



# LANGHAM

HOSPITALITY INVESTMENTS

Stock code : 1270

Annual Report 2023



# LANGHAM HOSPITALITY INVESTMENTS CORPORATE PROFILE

Langham Hospitality Investments has been established primarily to own and invest in a portfolio of hotels, with an initial focus on completed hotels in Asia. The initial asset portfolio comprises:

The Langham, Hong Kong

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Cordis, Hong Kong

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Eaton HK

The Langham, Hong Kong and Cordis, Hong Kong are both High Tariff A hotels and Eaton HK is a High Tariff B hotel under the classification set out by Hong Kong Tourism Board, with High Tariff A being the highest category and High Tariff B being the second highest category.

Each of the Hotels is located on the Kowloon peninsula in Hong Kong, a vibrant commercial and leisure hub which offers a variety of activities ranging from shopping, food and beverage, and entertainment to cultural attractions.

The Hotels are also located near well-connected transportation hubs in Hong Kong allowing guests to enjoy access to other leisure and business districts in Hong Kong.



## CONTENTS

10	Corporate Information
12	Financial Calendar
13	Financial Highlights
14	Chairman's Statement
17	CEO's Review
25	Biographical Details of Directors, Officers and Management
30	Environmental, Social and Governance Report
55	Corporate Governance Report
92	Report of the Directors
113	Financial Information
188	Schedule of Investment Properties
189	Five Years' Financial Summary
190	Glossary of Terms



# THE LANGHAM

HONG KONG

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The Langham, Hong Kong seeks to provide a unique European-style refined service to its guests. The Langham, Hong Kong is a luxury hotel located close to Canton Road, which has one of the largest concentrations of luxury retailers in Hong Kong and is located in the heart of Tsim Sha Tsui, one of the busiest shopping and leisure destinations in Hong Kong. Apart from the shopping opportunities offered, Tsim Sha Tsui is a cultural hub and The Langham, Hong Kong is located near historical buildings, museums and other tourist attractions, such as the Hong Kong Clock Tower, the Avenue of Stars and the Star Ferry. Tsim Sha Tsui is also a growing commercial hub with large-scale office developments nearby, such as the International Commerce Centre in West Kowloon, underpinning growth in corporate accommodation in the area.



THE LANGHAM, HONG KONG  
 SEEKS TO PROVIDE  
 A UNIQUE EUROPEAN-STYLE  
 REFINED SERVICE TO ITS GUESTS



HKTB RATING **HIGH TARIFF A**

ROOMS **498**

GFA ('000 SQ.FT) **375**



# CORDIS

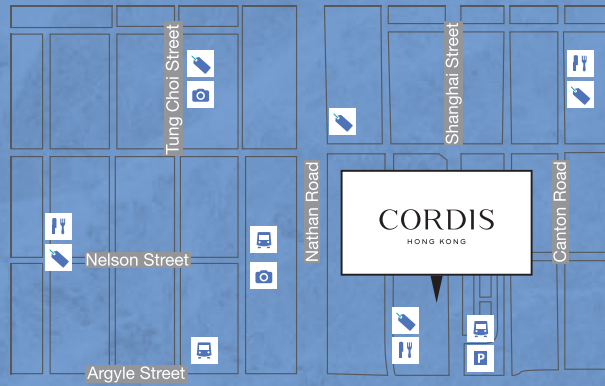
HONG KONG

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Cordis, Hong Kong provides a contemporary luxury hotel experience, with sleek and modern design inspired by contemporary Chinese art. Cordis, Hong Kong is a short walk away from famous street markets such as the night market on Temple Street, the Ladies' Market and the Jade Market, and is directly connected to The Langham Place Shopping Mall and Office Tower. Cordis, Hong Kong is the only large scale luxury hotel in the heart of Mongkok and easily accessible by various modes of public transportation, including the MTR. Mongkok attracts many shoppers, both local and overseas, as the location has a plethora of shopping malls, street shops and open bazaar outlets. In addition to retail, Mongkok is an entertainment and commercial centre.



CORDIS, HONG KONG  
 IS THE ONLY  
 LARGE-SCALE LUXURY  
 HOTEL IN THE HEART OF MONGKOK



HKTb RATING **HIGH TARIFF A**

ROOMS **669**

GFA ('000 SQ.FT) **580**



# *Eaton*

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Eaton HK is located on Nathan Road, a popular street in Hong Kong in a famous shopping, entertainment and commercial district. Eaton HK is easily accessible by various modes of public transportation and is located between Jordan and Yau Ma Tei, near the Temple Street Night Market and the Jade Market. The hotel features a newly designed lobby and guestrooms, rooftop swimming pool and yoga studio, gym and juice bar, co-working club, large event spaces, screening room, radio station, and a host of restaurants and bars including Michelin-starred Cantonese restaurant, all-day dining floor and signature food hall with different international eateries.





LOCATED ON NATHAN ROAD, EATON HK'S DESIGNS ARE AMONGST THE MOST STYLISH AND TARGETED TO ATTRACT MILLENNIALS, WHO ARE LOOKING FOR A THOROUGH EXPERIENCE-BASED STAY.



HKTB RATING **HIGH TARIFF B**

ROOMS **465**

GFA ('000 SQ.FT) **339**

# LANGHAM

## HOSPITALITY GROUP

The Trust Group comprises a hotel portfolio of three Hong Kong hotels including The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK. These three Hong Kong hotels are managed by the Hotel Manager, Langham Hotels International Limited under Langham Hospitality Group, which is one of the world's most outstanding hotel management companies.

Langham Hospitality Group, a member of the Great Eagle Group, encompasses a family of distinctive hospitality brands which include hotels, restaurants and spas, located on four continents. Langham Hospitality Group currently manages 26 hotels under The Langham Hotels and Resorts, Cordis and Eaton brands, with more than 15 hotel projects currently confirmed and under construction or in a developed stage of negotiations in China, Southeast Asia, Australia and North America.

### LANGHAM HOTELS AND RESORTS – THE LANGHAM AND LANGHAM PLACE

Langham Hotels and Resorts, is the flagship brand of Langham Hospitality Group, and comprise hotels committed to delivering exceptional experiences across the globe. The Langham name has come to represent hotels that are the epitome of luxury, displaying a passion for genuine service, innovation, captivation of the senses and design. Our hotels are defined by 'The Art of the Stay' through their impeccable service with poise, timeless art & design and by their eclectic sensory experiences. The Langham brand reflects classic luxury, grand and timeless, whereas Langham Place brand represents modern luxury and sophistication.

### CORDIS

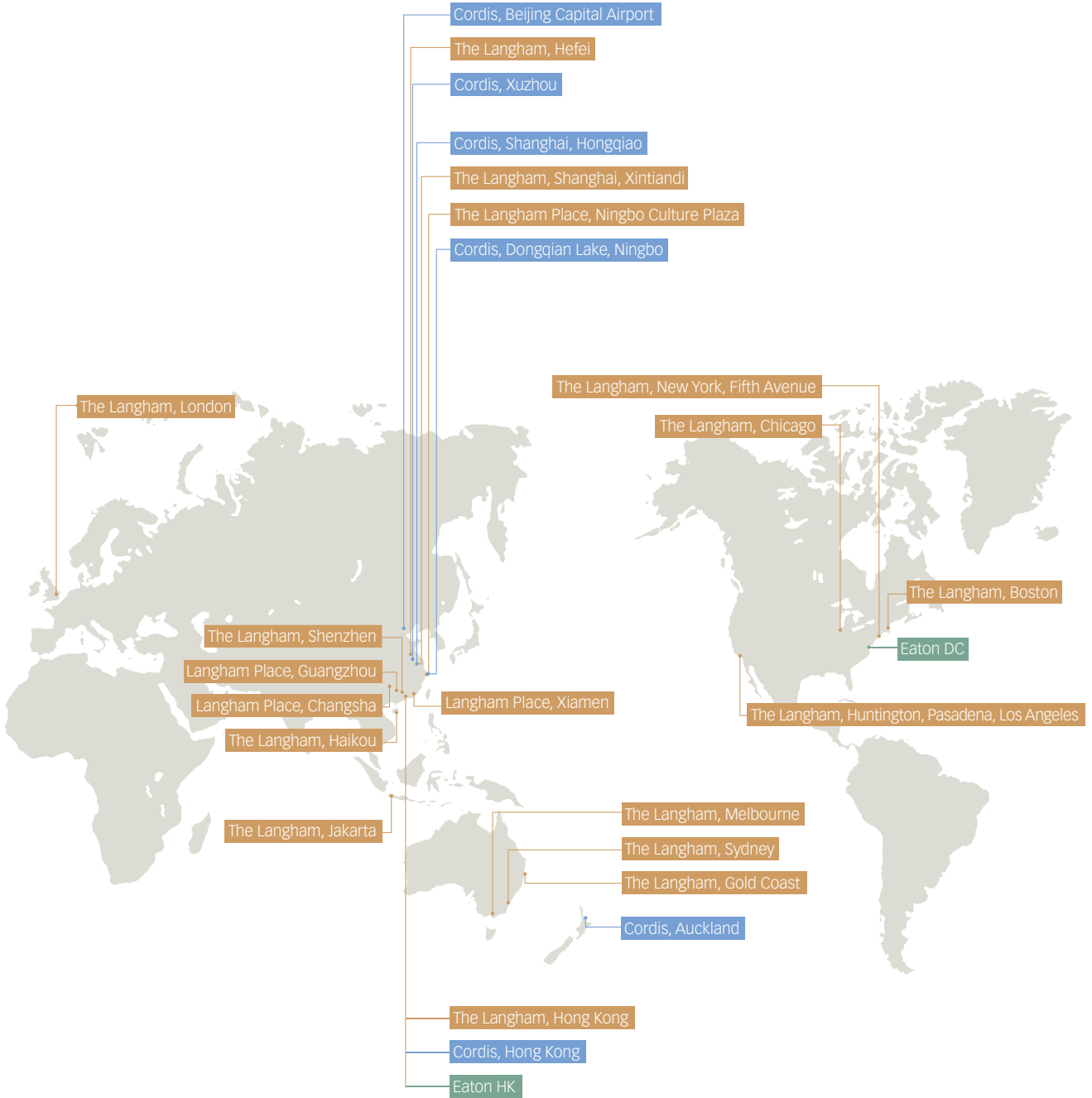
Cordis, meaning "heart" in latin, is a collection of elegant upscale hotels, with plenty of heart & soul, utterly devoted to your business, personal and family well-being. The service is seamless, devoted, genuine, reliable, thoughtful, anticipatory, passionate and intuitive. The Cordis portfolio will include new built designs, resorts and contemporary residences. The brand will be developed through a combination of new-build and conversion projects in key cities in Asia and North America, with the first hotel to fly the Cordis flag in 2015 in Hong Kong.

### EATON

Eaton HK is the physical arm of Eaton Workshop, a new global purpose-driven company and creative lab from Katherine Lo at the intersection of culture, media, hospitality, wellness, and progressive social change. With distinct parts – Hotel, House, Media, Wellness, and Impact Eaton Workshop transcends the notion of a traditional hotel to provide a physical, digital, and analog platform to artists, activists, healers, and leaders in their pursuit of making the world a better place.

# LANGHAM

HOSPITALITY GROUP



Note:  
The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK are existing hotel properties owned by the Trust Group. Apart from the said Hotels, the Trust Group does not own any other hotels in the above map.

# CORPORATE INFORMATION

## TRUST

### Langham Hospitality Investments

*(a fixed single investment trust constituted pursuant to the Trust Deed under the laws of Hong Kong)*

## COMPANY

### Langham Hospitality Investments Limited

*(incorporated in the Cayman Islands with limited liability)*

## TRUSTEE-MANAGER

### LHIL Manager Limited

*(as Trustee-Manager of the Trust)*

## COMPANY AND TRUSTEE-MANAGER BOARDS OF DIRECTORS

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

# Non-executive Directors

\* Independent Non-executive Directors

## COMPANY AND TRUSTEE-MANAGER AUDIT COMMITTEES

WONG Kwai Lam *(Chairman)*  
CHAN Ka Keung, Ceajer  
LIN Syaru, Shirley

## COMPANY REMUNERATION COMMITTEE

CHAN Ka Keung, Ceajer *(Chairman)*  
LO Ka Shui  
LIN Syaru, Shirley  
WONG Kwai Lam

## COMPANY NOMINATION COMMITTEE

LIN Syaru, Shirley *(Chairperson)*  
LO Ka Shui  
CHAN Ka Keung, Ceajer  
WONG Kwai Lam

## COMPANY SECRETARY

WONG Mei Ling, Marina

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditors*

## LEGAL ADVISORS

Conyers Dill & Pearman  
Mayer Brown

## PRINCIPAL BANKERS

Agricultural Bank of China Limited  
Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.  
China Construction Bank (Asia) Corporation Limited  
China Construction Bank Corporation Hong Kong Branch  
Chong Hing Bank Limited  
Hang Seng Bank Limited  
Overseas-Chinese Banking Corporation Limited  
Sumitomo Mitsui Banking Limited  
The Hongkong and Shanghai Banking Corporation Limited

# CORPORATE INFORMATION

## COMPANY REGISTERED OFFICE

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

## COMPANY PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2702, 27th Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2186 2500  
Fax: (852) 2186 9867

## COMPANY PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## COMPANY HONG KONG BRANCH SHARE REGISTRAR AND SHARE STAPLED UNITS REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## WEBSITE

[www.langhamhospitality.com](http://www.langhamhospitality.com)

## INVESTORS ENQUIRIES

For enquiries from investors or Holders of Share Stapled Units, please email to [enquiry@langhamhospitality.com](mailto:enquiry@langhamhospitality.com)

## HKEX STOCK CODE

1270

# FINANCIAL CALENDAR

Event	Date
2023 Interim Results Announcement	11 August 2023
2023 Annual Results Announcement	19 February 2024
Closure of Registers for ascertaining the entitlement to attend and vote at the 2024 Annual General Meeting	3 May 2024 – 8 May 2024 <i>(both days inclusive)</i>
2024 Annual General Meeting	8 May 2024

## 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.

## FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)	2023	2022	Change
Revenue of hotel portfolio	<b>1,618.8</b>	970.6	66.8%
Total rental income for the Trust Group after netting service fees	<b>514.0</b>	332.1	54.8%
Profit attributable to Holders of Share Stapled Units excluding fair value change on investment properties and derivative financial instruments	<b>224.1</b>	118.1	89.8%
Distributable income	<b>297.6</b>	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%

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

## CHAIRMAN'S STATEMENT



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.



