION** – *continued*

Segment revenue and results

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

Six months ended 30 June 2022

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

5. **SEGMENT INFORMATION** - continued

Segment revenue and results - continued

Six months ended 30 June 2021

	The Langham, <u>Hong Kong</u> HK\$'000 (unaudited)	Cordis, <u>Hong Kong</u> HK\$'000 (unaudited)	Eaton <u>HK</u> HK\$'000 (unaudited)	Segment <u>total</u> HK\$'000 (unaudited)	<u>Reconciliation</u> HK'000 (unaudited) (note)	<u>Consolidated</u> HK'000 (unaudited)
Segment revenue	39,571	48,364	24,602	112,537	(8,875)	103,662
Segment results	33,806	39,085	19,587	92,478	-	92,478
Other income						912
Decrease in fair value of investment properties						(553,741)
Change in fair value of derivative financial instruments						24,324
Administrative and other expenses						(7,043)
Finance costs						(59,975)
Loss before tax						(503,045)
Income tax expense						(6,465)
Loss for the period attributable to holders of Share Stapled Units						(509,510)

Note: Reconciliation represents netting of service fees income of HK\$22,540,000 (six months ended 30 June 2021: HK\$8,875,000) with the same amount of the corresponding service fees expenses (including hotel management fees, licence fee and global marketing fee) that has been adjusted from revenue.

Segment assets and liabilities

For the purpose of performance assessment, other than the fair values of investment properties, no other segment assets are reviewed by the CODM. At the end of the reporting period, the fair values of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK were HK\$5,070,000,000, HK\$6,460,000,000 and HK\$3,357,000,000, respectively (31 December 2021: HK\$4,920,000,000, HK\$6,240,000,000 and HK\$3,247,000,000, respectively).

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

6. **FINANCE COSTS**

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	33,764	29,938
Net interest on interest rate swaps	17,541	24,013
Loan front-end fee amortisation	5,625	5,625
Interest on lease liabilities	26	61
Other borrowing costs	462	338
	<u>57,418</u>	<u>59,975</u>

7. **INCOME TAX EXPENSE**

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax		
- Current period	106	140
Deferred tax		
- Current period	20,649	6,324
- Underprovision in prior year	-	1
	<u>20,755</u>	<u>6,465</u>

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

8. ***TOTAL DISTRIBUTABLE INCOME***

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

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to holders of Share Stapled Units	610,394	(509,510)
Adjustments:		
Depreciation	636	936
Deferred tax	20,649	6,325
Loan front-end fee amortisation	5,625	5,625
Hotel management fees and licence fee payable in form of Share Stapled Units	16,462	7,499
(Increase) decrease in fair value of investment properties	(444,044)	553,741
Change in fair value of derivative financial instruments	(78,634)	(24,324)
Reserve for furniture, fixtures and equipment	<u>(6,487)</u>	<u>(4,312)</u>
Total distributable income	<u>124,601</u>	<u>35,980</u>

9. **DISTRIBUTION STATEMENT**

	<u>NOTE</u>	Six months ended 30 June <u>2022</u> HK\$'000 (unaudited)	<u>2021</u> HK\$'000 (unaudited)
<u>Interim distribution period (note a)</u>			
Total distributable income in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: in respect of the six months ended 30 June 2021)	8	124,601	35,980
Percentage of distributable income for distribution (note b)		-	-
Distributable income for interim distribution period		-	-
Interim distribution		-	-
<u>Final distribution period (note a)</u>			
Total distributable income in respect of the financial year ended 31 December 2021 (six months ended 30 June 2021: in respect of the financial year ended 31 December 2020)		98,522	5,967
Less: distributable income paid for interim distribution period		-	-
Distributable income available for final distribution period		98,522	5,967
Percentage of distributable income for distribution (note b)		90%	-
Distributable income for final distribution period		88,670	-
Final distribution (note c)		88,670	-
Distribution per Share Stapled Unit			
Interim distribution per Share Stapled Unit in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: in respect of the six months ended 30 June 2021)		-	-
Final distribution per Share Stapled Unit in respect of the financial year ended 31 December 2021 (six months ended 30 June 2021: in respect of the financial year ended 31 December 2020) (note c)		HK2.7 cents	-

9. ***DISTRIBUTION STATEMENT*** - continued

Notes:

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

The final distribution in 2021 and 2020 was based on total distributable income for the year ended 31 December 2021 and 2020, respectively.