## CHAIRMAN'S STATEMENT

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.

# CHAIRMAN'S STATEMENT

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.

## 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.

On behalf of the Board, I would like to express my sincere gratitude to the Hotel teams and staff of the Trustee-Manager and the Trust Group for their dedication in a highly challenging environment, and our Unitholders for their continued support.



**Lo Ka Shui**

*Chairman*

## CEO'S 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%
<b>Total rental income before service fees</b>	<b>595.2</b>	<b>376.0</b>	<b>58.3%</b>
Service fees expenses	(81.2)	(43.9)	85.0%
<b>Total rental income for the Trust Group</b>	<b>514.0</b>	<b>332.1</b>	<b>54.8%</b>

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.

## CEO'S REVIEW

(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%
<b>Total service fees</b>	<b>81.2</b>	<b>43.9</b>	<b>85.0%</b>

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%
<b>Net property income</b>	<b>494.7</b>	<b>313.7</b>	<b>57.7%</b>

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
<b>Breakdown of finance costs</b>			
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	(1.1)	(1.0)	10.0%
<b>Total finance costs</b>	<b>(247.1)</b>	<b>(145.1)</b>	<b>70.3%</b>

## CEO'S REVIEW

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
<b>Net property income</b>	<b>494.7</b>	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%
<b>Profit before tax</b>	<b>1,099.8</b>	<b>461.1</b>	<b>138.5%</b>
Income tax expense	(19.5)	(41.5)	-53.0%
<b>Profit attributable to Holders of Share Stapled Units</b>	<b>1,080.3</b>	<b>419.6</b>	<b>157.5%</b>
<b>Profit attributable to Holders of Share Stapled Units excluding fair value change on investment properties and derivative financial instruments</b>	<b>224.1</b>	<b>118.1</b>	<b>89.8%</b>

## CEO'S REVIEW

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
<b>Profit attributable to Holders of Share Stapled Units</b>	<b>1,080.3</b>	<b>419.6</b>	<b>157.5%</b>
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%
<b>Distributable income</b>	<b>297.6</b>	<b>190.5</b>	<b>56.2%</b>
<b>Final distributable income</b>	<b>-</b>	<b>95.3</b>	<b>-100.0%</b>
<b>Final distribution per Share Stapled Unit</b>	<b>-</b>	<b>HK2.9 cents</b>	<b>-100.0%</b>

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.

# CEO'S REVIEW

## Hotel Performances

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

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
<b>Total revenue</b>	<b>576.5</b>	<b>654.8</b>	<b>387.5</b>	<b>1,618.8</b>

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%
<b>Total revenue</b>	<b>87.7%</b>	<b>76.8%</b>	<b>32.2%</b>	<b>66.8%</b>

# CEO'S REVIEW

## 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.



## CEO'S REVIEW

**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
<b>High Tariff A</b>	<b>76.0%</b>	56.0%	<b>2,347</b>	1,707	<b>1,784</b>	956
<i>year-on-year growth</i>	<i>+20.0ppt</i>		<i>+37.5%</i>		<i>+86.6%</i>	
<b>High Tariff B</b>	<b>84.0%</b>	72.0%	<b>1,098</b>	824	<b>922</b>	593
<i>year-on-year growth</i>	<i>+12.0ppt</i>		<i>+33.3%</i>		<i>+55.5%</i>	
<b>All hotels</b>	<b>82.0%</b>	66.0%	<b>1,392</b>	1,065	<b>1,141</b>	703
<i>year-on-year growth</i>	<i>+16.0ppt</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%.

# CEO'S REVIEW

## 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.



**Brett Stephen BUTCHER**  
Chief Executive Officer

# BIOGRAPHICAL DETAILS OF DIRECTORS, OFFICERS AND MANAGEMENT

## DIRECTORS

### **Dr. LO Ka Shui**

#### ***Chairman and Non-executive Director***

Dr. LO Ka Shui, aged 77, has been Chairman and Non-executive Director for the Trustee-Manager and the Company since 2013. He is a Member of both the Company's Remuneration Committee and Nomination Committee and is also a Director of all subsidiaries of the Company. Dr. Lo is Chairman and Managing Director of Great Eagle Holdings Limited, and Chairman and Non-executive Director of the Manager of the publicly-listed trust, Champion Real Estate Investment Trust. He is also Vice President of The Real Estate Developers Association of Hong Kong and a member of The Hong Kong Centre for Economic Research's Board of Trustees. Dr. Lo was formerly Director of Hong Kong Exchanges and Clearing Limited; Chairman of the Listing Committee for the Main Board and Growth Enterprise Market; a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority; Chairman of The Chamber of Hong Kong Listed Companies; Chairman of the Hospital Authority of Hong Kong; a Board Member of the Airport Authority Hong Kong; and a Member of the University Grants Committee.

Dr. Lo graduated from McGill University with a Bachelor of Science Degree and obtained a Doctor of Medicine (M.D.) Degree from Cornell University, and was certified in Internal Medicine and Cardiovascular Disease at University of Michigan Hospitals. He has over four decades of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is the father of Mr. Lo Chun Him, Alexander and an uncle to Mr. Lo Chun Lai, Andrew, both Non-executive Directors of the Trustee-Manager and the Company.

### **Mr. Brett Stephen BUTCHER**

#### ***Chief Executive Officer and Executive Director***

Mr. Brett Stephen BUTCHER, aged 64, has been the Chief Executive Officer and Executive Director of the Trustee-Manager and the Company since April 2019. He is also a Director of all the subsidiaries of the Company. Mr. Butcher has over 40 years' extensive hotel business experience in both hotel operations and sales and marketing in Asia, the Pacific and North America. He is currently the Executive Advisor of the hotel asset management arm of Great Eagle Holdings Limited. Mr. Butcher was also the former Chief Executive Officer of Langham Hospitality Group overseeing all aspects of management and brands for the Langham Hospitality Group's global portfolio of hotels, resorts and residences. Mr. Butcher holds a Bachelor's Degree in Business (Hospitality Management) from University of Queensland Lawes Campus.

# BIOGRAPHICAL DETAILS OF DIRECTORS, OFFICERS AND MANAGEMENT

## **Professor CHAN Ka Keung, Ceajer** ***Independent Non-executive Director***

Professor CHAN Ka Keung, Ceajer, aged 67, has been an Independent Non-executive Director of the Trustee-Manager and the Company since August 2018. He is the Chairman of the Company's Remuneration Committee, a Member of the Company's Nomination Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Professor Chan holds an Honorary Doctoral Degree from The Hong Kong University of Science and Technology (HKUST). Professor Chan is an Adjunct Professor and a Senior Advisor to the Dean at HKUST Business School. He was appointed as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in HKUST. Before joining the HKUST Business School in 1993, Professor Chan had spent nine years teaching at Ohio State University in the United States. Professor Chan is currently a member of Competition Commission of Hong Kong and a Director of the One Country and Two Systems Research Institute. Professor Chan is an Independent Non-executive Director of the Manager of Champion Real Estate Investment Trust, Guotai Junan International Holdings Limited, China Overseas Land & Investment Limited and NWS Holdings Limited (all listed in Hong Kong). He is an Independent Non-executive Director of Greater Bay Area Homeland Investments Limited. He is also the Chairman of WeLab Bank Limited and a Senior Advisor to WeLab Holdings Limited.

Professor Chan received his bachelor's degree in economics from Wesleyan University and both of his M.B.A. and Ph.D. in finance from The University of Chicago. He specialised in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

## **Professor LIN Syaru, Shirley** ***Independent Non-executive Director***

Professor LIN Syaru, Shirley, aged 55, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. She is the Chair of the Company's Nomination Committee, a Member of the Company's Remuneration Committee and a Member of the Audit Committees of the Trustee-Manager and the Company. Previously, she was a Partner at Goldman Sachs, where she led the firm's efforts in private equity and venture capital in Asia. In addition, Professor Lin was involved in the privatisation of state-owned enterprises in Mainland China, Singapore and Taiwan. She has served on the boards of numerous private and public companies. Professor Lin is currently an Independent Non-executive Director of Goldman Sachs Asia Bank Limited, a restricted licence bank in Hong Kong and TE Connectivity Ltd., a NYSE-listed company based in Zurich, and an Independent Director of MediaTek Inc., a company listed in Taiwan. She was an Independent Non-executive Director of Swire Pacific Limited and Mercuries Life Insurance Co., Ltd. She was appointed by the Hong Kong government to the Hong Kong Committee for Pacific Economic Cooperation from 2016 to 2022. She currently serves on the board of the Focused Ultrasound Foundation in the U.S. and is the Founder of the Focused Ultrasound Hong Kong Foundation.

Professor Lin is Research Professor at the Miller Center of Public Affairs at the University of Virginia and a Nonresident Senior Fellow in the Foreign Policy Program at the Brookings Institution. She is also a faculty member at the Chinese University of Hong Kong and chairs the Center for Asia-Pacific Resilience and Innovation. Her book on the impact of the evolution of Taiwanese identity on cross-Strait economic policy was published by Stanford University Press in 2016. She is currently working on the challenges facing the advanced economies in East Asia that have entered the high-income trap. Her commentary frequently appears in English and Chinese media. She received her master's degree in International and Public Affairs with distinction and her Ph.D. in Politics and Public Administration from the University of Hong Kong and her A.B. from Harvard College, *cum laude*.

# BIOGRAPHICAL DETAILS OF DIRECTORS, OFFICERS AND MANAGEMENT

## **Mr. LO Chun Him, Alexander** ***Non-executive Director***

Mr. LO Chun Him, Alexander, aged 38, has been a Non-executive Director of the Trustee-Manager and the Company since February 2017. He is also a Director of all the subsidiaries of the Company. Mr. Lo is an Executive Director of Great Eagle Holdings Limited, which is listed on the Main Board of the Stock Exchange. Prior to joining the Great Eagle Group in 2010, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of The Real Estate Developers Association of Hong Kong and a member of the Management Committee of The Federation of Hong Kong Hotel Owners Limited. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Mr. Lo is a son of Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company. He is also a cousin of Mr. Lo Chun Lai, Andrew, being a Non-executive Director of the Trustee-Manager and the Company.

## **Mr. LO Chun Lai, Andrew** ***Non-executive Director***

Mr. LO Chun Lai, Andrew, aged 35, has been a Non-executive Director of the Trustee-Manager and the Company since October 2020. He is currently the Managing Director – Hospitality Asset Management at Langham Hospitality Group ("LHG"), a wholly-owned subsidiary of Great Eagle Holdings Limited which is the controlling holder of share stapled units of the Trust and the Company. In this role, Mr. Lo is responsible for overseeing the management of all hotel assets of Great Eagle worldwide.

Prior to joining LHG in 2013, he held positions at Horwath HTL and Mandarin Oriental. He graduated from Stanford University with a Bachelor of Arts in International Relations and from Columbia University in New York with a Master of Science in Real Estate Development. He also holds a certificate in Hotel Real Estate Investments and Asset Management from Cornell University. Mr. Lo is a nephew of Dr. Lo Ka Shui, being Chairman and Non-executive Director of the Trustee-Manager and the Company. He is also a cousin of Mr. Lo Chun Him, Alexander, being Non-executive Director of the Trustee-Manager and the Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS, OFFICERS AND MANAGEMENT

## **Mr. WONG Kwai Lam**

### ***Independent Non-executive Director***

Mr. WONG Kwai Lam, aged 74, has been an Independent Non-executive Director of the Trustee-Manager and the Company since 2013. He is the Chairman of the Audit Committees of the Trustee-Manager and the Company, and a Member of each of the Company's Remuneration Committee and Nomination Committee. Mr. Wong is currently an Independent Non-executive Director of Hutchison Port Holdings Management Pte. Limited as trustee-manager of Hutchison Port Holdings Trust ("HPHT"), CK Hutchison Holdings Limited ("CKHH"), ARA Asset Management (Prosperity) Limited as manager of Prosperity Real Estate Investment Trust ("Prosperity REIT") and K. Wah International Holdings Limited ("KWIH"). CKHH, Prosperity REIT and KWIH are listed in Hong Kong, and HPHT is listed in Singapore. Mr. Wong was an Independent Non-executive Director of China Merchants Bank Co., Ltd. Mr. Wong is currently the Chairman of IncitAdv Consultants Ltd., Chairman and a Director of Hong Kong Grand Opera Company Limited, an advisor to the Chamber of Hong Kong Listed Companies, a member of the Advisory Board of Continuing and Professional Studies, The Chinese University of Hong Kong ("CUHK"),

a Vice Chairman of the Board of Trustees and a Member of the Investment Sub-committee of the Board of Trustees of New Asia College, CUHK and a Director of the CUHK Medical Centre Limited. He was formerly a Member of the Advisory Committee and a Member of the Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a Member of the China Committee of the Hong Kong Trade Development Council.

Mr. Wong has over 30 years of experience in the commercial and investment banking industry. He worked with Merrill Lynch (Asia Pacific) Ltd. from May 1993 to August 2009 where he served as a Managing Director in the Asia Investment Banking Division since January 1995. He was appointed as a Senior Client Advisor to Merrill Lynch (Asia Pacific) Ltd. in September 2009 and served in that position for one year. Prior to that, Mr. Wong had been a Director in the Investment Banking Division of CS First Boston (Hong Kong) Ltd. and a Director and the Head of Primary Market in Standard Chartered Asia Limited.

Mr. Wong holds Bachelor of Arts Degree and Honorary Fellowship from The Chinese University of Hong Kong and a Ph. D from Leicester University, England.

*Interests of the Directors of the Trustee-Manager and the Company in the Share Staple Units and/or the substantial Holders of Share Stapled Units are set out in the Report of the Directors in this Annual Report.*

# BIOGRAPHICAL DETAILS OF DIRECTORS, OFFICERS AND MANAGEMENT

## COMPANY SECRETARY

### **Ms. WONG Mei Ling, Marina**

Ms. WONG Mei Ling, Marina, has been the Company Secretary of the Trustee-Manager and the Company since 2013. She is responsible for the company secretarial and compliance function of the Trust Group. Ms. Wong is the Company Secretary of Great Eagle Holdings Limited. She is also a Non-executive Director and the officer in charge of the corporate secretary of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) principally responsible for the governance, compliance and corporate secretarial matters. Prior to that, she was a senior management of a red chip listed company in Hong Kong and served as the Company Secretary and a member of the Investment Appraisal Committee. With over 30 years solid working experience, her expertise lies in the development of governance and compliance policies and corporate secretarial and administration. Ms. Wong is a Fellow both of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. She holds a Master Degree in Laws, a Master Degree in Business Administration and a Bachelor Degree in Accountancy.

## MANAGEMENT

### **Ms. WONG May Po, Mabel** *Financial Controller*

Ms. WONG May Po, Mabel, Financial Controller of the Company, joined the Group in February 2020. With over 25 years of experience in auditing, accounting, and financial management gained from various companies, Ms. Wong is primarily responsible for the financial and accounting affairs as well as overseeing the investor relations of the Group. Ms. Wong holds a Bachelor of Commerce in Accounting from the University of New South Wales, Australia, and is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MESSAGE FROM THE SUSTAINABILITY STEERING COMMITTEE

Over the past few years, the changing dynamics of our industry and our world have created challenges and opportunities in equal measure. While the pandemic required us to adapt, 2023 brought a return to more normal operations. Through it all, in partnership with the Master Lessee and the Hotel Manager, we continued to advance our long-standing commitment to environmental, social and governance (“ESG”) excellence.

I am proud to report that all three of our Hong Kong hotels – The Langham, Hong Kong, Cordis, Hong Kong, and Eaton HK – have now achieved EarthCheck Platinum status, reflecting more than a decade of continuous improvement in key ESG areas. Eaton HK and Cordis, Hong Kong also respectively received Gold and Silver awards at the Hong Kong Awards for Environmental Excellence<sup>1</sup> in the Hotels and Recreational Clubs category, recognising their exemplary environmental performance.

We are steadily working towards our parent company’s goal of achieving net-zero impact by 2045. In 2023, we focused on retro-commissioning planning, climate change education for staff, and a number of energy efficiency upgrades such as new chillers, Internet of Things (“IoT”) controls, electronically commutated (“EC”) plug fans, and motion-sensing LED lights. These efforts strengthen our climate resilience while supporting our journey to net zero.

This year also saw the establishment of the Sustainability Steering Committee, which provides strategic guidance and leads working groups on priority issues such as energy efficiency and retro-commissioning across our Hong Kong operations.

We engaged our staff, customers and partners in innovative sustainability projects and initiatives throughout the year. In addition to our “Loving Earth Month” campaign, held in March and April to celebrate our incredible planet, our Oyster Shell Upcycling Pilot Programme recycled oyster shells from hotel restaurants and explored their potential as a sustainable alternative to limestone in construction. The Langham, Hong Kong also celebrated the festive season with an interactive Christmas tree lighting and decorating ceremony. After the holiday, the tree decorations were transformed into items for a charity auction benefiting The Women’s Foundation.

Looking ahead, we are committed to becoming leaders in sustainability. We will continue to support the Hotels and engage with our stakeholders across society to build a better future for the coming generations.



**Lo Chun Him, Alexander**  
*Non-Executive Director and Chairman  
of the Sustainability Steering Committee*

<sup>1</sup> The Gold and Silver awards were won by Eaton HK and Cordis, Hong Kong respectively at the Hong Kong Awards for Environmental Excellence 2021/22. These awards were presented in 2023.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORTING APPROACH AND BOUNDARY

This ESG Report (“the Report”) is part of the 2023 Annual Report for the Trust and the Company, covering the period from 1 January 2023 to 31 December 2023. The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“the Guide”) from Hong Kong Exchanges and Clearing Limited (“HKEX”), under Appendix C2 of the Main Board Listing Rules, and satisfies its “comply or explain” provisions. The Report follows the four reporting principles stipulated in the Guide: Materiality, Quantitative, Balance, and Consistency.

The reporting boundary covers all properties of the Trust Group under full operation during the reporting period,

based on our control and significant influence in revenue contribution, management ownership, operating status, and sustainability impacts.

## SUSTAINABILITY APPROACH

Langham Hospitality Investments Limited (“LHIL” or “the Company”), together with the Master Lessee and the Hotel Manager<sup>2</sup> (“we”), are committed to operating in a sustainable manner. We embed sustainability into the Hotels’ operations by engaging our major stakeholders through CONNECT, our corporate social responsibility programme. This Report covers our CONNECT activities and developments in four priority areas: Governance, Colleagues, Community, and Environment.



Driving sustainability together: through CONNECT, we collaborate for positive change in Governance, Colleagues, Community, and Environment

<sup>2</sup> The three Hong Kong hotels are managed by the Hotel Manager, Langham Hotels International Limited under Langham Hospitality Group (“LHG”).

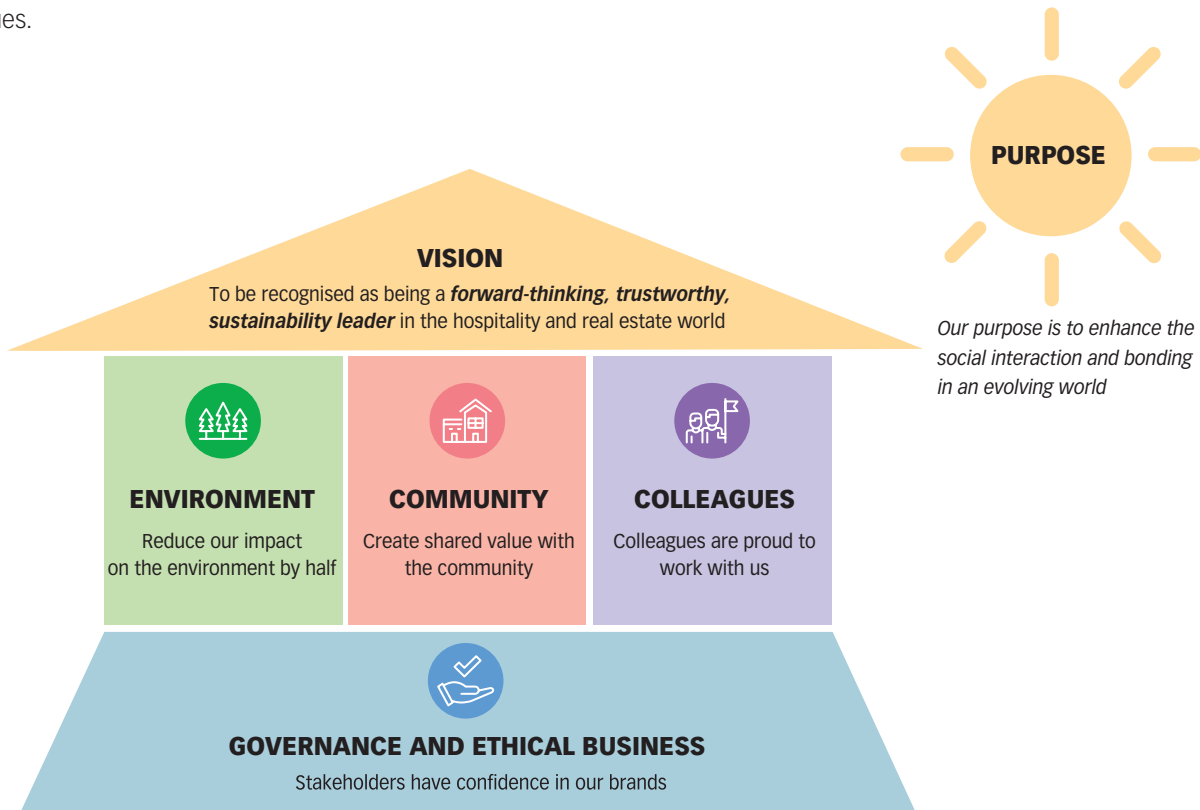
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The LHIL Board of Directors (“the Board”) oversees broader sustainability trends and is responsible for leading the Trust Group’s ESG strategy and direction. The Board delegates day-to-day responsibilities for sustainability-related matters to the Hotels and the Hotel Manager. These matters include ESG strategy implementation and identifying, evaluating, and managing ESG-related risks. The Hotels and the Hotel Manager regularly report progress on these matters to the Board.

Our stakeholders are increasingly aware of the many rapid and high-profile developments in various sustainability and climate-related issues, and our colleagues are ready and willing to meet the challenges presented by this evolving world. To ensure that the Hotels’ overarching sustainability direction and implementation plans align with the Company’s sustainability vision, we established the Sustainability Steering Committee in 2023 to oversee all ESG-related issues.

In 2023, we also formed a number of working groups focusing on different sustainability areas, such as the Sustainable Sourcing Taskforce and the Energy Efficiency Taskforce. These working groups oversee various ESG-related projects and ensure that the Hotels integrate sustainability into their core operations and holistically align with our parent group’s sustainability aspirations.

The diagram below highlights our 2030 sustainability vision and strategy. For further details on materiality assessments and long-term sustainability strategies and goals, please refer to the parent group’s sustainability reports.



Charting our sustainable future: a glimpse into our 2030 vision and strategy

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SUSTAINABILITY-LINKED LOAN PERFORMANCE

In 2019, the Trust and the Company signed a four-year sustainability-linked loan facility with 11 banks in the United Kingdom, China, Hong Kong, Japan, and Singapore totalling HK\$7.5 billion. This syndicated sustainability-linked loan was the first loan raised by a listed company in the hospitality sector in Asia. We would be eligible for

interest rate reductions when specific sustainability objectives were met; similarly, if we underperformed on these sustainability objectives, the initial interest margin would have been increased. Obtaining this sustainability-linked loan reflects our commitment to creating a positive change for the environment and holding ourselves financially accountable for our impacts on the environment.

The table below summarises our loan-related sustainability performance for 2022 and 2023.

Sustainability Objectives	Baseline Performance 2018	Effect on Initial Interest Margin			Our Performance	
		Positive	Passive	Negative	2023 <sup>(b)</sup>	2022 <sup>(c)</sup>
Energy consumption <sup>(a)</sup> (MJ per sq metre)	1,802	$x < 1,773$	$1,773 \leq x \leq 2,050$	$x > 2,050$	1,573	1,289
Waste sent to landfill <sup>(a)</sup> (Litres/Guest Night)	3.5	$x < 3.25$	$3.25 \leq x \leq 7.00$	$x > 7.00$	1.4	6.3
EarthCheck Achievement Level	The Langham, Hong Kong – Gold Cordis, Hong Kong – Gold	All Platinum	Either one has not achieved Platinum	Either one has no rating assigned	All Platinum	All Platinum

(a) Average performance of The Langham, Hong Kong and Cordis, Hong Kong.

(b) Figures are based on our best understanding and the data currently available, subject to the release of the EarthCheck report in the second half of 2024.

(c) Figures extracted from the EarthCheck report released in October 2023.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ASSURANCE AND VERIFICATION

The ESG data presented in the Report underwent independent verification by the Hong Kong Quality Assurance Agency (HKQAA), an external verifier. The aim of this verification was to provide independent and reasonable assurance regarding the reliability of the data.

The verification methodology employed was based on two standards from the International Auditing and Assurance Standard Board: the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information; and the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements.

The verification process included verifying the mechanisms for collecting, collating, and reporting the relevant ESG data, reviewing the relevant documented information and verifying selected representative samples of data and information. Raw data and supporting evidence relating to the selected samples were also thoroughly examined during the verification process.

The Hotels also participate in various programmes and charters by the Environment and Ecology Bureau and the Environmental Protection Department of the HKSAR Government, including:

- The Foodwise Charter
- Charter on External Lighting
- Carbon Neutrality Partnership

The Hotel Manager operates three hotels in Hong Kong. Policies and guidelines are in place to assist us in ensuring compliance with the laws and regulations that are relevant and material to us in Hong Kong. To ensure transparency and accountability, we report cases of legal non-compliance in our annual ESG Report. These include convicted criminal cases against the Company in Hong Kong, any major breaches that resulted in significant fines (greater than HK\$1 million) or non-monetary sanctions. In terms of environmental regulations and compliance, any

incidents resulting in significant fines or prosecutions or that relate to exceedances of environmental license limits are also reported. In 2023, there were no new reportable cases of non-compliance with the relevant laws or regulations in Hong Kong which have a significant impact on the Company.

In the following sections, we will report our progress in delivering our CONNECT vision and goals.

## GOVERNANCE

Responsible business practices are one of our top priorities. We recognise the importance of our stakeholders, including our guests, partners, suppliers, colleagues, governments, regulators, and local communities – all of whom are all integral to our success. We value our stakeholders' trust, and always strive to do the right thing by pursuing sustainable and responsible growth in our business and operations, while working closely with them to achieve our shared goals.

### Ethical Standards

We pledge to apply good corporate governance practices and maintain business integrity in all our business activities. The Board regularly monitors and reviews the Trust Group's corporate governance practices, keeping in mind the relevant regulatory requirements and the need to underpin our ingrained values of integrity and accountability. The Trust Group clearly articulates these principles in our Code of Conduct ("the Code"), which explains the basic standards of behaviour expected of colleagues when performing their official duties. The Code also provides guidance on the acceptance, solicitation or offering of advantages; declaration of conflicts of interest; fraud and bribery; gambling; fair dealing; and the handling of confidential information.