- (b) The Trust Deed and the articles of association of the Company state that it is the intention of the Trustee-Manager and the Directors to declare and distribute not less than 90% of the total distributable income in respect of each financial year after the financial year ended 31 December 2015. However, it has been decided not to declare any of the total distribution income for the six months ended 30 June 2022.

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

No distributable income was distributed in respect of the six months ended 30 June 2021 and the financial year ended 31 December 2020.

- (c) Final distribution

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

The final distribution after 31 December 2021 has not been recognised as a liability as at 31 December 2021.

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

	Six months ended 30 June <u>2022</u> HK\$'000 (unaudited)	<u>2021</u> HK\$'000 (unaudited)
Profit (loss) and total comprehensive income (expense) for the period has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	2,934	2,681
Share-based payment expenses (Note)	-	24
Depreciation	636	936
Interest income	(248)	(311)
	<u> </u>	<u> </u>

Note:

There is no expense recognised for six month ended 30 June 2022 (six month ended 30 June 2021: HK\$24,000) in relation to share options granted by the ultimate holding company under its share option scheme.

12. **DEBTORS, DEPOSITS AND PREPAYMENTS** - continued

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

	At 30 June <u>2022</u> HK\$'000 (unaudited)	At 31 December <u>2021</u> HK\$'000 (audited)
Within 3 months	<u>62,167</u>	<u>17,121</u>

Receivable from Master Lessee represents amount due from a fellow subsidiary of HK\$62,167,000 (31 December 2021: HK\$17,121,000) which was unsecured, interest free and repayable on presentation of invoices.

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

13. **CREDITORS, DEPOSITS AND ACCRUALS**

	At 30 June <u>2022</u> HK\$'000 (unaudited)	At 31 December <u>2021</u> HK\$'000 (audited)
Trade creditors	19,330	13,587
Deposits received	759	958
Construction fee payables	7,177	12,550
Accruals and other payables	<u>11,566</u>	<u>11,671</u>
	<u>38,832</u>	<u>38,766</u>

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

	At 30 June <u>2022</u> HK\$'000 (unaudited)	At 31 December <u>2021</u> HK\$'000 (audited)
Within 3 months	15,386	7,808
More than 3 months and within 6 months	<u>3,944</u>	<u>5,779</u>
	<u>19,330</u>	<u>13,587</u>

Trade creditors represent amounts due to fellow subsidiaries of HK\$19,330,000 (31 December 2021: HK\$13,587,000) which are unsecured, interest-free and payable on presentation of invoices.

13. ***CREDITORS, DEPOSITS AND ACCRUALS*** - continued

Included in construction fee payable are (i) retention money payables to contractors of HK\$3,054,000 (31 December 2021: HK\$2,937,000) which are payable within two years and (ii) project management services fee due to a fellow subsidiary of HK\$453,000 (31 December 2021: nil) which is unsecured, interest-free and payable on presentation of invoices.

Included in accruals and other payables are amounts due to fellow subsidiaries of HK\$110,000 (31 December 2021: HK\$147,000) which are unsecured, interest-free and payable on presentation of invoices.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF
 LHIL MANAGER LIMITED
 FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<u>NOTE</u>	Six months ended 30 June <u>2022</u> HK\$ (unaudited)	<u>2021</u> HK\$ (unaudited)
Revenue		-	-
Administrative expenses		11,852	(11,562)
Less: Amount borne by a fellow subsidiary		<u>(11,852)</u>	<u>11,562</u>
Profit or loss before tax		-	-
Income tax	3	<u>-</u>	<u>-</u>
Profit or loss and other comprehensive income/expense for the period		<u><u>-</u></u>	<u><u>-</u></u>

CONDENSED STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED
AT 30 JUNE 2022

	At 30 June <u>2022</u> HK\$ (unaudited)	At 31 December <u>2021</u> HK\$ (audited)
Current asset		
Cash on hand	<u>1</u>	<u>1</u>
NET ASSET	<u><u>1</u></u>	<u><u>1</u></u>
Capital		
Share capital	<u>1</u>	<u>1</u>
TOTAL EQUITY	<u><u>1</u></u>	<u><u>1</u></u>

1. **GENERAL**

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

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

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

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

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

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

2.1 Basis of preparation of condensed financial statements

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

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

2.1 Basis of preparation of condensed financial statements - continued

The financial information relating to the year ended 31 December 2021 that is included in these condensed financial statements as comparative information does not constitute the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

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

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

2.2 Principal accounting policies

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

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021.

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

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

3. ***INCOME TAX***

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