New colleagues receive the Code during the induction training portion of their First60 Certification programme ("First60"). Depending on each colleague's job responsibilities, they also receive regular communications, refresher training and team briefings on various aspects of the Code's compliance programmes. Colleagues are also made aware that they have a duty to report any breaches of the Code.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Code outlines the expectations of the Company for colleagues regarding conflicts of interest and whistleblowing procedures. Any colleagues who have engaged in or are considering engaging in activities that may conflict with the Company's interests are required to make a full disclosure. During 2023, no reportable non-compliance incidents or fines were recorded.

For more information on the corporate governance performance of the Company, please refer to the separate Corporate Governance Report contained in this Annual Report.

## Data Protection

In 2023, several external consultancy firms were engaged to conduct a risk assessment for a strategic project. The assessment involves reviewing LHG standards against applicable security and privacy law requirements and implementing any necessary updates. The assessment is targeted to conclude in 2024. We also continued to engage external data protection advisors to provide guidance and oversee compliance with procedures and regulations.

Phishing exercises were conducted periodically during the year to enhance internal information security awareness. We will continue to upgrade our cybersecurity solution suite to address the evolving cybersecurity risk environment, as these risks are anticipated to increase and persist into 2024 and beyond.

## Responsible Supply Chain

Since 2013, the Hotels have introduced sustainable supply chain management in phases. The objective is to raise corporate social responsibility awareness amongst significant suppliers by sharing with them our Supplier Code of Conduct. Major suppliers are also required to complete a checklist based on the Supplier Code of Conduct every three years to keep us informed about their sustainability performance status. A Responsible Purchasing Policy has been developed which manages most of the strategic environmental and social issues in our supply chains.

## Service Quality Standards

The Hotel Manager and the Hotels believe that a philosophy of Total Quality Management ("TQM") is essential to organisational success. The core belief of TQM is to instil into all colleagues the same sense of purpose. Within the organisation, TQM is referred as the Quality League ("Q. League") as it represents a team-oriented concept.

The Q. League is a core management strategy of LHG's Quality Division. Based on the Malcolm Baldrige Performance Excellence Framework, this team-oriented system focuses on orienting every colleague towards the same goal and taking a systemic approach to continuous improvement.

In 2023, The Q. League structure was revisited to emphasise the importance of its three key principles: 1) Everyone is going in the same direction; 2) Everyone is involved in continuous systemic improvement; and 3) Everyone knows when they are successful.

The Q. League brings these principles to life through continuous improvement tools and resources that allow effective process management, streamline quality control, and improve efficiency. These tools cover four main categories: Knowledge Management, Quality Assurance, Process Improvement, and Innovative Ideas and Best Practice Sharing.

## Celebrating Success

Celebrating success is a key focus of TQM. To measure success more effectively, this year the Hotels enhanced the fact-based, knowledge-driven measurement system to track operations and improve performance in terms of learning, innovation, and results. The performance measurements of departmental strategies and individual colleagues now in better alignment with the Hotels' overall strategies to strengthen internal knowledge, guest satisfaction and loyalty, colleague engagement, sustainability efforts, and business performance. These measurements are called Celebrate Success Indicators ("CSIs").

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Corporate Ethics Training

We deliver mandatory corporate ethics training programmes to new and existing colleagues on various business ethics topics. These include environment, anti-discrimination and diversity in the workforce, health and safety, anti-corruption, data privacy, and others. Depending on each colleague's individual job responsibilities, they also receive regular communications, refresher training, and team briefings on relevant aspects of their jobs. In 2023, we introduced two new corporate ethics training modules for new hires and existing colleagues: "Climate 101" and "Preventing Harassment in the Workplace".

## COLLEAGUES

We are committed to fostering an engaging and respectful work environment for our colleagues that helps unleash their full potential and inspires them to become ambassadors for our brand. Our commitment is supported by systems that set out our guiding principles, effectively review performance, promote a culture of open dialogue, foster talent, and guide colleagues to advance their careers. These systems include:

- Human Resources policies that stipulate a global framework for an ethical workforce and colleague engagement.
- Training programmes that enable our colleagues to deliver excellent job performance and embrace our culture.
- A workplace health and safety management system that ensures the occupational safety and health of our colleagues.
- Internal communication channels that connect colleagues at different levels and across functions to strengthen teamwork.

- Performance appraisals that review the performance of individual colleagues and set clear goals that are aligned with our objectives.
- Celebrate Success Indicators that monitor the effectiveness of our systems in achieving our commitments.

Child labour and forced labour across the Hotels' operations and supply chains are strictly prohibited. The Human Resources Division monitors employment practices and investigates any violations found during operations.

Our commitment and dedication to creating an engaging and respectful environment for our colleagues received several external awards and recognitions in 2023. LHG received the MindCare Company recognition, reinforcing our continuous commitment to promoting physical and mental wellbeing and to providing positive mental health support in the workplace. LHG was also recognised by the Employees Retraining Board as a "Super Manpower Developer", which certifies that an organisation has demonstrated outstanding performance in manpower training and development for ten consecutive years.



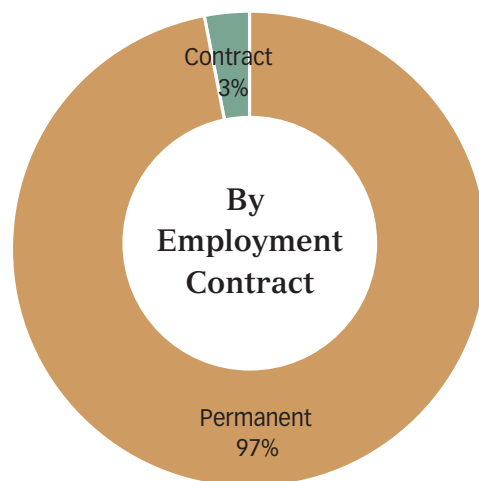
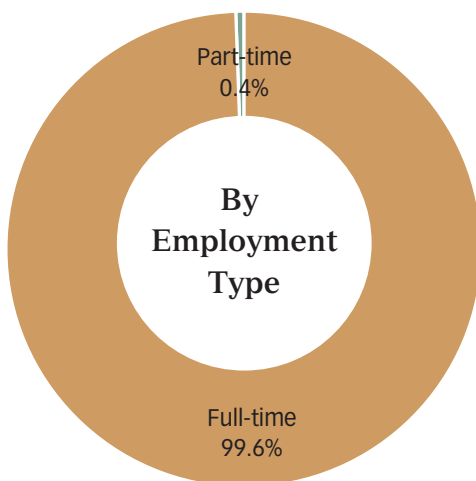
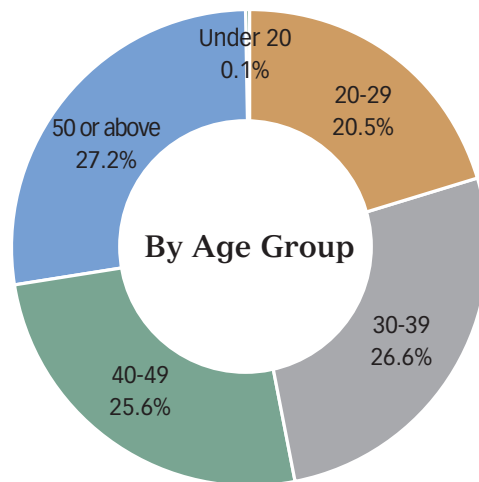
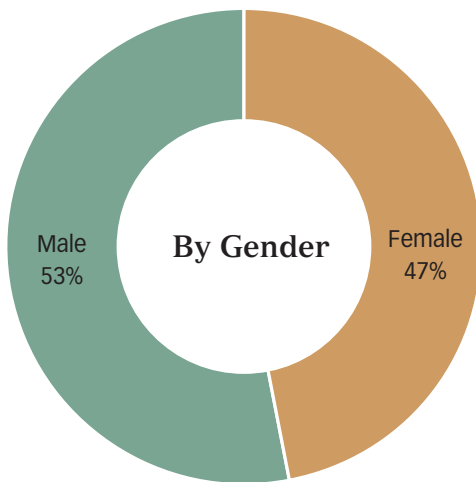
Langham Hospitality Group received the MindCare Company recognition in 2023

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, the Hotels also continued to participate in the “Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme” organised by the Labour and Welfare Bureau which promotes the employment of persons with disabilities.

As at 31 December 2023, the Hotels employed 1,260 colleagues. The overall turnover rate in 2023 was 37% (34%

male and 40% female). Employees under the age of 29 was the demographic group with the highest turnover rate, at 45%; followed by 38% for colleagues aged 40-49; 37% for colleagues aged 30-39; and 30% for colleagues aged 50 years old and above. The following charts break down the composition of the Hotels’ employees as at 31 December 2023:



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Colleague Health, Safety and Wellness

Ensuring the health, safety, and wellness of our colleagues remains a top priority. The Hotels maintain robust health and safety systems that include policies, committees, training programmes, and incident reporting. These systems are overseen by members of senior management, human resources directors and security departments. The effectiveness of these systems is monitored in conjunction with key performance indicators (“KPIs”) that allow improvement teams in individual hotels to analyse data, find the root cause of problems, implement improvement action plans, and follow up on the results.

In 2023, we entered the post-COVID-19 period, signifying the end of a prolonged health emergency. While this provided welcome relief for colleagues and guests alike, the health and wellbeing of our team members continued to be a top concern for us. The Langham, Hong Kong held two series of team building activities to strengthen bonds between colleagues and promote a cohesive workforce culture. The first series was held in March 2023 in Cheung Chau, running for eight days; and the second series was held in October 2023 at Ocean Park Hong Kong for six days. Highlights included engaging and intriguing challenges, missions and competitions which brought our colleagues closer together and deepened their “One Team” spirit.



The Langham, Hong Kong fostered a ‘One Team’ spirit through team-building adventures in Cheung Chau and Ocean Park



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Hotels continued to organise Colleague Wellness Month this year. Held during June, this series of events is part of a global awareness programme initiated in 2022 to increase staff awareness of their personal wellbeing and promote different aspects of healthy lifestyles. In Hong Kong, Colleague Wellness Month took the form of a series of wellness promotion activities that included massage sessions, meditation, a vegetarian and healthy food week, stretching exercises, and more – all of which were designed to help our colleagues maintain a balanced and positive mindset.

Cordis, Hong Kong organised a graffiti meditation activity during the month, helping hotel staff restore positivity and overall wellbeing through large-scale painting on a canvas; while Eaton HK provided head and shoulder massage sessions, a “sound bathing” experience, and wealth management consultant sessions to colleagues to promote overall physical, mental, and financial wellbeing.



Cordis, Hong Kong held a graffiti meditation session to help create a positive mindset among colleagues

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Hotel Manager also organised various activities that echoed our parent group's global "CONNECT to Kindness Day" in November 2023. We believe that spreading kindness and happiness to guests and promoting random acts of kindness to our internal colleagues and our wider communities can create an innate sense of satisfaction and fulfilment. Activities included Cordis, Hong Kong joining hands with the Hong Kong Playground Association – our colleagues played games with children from low-income families in the community and shared chocolate

croissants with them afterwards. At The Langham, Hong Kong, colleagues volunteered time to play with children with special educational needs from the Heep Hong Society, after which they took them on a visit to the Cup Noodles Museum and organised an afternoon tea party at the hotel. Our Eaton HK colleagues were encouraged to recognise the hard work and quality service of their fellow team members by giving them small gestures of appreciation, like serving them a cup of coffee or giving them a thank you card.



Cordis, Hong Kong joined hands with the Hong Kong Playground Association and played games with children from low-income families in the community, sharing chocolate croissants with them afterwards



The Langham, Hong Kong partnered with the Heep Hong Society to spend time with children with special educational needs and take them on a visit to the Cup Noodles Museum

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Employee Health and Safety Performance

In 2023, the health and safety-related indicators increased compared to the previous year due to a larger number of sprains, “struck-by” incidents and contusions. We proactively reinforced colleagues’ awareness of these types of injuries during safety briefings and launched a review of the overall training and awareness programme. There were no fatalities reported in 2023. The Hotels will continue to monitor performance and enhance staff awareness of all aspects of workplace health and safety.

### Safety Metrics: Lost Time Injury Frequency and Incident Rate

KPI	2022	2023
Lost Time Injury Frequency Rate (LTIFR) <sup>1</sup>	22.0	34.8
Incident Rate <sup>2</sup>	7.0	11.3

1. The LTIFR is the number of reported lost-time accidents for every 1 million working hours.

2. The Incident Rate is the number of reported accidents per 100 employees.

## Employee Learning and Development

It is of the utmost importance to the Hotels to ensure an environment that fosters the fulfilment of colleagues’ career aspirations and cultivates a competent and motivated team. A comprehensive learning and development system has been established, encompassing First60, Langham Curriculum Certification (“LCC”), the Advanced Programme for Executives (“APEX”), and the Langham Leadership Trainee Programme (“LLTP”). These thoughtfully designed programmes empower colleagues to acquire new skills and invaluable experience, enabling them to progress in their current roles and in future positions.

In 2023, Eaton HK’s training focused on career advancement and development, especially in terms of growing middle management. A group of 30 supervisory and junior managerial staff were selected for a leadership training programme to sharpen their leadership and managerial skills. A one-day team building camp was also held in October at the HKAYP Jockey Club Duke of Edinburgh Training Camp in Tai Po, enhancing bonds and raising the group’s team spirit.

Cordis, Hong Kong focused on expanding colleagues’ competencies and strengthening their adherence to best practices through individual facilitation sessions. These sessions aimed to unlock and develop their full potential by applying a humanistic approach. Follow-up training sessions were held on topics including resilience development, team building, collaboration between different generations, and embracing care, co-leadership, and a happy working environment.

Cordis, Hong Kong and The Langham, Hong Kong also introduced two training modules in 2023 into their onboarding programme and training programmes for existing colleagues: “Climate 101” and “Preventing Harassment in the Workplace”. The Climate 101 module introduces background information on climate change and suggests best practices to develop a low-carbon lifestyle and low-carbon workplace tips. The Preventing Harassment in the Workplace module reinforces our commitment to providing a safe and inclusive workplace for all colleagues. These modules increase colleagues’ understanding and awareness of specific sustainability topics, creating positive impacts and leading to productive changes in day-to-day operations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Employee Learning and Development Performance

The Hotels achieved an average of 47 training hours per employee in 2023. The average number of training hours for members of the Executive Committee and department heads was 27; while the average for managers, supervisors and general colleagues was 48. There was an increase in the number of training hours per employee as compared to the previous year due to enhanced training programmes and more new hires in the Hotels.

## COMMUNITY

Serving the community is an integral part of our CONNECT culture. We believe that service encourages the development of social bonds between colleagues and helps to stimulate interactions with the local community. Our Community Engagement Policy offers guidance on how to contribute to local communities, not merely through philanthropy, but also through donations and visits, free or in-kind sponsorships, and employee volunteering. The key themes of our employee volunteering programmes are Art, Children, Environment, and Community. In 2023, we continued to support our various communities by participating in a wide variety of community service and engagement activities.

The following are highlights of some of these activities organised by the Hotels in 2023:

To support youth employment and development of the younger generations, The Langham, Hong Kong invited 15 students and teachers in special educational needs-focused programmes to visit the hotel. Hotel colleagues demonstrated bed-making procedures and shared information about the housekeeping department and the general hotel work environment with the students, who were from Chi Lin Buddhist Secondary School in Kowloon, perhaps inspiring them to consider a career in hospitality. Meanwhile, Eaton HK worked with several local schools to host hotel tours and share with them our brand mission and vision, including our “triple bottom line” principle, which focuses on people, planet, and profit.

Cordis, Hong Kong partnered with The Nature Conservancy on an environmental initiative, arranging community service at Ha Pak Nai for colleagues to help them understand the importance of restoring oyster reefs and gain their buy-in to support the hotel’s Oyster Shell Recycling Programme.



Cordis, Hong Kong partnered with The Nature Conservancy on a visit to Ha Pak Nai to perform oyster reef restoration work

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Starting in February 2023, Eaton HK began collaborating with the Justice Centre to serve a community lunch to 40 people at a time at the Union Church in the Jordan neighbourhood every Tuesday. The lunch welcomes refugees, asylum seekers, single mothers, and children of minorities in the neighbourhood. The hotel also partnered with the Justice Centre and More Good, a social enterprise and charitable entity, to expand the lunch beyond Kowloon to the Chai Wan neighbourhood, preparing more than 200 meals for the elderly and homeless in the area. Eaton HK also partnered with the Lifelong Animal Protection Charity, arranging a pet adoption day at the hotel's Terrible Baby bar on a weekend in April 2023. Interested and potential dog parents were invited to the event, which centred on promoting the idea of "adopting with love" to participants and the wider community. The event helped eight dogs find new loving homes.



Pet Adoption Day at Eaton HK, presented in partnership with the Lifelong Animal Protection Charity

## Community Investment Performance

In 2023, our colleagues delivered 1,918 hours of volunteer support to charities and social initiatives. In recognition of our commitment to promoting good corporate citizenship and creating a more inclusive society, LHG, The Langham, Hong Kong, Cordis, Hong Kong, and Eaton HK have been recognised with a "Caring Company 15+ years" certificate from the Hong Kong Council of Social Service.

## ENVIRONMENTAL PROTECTION

The Hotels have implemented a systematic approach to managing environmental issues through a partnership with EarthCheck, a leading scientific benchmarking certification and advisory group for sustainable travel and tourism. EarthCheck standards align with global frameworks such as the United Nations Sustainable Development Goals ("UNSDGs"), the Intergovernmental Panel on Climate Change ("IPCC") Guidelines for National Greenhouse Gas Inventories, the International Organisation for Standardisation ("ISO"), the Global Reporting Initiative ("GRI"), and industry practices such as the Global Sustainable Tourism Criteria ("GSTC"). The requirements of EarthCheck standards cover the following key performance areas of hotel operations:

- Greenhouse gas emissions
- Energy efficiency, conservation, and management
- Management of freshwater resources
- Ecosystem conservation and management
- Social and cultural management
- Land use planning and management
- Air quality protection
- Wastewater management
- Solid waste management
- Environmentally harmful substances

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Embracing these EarthCheck requirements in the Hotels' operations, environmental policies were developed to identify operational material issues, with each hotel conducting an environmental risk assessment to investigate and assess known and potential risks that may cause ecological and social harm. Independent third-party verification by EarthCheck ensures our compliance with the relevant requirements, and encourages us to continuously improve our environmental and social performance each year, particularly in terms of energy and water consumption, carbon emissions and waste management.

EarthCheck certification is now a key performance indicator for the Hotels. Since 2020, all three hotels have had EarthCheck Platinum Certification, with their sustainability efforts having been recognised for at least ten years.

In addition, a major renovation conducted at Eaton HK achieved LEED v4 Interior Design and Construction Hospitality Certification Gold certification, issued by the U. S. Green Building Council in 2019. Cordis, Hong Kong has ISO 14001:2015 certification.

## Climate Action

The climate crisis is the biggest global challenge of our times. If the average global temperature increases by more than 2°C from pre-industrial levels, it will produce catastrophic consequences for both nature and human beings. The World Meteorological Organisation recently announced that 2023 was the warmest year on record, with an annual average global temperature 1.45°C above pre-industrial levels. In response to this, The Hotel Manager is in the process of setting targets to minimise our direct and indirect carbon emissions, in line with the Paris Agreement, to contribute to efforts to keep global temperatures from rising beyond the 1.5°C limit.

By influencing our key stakeholders, particularly our guests and supply chain partners, we can boost the impact of any climate change mitigation actions we take. We are keen to work with different partners to help spread low-carbon messages and turn these messages into action. In 2023, low-carbon dining was a priority: Ming Court, the Chinese restaurant at Cordis, Hong Kong, partnered with a local farm to carry its locally-grown produce. Behind-the-scenes footage was captured and shared on public broadcast channels, providing a glimpse into the potential of the local produce market in Hong Kong and how using local ingredients produces low-carbon benefits for the community.



Chinese Cuisine Executive Chef Li Yuet Faat (middle) from Cordis, Hong Kong's Ming Court restaurant, took his culinary team to grow turnips at a local farm in Fanling in the New Territories

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Climate Risk Management**

This year, driven by our parent group, a preliminary, software-based physical climate risk analysis was conducted for the Hotels in Hong Kong. The purpose of the analysis was to assist us in screening and identifying significant climate hazards in preparation for further in-depth analysis.

The two climate scenarios were selected, incorporating global and local government policies, environmental, economic, social and technology indicators and market trends, and making reference to publicly-available climate scenarios, mainly Representative Concentration Pathways (“RCPs”) and Shared Socioeconomic Pathways (“SSPs”) developed by the IPCC. Some of the key characteristics and assumptions of these scenarios appear in the table below.

	Turquoise Scenarios <sup>3</sup>	Brown Scenarios <sup>3</sup>
Referenced scenarios	IPCC RCP 2.6, SSP1-2.6	IPCC RCP 8.5, SSP5-8.5
Characteristics	<ul style="list-style-type: none"> <li>• Net-zero CO<sub>2</sub> emissions around the middle of the century.</li> <li>• Warming limited to 2°C.</li> </ul>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions roughly double from current levels by 2050.</li> <li>• Warming exceeds 4°C in 2100.</li> </ul>
Assumptions	<ul style="list-style-type: none"> <li>• Vigorous policy and/or regulatory changes leading to operational cost increases.</li> <li>• Investment increases for facility upgrades and adaptations for frequent extreme weather events like flooding and typhoons.</li> <li>• Rapid shift from a fossil fuel-dependent economy to a sustainability- and renewable energy-driven economy.</li> </ul>	<ul style="list-style-type: none"> <li>• Few policy or regulatory changes regarding carbon and climate-related disclosures.</li> <li>• Capital cost increases for replacement and repair of damage and productivity loss from more frequent extreme weather events like flooding and typhoons.</li> <li>• Profit-driven business model with only casual consideration of environmental and social impacts.</li> </ul>

<sup>3</sup> The Turquoise and Brown Scenarios are categories of publicly available climate scenarios developed by HKEX, setting out generally milder (Turquoise) and generally more serious (Brown) climate change scenarios. More detail on these scenarios can be found on p. 16 and 17 of the HKEX *Guidance on Climate Disclosures* document.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scenario analyses of the Hotels were conducted with these two climate scenarios and supplemented by findings from the advanced software analysis. The results were tabulated as climate-related risks and opportunities and appear in the table below.

Risk Type	Risk	Impact	Mitigation Measures
Physical (Acute)	<ul style="list-style-type: none"> <li>Flooding caused by overflowing rivers or extreme rainfall.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Typhoons of increased frequency and severity bring about widespread devastation.</li> </ul>	<ul style="list-style-type: none"> <li>Interference to operations and supply chains due to extreme weather events such as flooding and typhoons.</li> <li>Overall repair cost increases due to damaged facilities.</li> <li>Increased property insurance premiums.</li> </ul>	<ul style="list-style-type: none"> <li>Review and update operational protocols for extreme weather events.</li> <li>Implement climate adaptation measures to prevent floods.</li> <li>Disseminate updated best practices to operations staff on a regular basis on how to manage extreme weather events.</li> </ul>
Physical (Chronic)	<ul style="list-style-type: none"> <li>Rising mean temperatures create more extreme weather events, including heatwaves, extreme heat, changes in precipitation patterns, and drought.</li> </ul>	<ul style="list-style-type: none"> <li>Accelerated equipment and building envelope depreciation.</li> <li>Increased air conditioning use for cooling and demand for swimming pools, resulting in higher water and electricity consumption and costs.</li> <li>Employees may suffer from heat stress-related illnesses (i.e. heat stroke), reducing productivity and increasing lost working days.</li> </ul>	<ul style="list-style-type: none"> <li>Update operational protocols for periods of extreme heat.</li> <li>Optimise the energy efficiency of building services in the Hotels.</li> <li>Initiate electricity and energy saving measures.</li> <li>Regularly review and monitor building conditions to maintain effective performance.</li> </ul>



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk Type	Risk	Impact	Mitigation Measures
Transition (Policy and Legal)	<ul style="list-style-type: none"> <li>• Execution of government policies to shift to a low-carbon economy.</li> <li>• Tightened environmental regulations and codes of practice.</li> </ul>	<ul style="list-style-type: none"> <li>• Rising operational costs due to tightened energy management requirements.</li> <li>• Capital costs for early retirement and replacement of equipment.</li> <li>• Implementation costs for new practices and processes and installation of high-efficiency equipment.</li> </ul>	<ul style="list-style-type: none"> <li>• Capitalise on new and energy-efficient models for equipment upgrades.</li> <li>• Participate in our parent group's Energy Efficiency Taskforce to keep track of our energy saving progress.</li> <li>• Continuous monitoring of the latest regulations and trends.</li> </ul>
Transition (Market and Technology)	<ul style="list-style-type: none"> <li>• Increased cost of utility supplies and services.</li> <li>• Increased investment in new technologies.</li> <li>• Increased cost of low-carbon products and food.</li> </ul>	<ul style="list-style-type: none"> <li>• Rising operational costs due to increased utility costs.</li> <li>• Increase in investment or capital for new development projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Initiate electricity and energy saving measures.</li> <li>• Explore new investment models to facilitate equipment upgrades.</li> </ul>
	<ul style="list-style-type: none"> <li>• Inability to adapt to stakeholders' rising interest in sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of competitive edge to more sustainable competitors.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain active participation in various green initiatives, such as EarthCheck.</li> <li>• Engage internal stakeholders and customers in green initiatives, such as our CONNECT activities.</li> <li>• Develop a sustainable guidebook and provide internal training to drive low-carbon operations.</li> </ul>

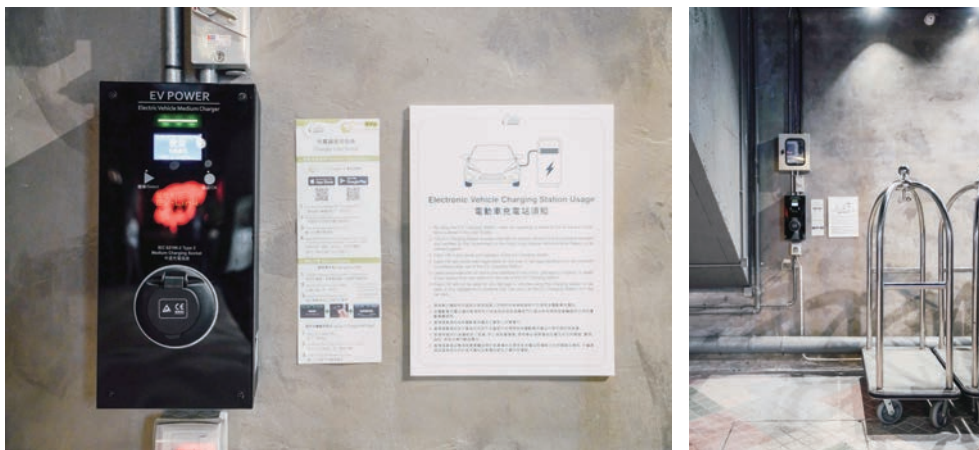
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Energy Management

The use of energy in hotel operations makes up the largest portion of our greenhouse gas emissions. To minimise these emissions, we are focusing on maximising energy efficiency. We identify energy-saving opportunities when optimising the operational efficiency of plants and equipment, and upgrade systems whenever there is a major refurbishment.

To support the usage of electric vehicles (“EVs”) in Hong Kong, Eaton HK installed two electric EV charging stations

in the hotel car park in 2023. Electric vehicles generally reduce greenhouse gas emissions, oil consumption, air, and noise pollution, and are generally more energy efficient. The hotel is excited to play a part in shifting the paradigm for society and raising the standards for a greener world. Eaton HK also replaced 90% of back-of-house fluorescent lamps with LED lamps in 2023, including in all staircases and all administration offices. Lighting motion sensors were also installed in staircases areas to maximise the energy-saving performance of the hotel’s lighting.



Eaton HK installed two EV chargers in the hotel car park in 2023

A two-year chiller plant retrofitting project was completed at The Langham, Hong Kong in 2023. This project, involving five chillers and six chilled water pumps, is estimated to have resulted in annual electricity savings of approximately 1.5 million kWh. Immediately after completing the project, the hotel began another large-scale project, replacing fluorescent tubes with LEDs.

Cordis, Hong Kong installed electronically commutated (“EC”) plug fans in the fan array system in 2023. When combined with electronically commutated motors (“ECMs”), EC plug fans provide the best option for efficiency, control, reliability, and noise reduction in the hotel’s air handling units (“AHUs”). On average, ECMs use 70% less energy than conventional heating, ventilation, and air conditioning (“HVAC”) fan motors. The hotel’s HVAC control system

was also upgraded, with IoT controls installed in the roof plant room monitoring system.

The Hotel Manager, together with the parent group’s Property Management team, Development and Project Management team, and Sustainability team took part in the cross-functional Energy Efficiency Taskforce this year. The taskforce brings together engineering experts and sustainability professionals who work together to enhance the Hotels’ overall building energy efficiency by strengthening co-operation between business units, driving synergy, and sharing energy saving best practices. We plan to continue working with the taskforce to ensure that the Hotels are on the right track to deliver positive progress and achieve our overall energy reduction targets.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Energy Consumption and GHG Emissions Performance

The total electricity consumption of the Hotels in 2023 was 140,615 GJ, representing a 15.8% increase compared to 2022. Total hotel fuel and gas consumption in 2023 was 44,432 GJ, an increase of 37.9% compared to 2022. The Scope 1 and Scope 2 greenhouse gas emissions of the Hotels in 2023 were 2,408.22 and 15,764.69 tonnes of CO<sub>2</sub>e respectively. Total greenhouse gas emissions were 18,172.91 tonnes of CO<sub>2</sub>e, an increase of 18.9% compared to 2022<sup>4</sup>.

The primary reason for these increases in energy consumption and greenhouse gas emissions was the rebound in business in the wake of pandemic restrictions being lifted in 2022. Total guest nights reached a new high in 2023, 1.30 million, a 17.3% increase over pre-COVID-19 occupancy levels in 2019. Compared to 2019, our greenhouse gas emissions performance improved by 21%. As the robust energy management measures take hold and are built upon in the future, we are confident that we will be able to provide our guests with the same level of excellence as we work towards a low-carbon future.

## Waste and Water Reduction

This year, the Hotels continued to implement numerous waste minimisation initiatives including:

- Recycling and reuse – paper, metal, plastics, cardboard, glass bottles, cooking oil, printer cartridges, wet amenities, soap, wine corks.
- Food waste – donation and composting.
- Other in-kind donations – furniture, fabric items, electronic equipment.

Reducing the use of single-use plastic products is a key sustainability goal for the Hotels. Both The Langham, Hong Kong and Cordis, Hong Kong have replaced plastic water

bottles with drinking water in refillable glass bottles, completing an initiative begun at Eaton HK. Using patented technology by our partner Nordaq, tap water is filtered and then bottled in-house in dedicated glass bottles that can be used repeatedly. This process keeps an enormous amount of plastic waste out of landfills, and is helping to contribute to the end of the widespread use of disposable PET bottles.

Cordis, Hong Kong has been partnering with The Nature Conservancy since 2020, as the first hotel partner in their Oyster Reef Restoration Programme. Instead of going to landfill, oyster shells from the hotel's restaurants are upcycled into substrate for new living reefs that provide habitat for juvenile fish and other marine life. As of December 2023, the hotel recycled 25,045kg of oyster shells through this programme. The Langham, Hong Kong and Eaton HK also began collaborating with a local cement manufacturer in Hong Kong on an oyster shell upcycling pilot project. Between March and December 2023, The Langham, Hong Kong recycled around 3,700kg of oyster shells and Eaton HK recycled about 2,000kg. These will be used to replace a portion of the limestone that is used as a raw material during the cement manufacturing process.

The Hotels also continued the yearly tradition of creating sustainable Christmas trees from recycled and waste materials. This tradition is a joyful way of engaging our colleagues and guests while demonstrating our enduring commitment to sustainability.

To build their tree, Cordis, Hong Kong reused scrapped hotel towels and spent Nordaq water bottle caps. These materials were collected from Housekeeping, Food and Beverage and other hotel departments. Eaton HK made a "Sock Giving Tree", with the tree's "leaves" donated by hotel colleagues and a local brand, Maya Socks. A donation bin was also set up beside the tree to encourage the community to donate unwanted new and unused socks. These socks were then donated to a charity at the end of December.

<sup>4</sup> The Scope 1 and Scope 2 greenhouse gas emissions of the Hotels in 2022 were 1,746.73 tonnes of CO<sub>2</sub>e and 13,542.82 tonnes of CO<sub>2</sub>e respectively. Total hotel greenhouse gas emissions in 2022 were 15,289.55 tonnes of CO<sub>2</sub>e. The data has been restated due to the adoption of updated emission factors and a recalculation of the mobile fuel consumption data.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Langham, Hong Kong's tree was made with over 3,000 wishing stars and hearts that were handmade by hotel staff using recycled paper, magazines, and newspapers. The theme of the tree echoed the Company's important

employee motto, "One Team One Dream", while also encouraging our guests to think carefully before making purchases during the festive season.



Sustainable Christmas trees created by the Hotels

The Hotel Manager continued the efforts to reduce the Hotels' water footprints this year by installing more water-efficient equipment and raising staff awareness about the importance of water conservation. We plan to actively continue pursuing energy and water saving initiatives wherever possible to ensure that our operations become ever more efficient.

## Water Consumption and Waste Disposal Performance

Total water consumption for our three hotels was 467,801 m<sup>3</sup> and total waste sent to landfill was 1,618 tonnes in 2023. This represents a respective 38.7% and 101.3% increase compared to 2022. As with energy consumption, the primary reason for these increases was the rebound in business in the wake of pandemic restrictions being lifted in 2022. Compared to 2019 pre-COVID-19 levels, the Hotels' total water consumption increased slightly by 5.04%, juxtaposed with a total increase in guest nights of 17.3%. When compared to 2019 levels, total waste sent to landfill decreased by 11.3%.

## Engagement – Colleagues and Guests

The Hotel Manager proactively invites guests to take part in our sustainability journey. One aspect of this is the promotion of dishes with sustainably-sourced ingredients and that incorporate plant-based alternative ingredients.

Throughout the year, chefs at the Ming Court restaurant at Cordis, Hong Kong created classic Cantonese dishes using a host of locally-grown ingredients. These included the famous Shek O Preserved Mustard Cabbage, air-dried seafood and dried tiger prawns from Lamma Island, dried shrimp paste made in Tai O, Lantau Island, tofu from Kung Wo Beancurd Factory, and more. By using various home-grown local ingredients to create Cantonese specialties and deliver an exceptional gastronomic experience, Ming Court supports Hong Kong's agriculture and fishery industries, puts low-carbon lifestyle elements into action, and encourages sustainable dining with the finest Cantonese cuisine.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Eaton HK provides an average of 20% plant-based options on the menus of each hotel restaurant – The Astor, Yat Tung Heen, Terrible Baby, and Flower Years. The Astor has a designated vegetarian buffet counter, while Yat Tung Heen has a vegetarian tasting menu which was featured in the South China Morning Post newspaper in an article printed on 1 November, World Vegan Day.

On top of promoting sustainable dining, the Hotel Manager actively engaged our staff and people from neighbouring communities in various initiatives and events hosted by the Hotels. In 2023, Eaton HK linked up with Take Out Plastic to host the “TOP Swop” second-hand clothing exchange at Terrible Baby. The event, geared around finding creative and sustainable ways to refresh wardrobes, provided an opportunity for hotel staff and members of the public to extend the lives of their garments.

At The Langham, Hong Kong we engaged guests and visitors in a sustainable Christmas journey. At the beginning of December, we held a memorable Christmas tree lighting ceremony for the community with an innovative, one-of-a-kind Christmas tree featuring LEDs and shimmering spheres representing zodiac signs. The tree was also interactive, shooting a trail of comet-like lights upwards whenever a mobile device was detected nearby, encouraging passers-by to make Christmas wishes. After the festive season was over, the tree’s nine orbs were transformed into items of home décor; guests bid for them online via a silent auction during December and the proceeds were donated to The Women’s Foundation, a non-profit organisation dedicated to improving the lives of women and girls in Hong Kong.



The successful “TOP Swop” event at Eaton HK

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG REPORTING GUIDE CONTENT INDEX

Aspect	KPI	Content	Report Page/Comment
A. Environmental			
A1 Emissions	A1	General disclosure	44-49 In 2023 there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Trust Group.
	A1.1	The types of emissions and respective emissions data	49 Emissions of NO <sub>x</sub> , SO <sub>x</sub> and other pollutants are considered not significant in our operations.
	A1.2	Greenhouse gas emissions in total and intensity	49
	A1.3	Total hazardous waste produced and intensity	49-50 We do not consider the Trust Group to be a major producer of hazardous waste.
	A1.4	Total non-hazardous waste produced and intensity	50
	A1.5	Description of measures to mitigate emissions and results achieved	44-49
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	49-51
A2 Use of resources	A2	General disclosure	48-49
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	48-49
	A2.2	Water consumption in total and intensity	50
	A2.3	Description of energy use efficiency initiatives and results achieved	48-50
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	49-50 In 2023, we did not encounter any problems in sourcing water for daily operations.
	A2.5	Total packaging material used for finished products and with reference to per unit produced	#
A3 The environment and natural resources	A3	General disclosure	43-44
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	43-44
A4 Climate Change	A4	General disclosure	44-47
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	44-47

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	KPI	Content	Report Page/Comment
B. Social			
B1 Employment	B1	General disclosure	36-37 In 2023, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Trust Group.
	B1.1	Total workforce by gender, employment type, age group and geographical region	37
	B1.2	Employee turnover rate by gender, age group and geographical region	37
B2 Health and safety	B2	General disclosure	38-40 In 2023, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Trust Group.
	B2.1	Number and rate of work-related fatalities	41
	B2.2	Lost days due to work injury	41
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	38-41
B3 Development and training	B3	General disclosure	41-42
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	41-42
	B3.2	The average training hours completed per employee by gender and employee category.	41-42
B4 Labour standard	B4	General disclosure	36-37 In 2023, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Trust Group.
	B4.1	Description of measures to review employment practices to avoid child and forced labour	36
	B4.2	Description of steps taken to eliminate such practices when discovered	36 In 2023, we did not discover any such practices in our operations.
B5 Supply chain management	B5	General disclosure	35
	B5.1	Number of suppliers by geographical region.	About 1,400 suppliers in Hong Kong, none from outside Hong Kong.
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	35

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	KPI	Content	Report Page/Comment
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	35
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	35
B6 Product responsibility	B6	General disclosure	34-35 In 2023, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Trust Trust Group.
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	In 2023, we were not aware of any recall concerning the provision and use of products and services that have a significant impact on the Trust Group.
	B6.2	Number of products and service related complaints received and how they are dealt with	In 2023, there were no substantiated complaints received relating to the provision and use of products and services that have a significant impact on the Trust Group.
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	34-35
	B6.4	Description of quality assurance process and recall procedures	35
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	35
B7 Anti-corruption	B7	General disclosure	34-35 In 2023, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Trust Group.
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issue or its employees during the reporting period and the outcomes of the cases	In 2023, there were no concluded legal cases regarding corrupt practices brought against the Trust Group and its employees.
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	34-35
	B7.3	Description of anti-corruption training provided to directors and staff.	36
B8 Community investment	B8	General disclosure	42-43
	B8.1	Focus areas of contribution	42-43
	B8.2	Resources contributed to the focus area	42-43

# Relevant data is not available in 2023. The Hotel Manager is actively improving the data management system and will disclose the relevant information in due course.



# CORPORATE GOVERNANCE REPORT

Langham Hospitality Investments, LHIL Manager Limited and Langham Hospitality Investments Limited are committed to maintaining and developing high standards of corporate governance practices that are designed to enhance corporate image, create value for our Unitholders, minimise risk in fraudulent practices and address potential conflict of interest issues. This combined

Corporate Governance Report of the Trust and the Company set out a summary of the key processes, systems and measures that have been used in implementing this corporate governance framework being adopted by the Trust, Trustee-Manager and the Company for the year ended 31 December 2023.

The major activities during the year 2023 and subsequent change up to the date of this report are set out below:

## Major activities

### General Mandate

#### General Mandate to Issue Share Stapled Units of the Trust and the Company

General mandate to allot, issue and deal with no more than 20% of the issued Share Stapled Units of the Trust and the Company was granted by the Holders of Share Stapled Units at the AGM of the Trust and the Company held on 11 May 2023. The mandate shall only remain in effect until the conclusion of the next AGM of the Holders of Share Stapled Units, or the expiration of the period within which such AGM is required to be held, or until revoked, renewed or varied by an ordinary resolution of Holders of Share Stapled Units, whichever occurs first.

### Continuing Connected Transactions

#### Results of Market Rent Review of the Hotels

In May 2023, a rental review was conducted by Vigers to determine the market rental package of the Hotels for the period from 1 January 2024 to 29 May 2027, being the expiry date of the Master Lease Agreements (the "Third Period"). Vigers determined that the market rental package of the Hotels for the Third Period shall be comprised of (i) a base rent being fixed at HK\$225.0 million per annum under the Master Lease Agreements; and (ii) a variable rent being 50% of the Hotels' aggregate gross operating profit before deduction of the Global Marketing Fee on an annual basis, which is less than the 70% threshold as set out in the Master Lease Agreements. An ordinary resolution in relation to the approval of the remaining transactions under the Master Lease Agreements for the Third Period, and the base rent and variable rent during the Third Period was passed by independent Holders of Share Stapled Units at the extraordinary general meeting of the Trust and the Company held on 21 July 2023.

### Corporate Governance Policy

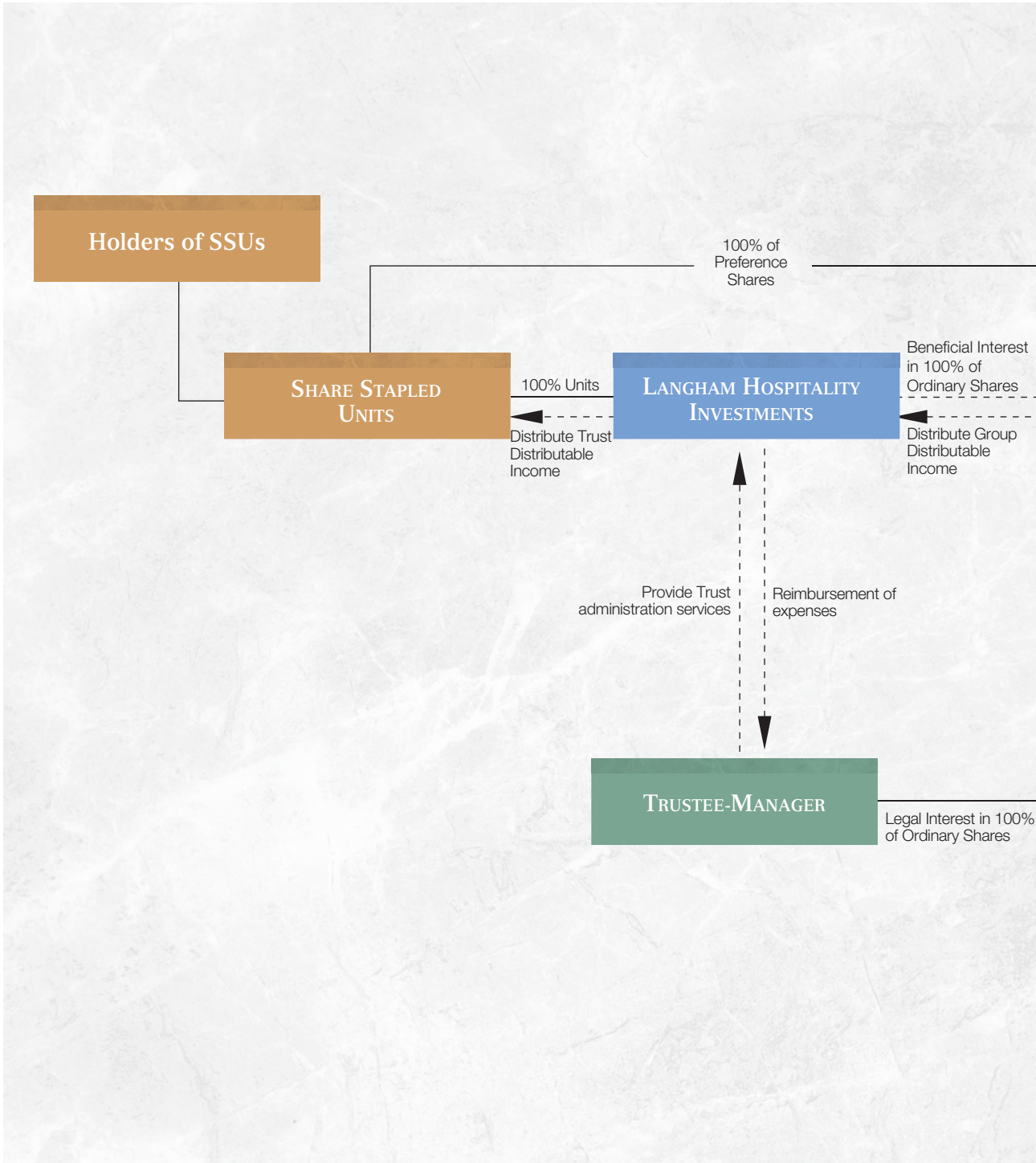
#### Establishment of Director Independence Policy

In view of upholding the high standard of corporate governance and in accordance with the Corporate Governance Code, a Director Independence Policy was established which sets out, inter alia, mechanisms to ensure independent views are available to the Boards. The Boards shall review the implementation and effectiveness of the above mechanisms on an annual basis.

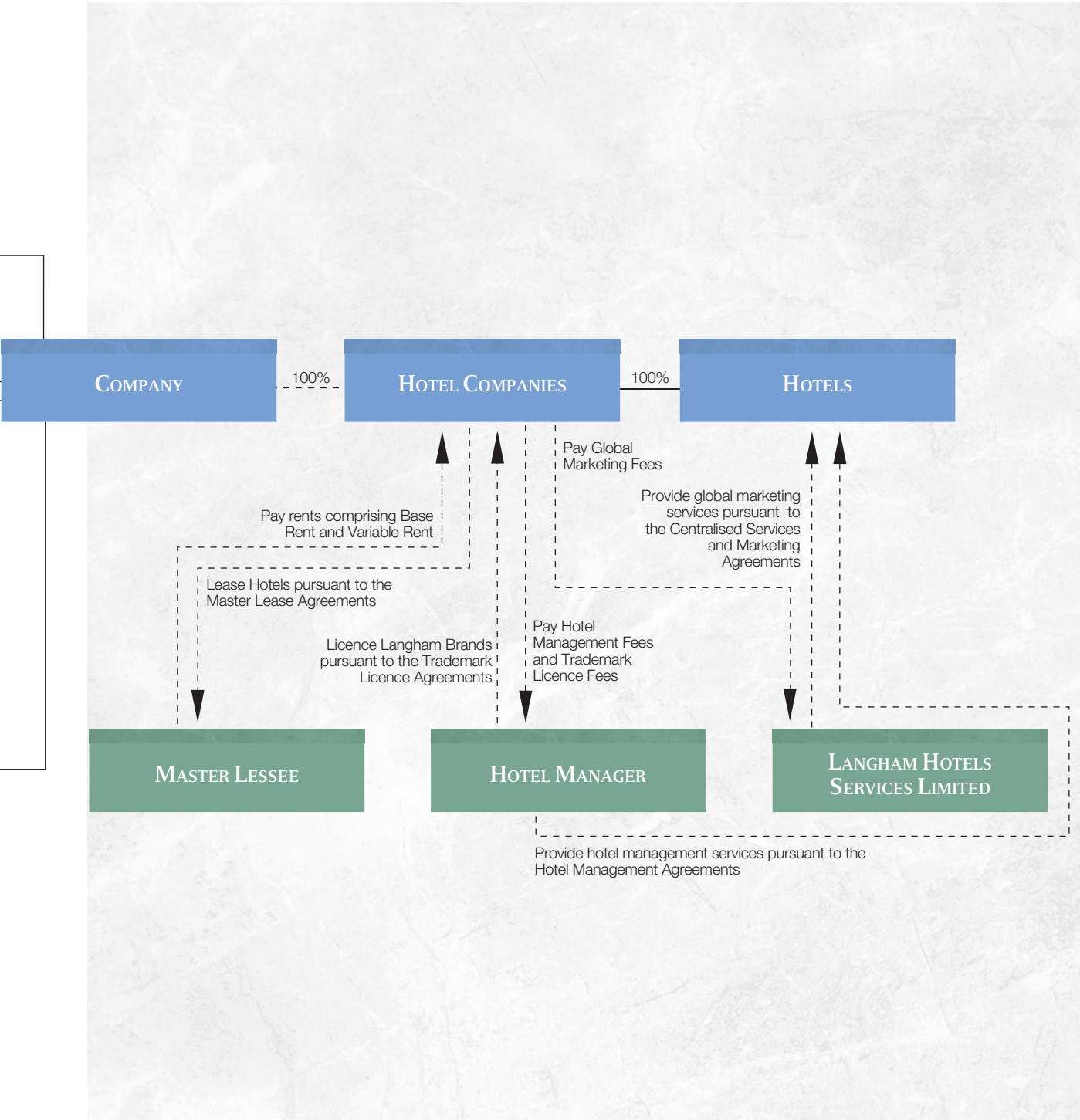
# CORPORATE GOVERNANCE REPORT

## STRUCTURE OF THE TRUST GROUP

The chart below illustrates a simplified version of the structure of the Trust Group:



# CORPORATE GOVERNANCE REPORT



# CORPORATE GOVERNANCE REPORT

Langham Hospitality Investments is constituted by laws of Hong Kong governing the Trust Deed entered into between the Trustee-Manager and the Company as a fixed single investment trust, meaning that the Trust may only invest in the securities and other interests in a single entity, being the Company.

The Trustee-Manager is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Great Eagle. In its capacity as trustee-manager of the Trust, the Trustee-Manager has a limited role only in the administration of the Trust and is not involved in the management of the operations of the Group.

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability. It is the holding company of the hospitality business carried on by the Group and currently owns and controls the Hotels indirectly through its subsidiaries.

## Capital Structure of the Trust and the Company

Share Stapled Units are jointly issued by the Trust and the Company and each Share Stapled Unit is comprised of the following three components which, subject to the provisions in the Trust Deed, can only be dealt with together and cannot be traded individually:

- (a) a unit in the Trust;
- (b) a beneficial interest in a specifically identified Ordinary Share in the Company held by the Trustee-Manager, which is “linked” to the unit in the Trust; and
- (c) a specifically identified Preference Share in the Company which is “stapled” to the unit in the Trust.

As the components of the Share Stapled Units, all of the units in the Trust, the Ordinary Shares and the Preference Shares of the Company in issue are listed on the Stock Exchange. However, for so long as the Share Stapled Units are listed on the Stock Exchange, trading on the Stock Exchange will only take place in the form of Share Stapled Units and there is only a single price quotation on the Stock Exchange for a Share Stapled Unit. No price is quoted for the individual components of a Share Stapled Unit.

## CORPORATE STRATEGY, VALUES AND CULTURE

The Company and the Trust as a fixed single investment trust is committed to providing the Holders of Share Stapled Units with the potential for sustainable long-term growth of distributions and enhancement in the value of the hotel portfolio. The Group has been established primarily to own and invest in a portfolio of hotels, with an initial focus on completed hotels located in Asia, and the Group will look to grow and expand its hotel portfolio through active asset management, acquisition growth and capital and risk management strategies. The Boards play a leading role in ensuring the corporate culture of the Group is in alignment with its values and strategies, which enable the Group to create sustainable value and deliver long-term return for the Holders of Share Stapled Units and other stakeholders.

The Boards are also committed to ensuring that the Group’s businesses are conducted in accordance with high standards of business ethics and corporate governance to maximise Unitholders’ interests in the long run. The Boards take the lead in promoting the desired corporate culture and the corporate culture and values are integrated throughout the policies and practices of the Group which are communicated with the management and employees.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Trustee-Manager Board and the Company Board play a central support and supervisory role in the respective corporate governance duties of the Trust and the Company. The Boards are responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report prepared on a combined basis.

### Corporate Governance Practices

Taking into account the structure of the Trust Group, in particular the business relationship with its holding company, the following policies and procedures are established and constituted the core elements of the governance framework of the Trust Group:

- Schedule of Matters Reserved for the Board
- Segregation of Duties between Chairman and Chief Executive Officer
- Director Independence Policy
- Reporting and Monitoring Policy on Connected Transactions
- Policy on the Preservation and Prevention of Misuse of Inside Information
- Whistleblowing Policy
- Anti-Fraud, Bribery and Corruption Policy
- Unitholder Communication Policy
- Employee Code of Conduct

- Code of Conduct regarding Securities Transactions by Directors and Relevant Employees
- Corporate Governance Measures in respect of the operation of the Right of First Refusal granted by Great Eagle

The Boards regularly review these policies and procedures, and further enhancement will be made from time to time in light of the latest statutory and regulatory regime and applicable international best practices. Copies of the principal governance policies can be obtained from our corporate website.

### 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 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.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

### Board Composition

Pursuant to the Trust Deed, the Directors of the Trustee-Manager shall at all times be the same individuals who serve as Directors of the Company.

The composition of the Trustee-Manager Board and the Company Board during the year and up to date of this report is set out below:

### Non-executive Directors

Dr. Lo Ka Shui (*Chairman*)  
Mr. Lo Chun Him, Alexander  
Mr. Lo Chun Lai, Andrew

### Executive Director

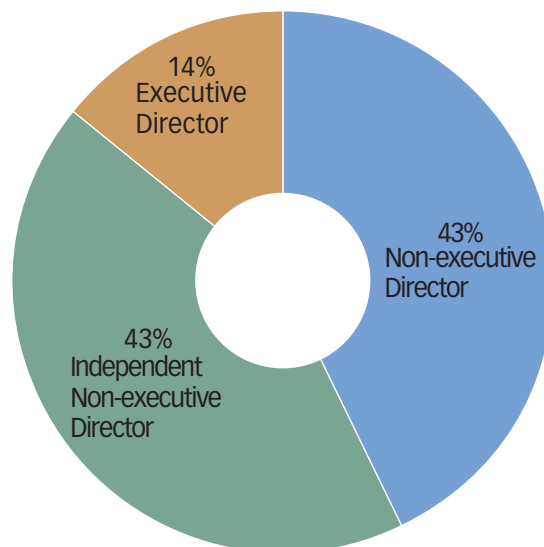
Mr. Brett Stephen Butcher (*Chief Executive Officer*)

### Independent Non-executive Directors

Professor Chan Ka Keung, Ceajer  
Professor Lin Syaru, Shirley  
Mr. Wong Kwai Lam

Currently, 86% of the Board members are Non-executive Directors while 43% of the Board members are Independent Non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are Independent Non-executive Directors.

Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company and also a substantial shareholder, the Chairman and Managing Director of Great Eagle, the holding company of the Trust Group, is the father of Mr. Lo Chun Him, Alexander and uncle of Mr. Lo Chun Lai, Andrew. Biographical details of the Directors of the Trustee-Manager and the Company are set out in this Annual Report on pages 25 to 28.



# CORPORATE GOVERNANCE REPORT

Set out below is a summary of expertise and responsibilities of each Board member.

	Expertise	Responsibilities
<b>Non-executive Directors</b>		
LO Ka Shui ( <i>Chairman</i> )	Property and hotel development and investment both in Hong Kong and overseas	Overseeing the operations and affairs of the Boards' effectiveness and the relationships among the Boards, management and stakeholders; leading the Boards in formulating the corporate and financial strategy in the best interest of the Group by taking into account, among other things, the opportunities and risks of the business of the Group; enhancing further synergies between the Group and Great Eagle; and for the overall supervision of the policies governing the conduct of the Group's business
LO Chun Him, Alexander	Property development, financial investments, business and project development	Formulation of strategic directions and high level oversight of the financial management and operations of the Group
LO Chun Lai, Andrew	Business planning, financial stewardship and asset management	Formulation of strategic directions and high level oversight of the financial management and operations of the Group; and overseeing the management of all hotel assets of Great Eagle worldwide
<b>Executive Director</b>		
Brett Stephen BUTCHER ( <i>Chief Executive Officer</i> )	Hotel business experience in both hotel operations and sales and marketing in Asia, the Pacific and North America	Responsible for all day-to-day management decisions and for leading the development and implementing the long and short term strategy and plans; identifying potential risks and opportunities of the Group and implementing appropriate policies; developing procedures designed to ensure compliance with the overall risk management policies; acting as a direct liaison between the Boards and management and communicating to the Boards on behalf of management

# CORPORATE GOVERNANCE REPORT

	Expertise	Responsibilities
<b>Independent Non-executive Directors</b>		
CHAN Ka Keung, Ceajer	Specialised in assets pricing, evaluation of trading strategies and market efficiency	Chairing the Remuneration Committee; scrutinising and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance
LIN Syaru, Shirley	International affairs and global investment	Chairing the Nomination Committee; scrutinising and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance
WONG Kwai Lam	Commercial and investment banking	Chairing the Audit Committee; scrutinising and monitoring the Group's performance; giving independent judgment, strategic advice and guidance on the business and operations; and reviewing the financial control and systems of risk management and compliance

The Boards recognise the importance and benefits of diversity in the boardroom. The Nomination Committee of the Company is responsible for reviewing Board composition, identifying candidates and making recommendations to the Company Board. Further details on the Nomination Policy and Board Diversity Policy are set out in the section headed "Nomination Committee" of this report.

## Board Responsibilities

Notwithstanding the fact that the Directors of the Trustee-Manager and the Directors of the Company must always be the same individuals pursuant to the Trust Deed as mentioned above, the Trustee-Manager Board and the Company Board have distinct responsibilities. The Directors are the members of the Senior Management of the Trustee-Manager and the Company.

It is the responsibility of the Trustee-Manager Board to ensure that the Trustee-Manager discharges its duties under the Trust Deed, which include but not limited to administering the Trust, keeping safe custody of all the property and rights of any kind whatsoever that are held on trust for the Unitholders and exercising all due diligence and vigilance in protecting the rights and interests of the Unitholders. A Director of the Trustee-Manager shall act in good faith in the best interests of all unitholders. The Trustee-Manager Board exercises a number of reserved powers such as approval of the financial statements of the Trust and the Trustee-Manager, approval of the annual and interim reports and results announcements of the Trust and the Company, declaration of distributions to the Unitholders, approval of terms of reference of the Trustee-Manager's Board Committee(s), and monitoring of the corporate governance of the Trust.



# CORPORATE GOVERNANCE REPORT

The Company Board, on the other hand, is responsible for setting out the overall strategies and business objectives of the Group and providing oversight of their implementation by the management team to promote the long-term success of the Group and create sustainable value for the Unitholders. While day-to-day management and operation of the business activities of the Group are delegated to the management who are accountable for

the execution of business strategies and initiatives adopted by the Company Board, specific functions reserved to the Company Board are set out in the Schedule of Matters Reserved for the Board and where appropriate shall also be applicable to the Trustee-Manager Board. The schedule is reviewed periodically to ensure that the arrangements remain appropriate to the Group's needs.

## Summary of Key Matters Reserved for the Board

### Strategy

- Approval of the Group's long term objectives and corporate strategy
- Extension of the Group's activities into new business of material nature
- Maintain and promote the culture of the Group
- Any decision to cease to operate all or any material part of the Group's business
- Any change in the Company's domicile or listing status

### Structure and Capital

- Recommendations to the Unitholders of proposals relating to General Mandate to issue new Share Stapled Units
- Changes relating to the Group's capital structure
- Major changes to the Group's corporate structure, management and control structure

### Financial and Corporate Governance

- Approval of the annual report, interim report and results announcements of the Trust and the Company
- Declaration of interim distribution and recommendation of final distribution
- Approval of annual budgets and forecasts
- Approval of any significant changes in accounting policies or practices
- Approval of substantial acquisition or disposal
- Approval of non-exempt connected transactions
- Approval of major capital expenditures
- Approval of terms of reference of Board Committees
- Review of the Group's overall corporate governance arrangements
- Approval of the Group's governance policies
- Approval of the environmental, social and governance report

### Board Membership and Other Appointments

- Appointment of membership of Board Committees
- Appointment or removal of the Company Secretary
- Appointment, re-appointment or removal of the external auditor to be put to Unitholders for approval, if required

# CORPORATE GOVERNANCE REPORT

## **Chairman and Chief Executive Officer**

Dr. Lo Ka Shui and Mr. Brett Stephen Butcher hold the positions of Chairman and Chief Executive Officer respectively. The Chairman is responsible for overseeing the operations and affairs of the Boards' effectiveness and the relationships among the Boards, management and stakeholders. He is accountable to the Boards for leading the Board in formulating the corporate and financial strategy in the best interest of the Group by taking into account, among other things, the opportunities and risks of the business of the Group and enhancing further synergies between the Group and its parent company and for the overall supervision of the policies governing the conduct of the Group's business. The Chief Executive Officer is ultimately responsible for all day-to-day management decisions and for leading the development and implementing the long and short term strategy and plans. He is accountable for identifying potential risks and opportunities of the Group and implementing appropriate policies, and developing procedures designed to ensure compliance with the overall risk management policies. He also acts as a direct liaison between the Boards and management and communicating to the Boards on behalf of management.

## **Appointment, Re-election and Rotation of Directors**

According to the Company's Articles, no less than one-third of all the Directors shall retire from office by rotation at each AGM of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years and any Director appointed either to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following AGM and shall then be eligible for re-election. The provisions of retirement by rotation applicable to the Company Board are also applied, indirectly, to the Trustee-Manager Board in accordance with the Trust Deed.

According to the rotation record, Mr. Lo Chun Him, Alexander, Professor Chan Ka Keung, Ceajer and Mr. Wong Kwai Lam will retire as the Directors at the forthcoming AGM and are eligible for re-election.

## **Directors' Orientation and Continuing Development**

The Company Secretary shall assist the Chairman and the Chief Executive Officer to manage and oversee the induction process for a new director and continuing development of Directors. An induction pack will be provided to the new Director to ensure he/she has a proper understanding of the Trust Group's operations and business. To keep Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Trust Group's business and operating environment, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director are provided to each Director by the Company Secretary periodically to foster the continuous development and ongoing updating of Board members' skills and knowledge.

During the year ended 31 December 2023, information packages were provided to all Directors, namely Dr. Lo Ka Shui, Mr. Brett Stephen Butcher, Professor Chan Ka Keung, Ceajer, Professor Lin Syaru, Shirley, Mr. Lo Chun Him, Alexander, Mr. Lo Chun Lai, Andrew, and Mr. Wong Kwai Lam, to keep them abreast of the subject areas of legal and regulatory, corporate governance, financial reporting and industry news and updates pertaining to the Trust Group's business. Apart from the continuous development program organised by the Trust Group internally, individual Director also attended seminars or workshops relevant to his/her profession and duties as director. All Directors had provided confirmation on their respective training records to the Trustee-Manager and the Company and each of them had participated in no less than 10 training hours during the year ended 31 December 2023.

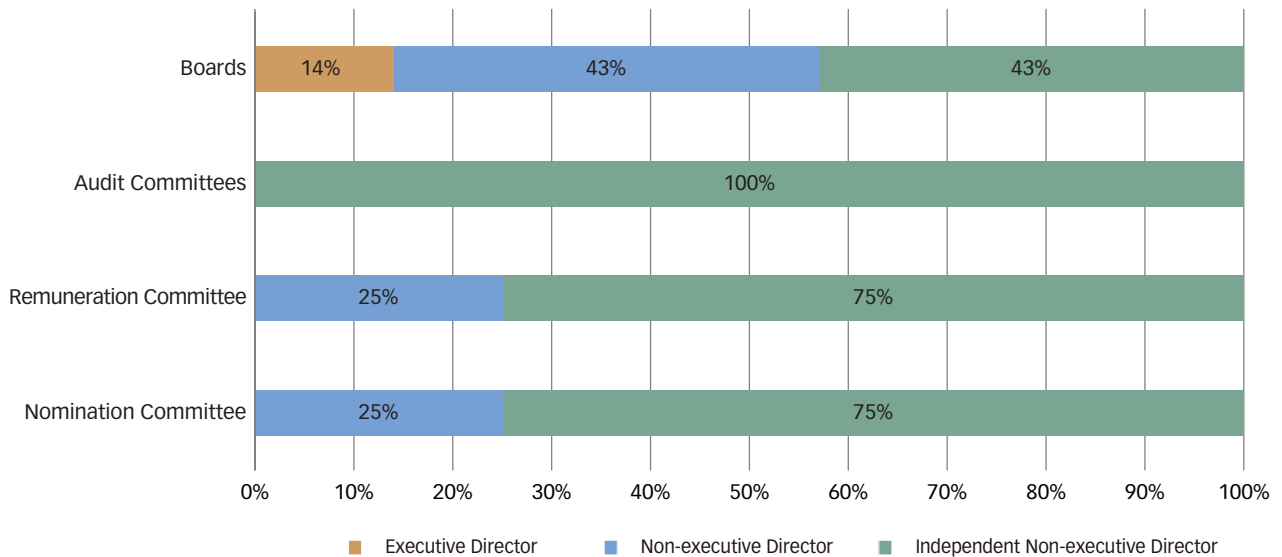
# CORPORATE GOVERNANCE REPORT

## Board Independence

The Trustee-Manager and the Company recognise that Board independence is critical to good corporate governance and Board effectiveness. The participation of Independent Non-executive Directors brings independent and objective judgment on the affairs of the Trust Group including but not limited to issues relating to the Trust Group's strategy, performance, conflicts of interest and

management process, thus ensuring that the Trust Group operates in the best interests of the Unitholders. To ensure independent views and inputs are available to the Boards of the Trustee-Manager and the Company, a Director Independence Policy was adopted and the following mechanisms are implemented by the Boards, and the Board Committees follow the same processes, where applicable, as the Boards.

## Independence Weighting



# CORPORATE GOVERNANCE REPORT

## Measures

## Mechanisms to ensure independence

### Independence Assessment

#### Confirmation of Independence

All Independent Non-executive Directors have provided a written annual confirmation of independence to the Trustee-Manager and the Company on their compliance with the independence criteria set out under Rule 3.13 of the Listing Rules. The Nomination Committee shall assess the independence of Independent Non-executive Directors upon appointment and annually to ensure they can continually exercise independent judgement. Interlocking directorships of the Board members shall be reviewed by the Nomination Committee annually.

#### Time Commitments

All Directors should attend all regular meetings of the Board and Board Committees on which they serve and also general meetings of the Trust and the Company. Non-executive Directors are required to provide written annual confirmations regarding their time involvement in the affairs of the Trust Group.

#### Disclosure of Interest

All Directors have to disclose their interest and/or any actual or potential conflict of interests in the matters to be considered at the Board or Board Committee meetings and shall abstain from voting in respect of any transaction, contract or arrangement in which he/she has material interests. Directors will be required to provide confirmations of any material interests in competing business of the Trust Group.

#### Appointment Process

The Nomination Committee is delegated by the Board of the Company to shortlist any and all candidates recommended as nominees to be appointed as Directors. The Nomination Committee shall follow the selection criteria and evaluation procedures in nominating candidates to be appointed as Directors of the Boards as set out in the Nomination Policy.

# CORPORATE GOVERNANCE REPORT

## Measures

## Mechanisms to ensure independence

### Proceedings of the Board

The dates of the regular Board and Board Committee Meetings for the year are determined in the fourth quarter of the previous year. At least 14 days' formal notice of regular Board and Board Committee Meetings will be given to all Directors, and all Directors are invited to include any matters for discussion in the agenda. By at least three business days in advance of every regular Board and Board Committee Meeting, Directors are provided with the meeting agenda and the relevant board papers containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings.

### Board Decision Making

During the Board and Board Committee meetings, the Non-executive Directors are encouraged to express freely their independent views and inputs in an open and candid manner, provide open and objective challenge and informed insight and responses to the management, and bring outside knowledge of the businesses and markets in which the Trust Group operates. Comments and concerns raised by the Directors are closely followed up by the management.

In addition to Board meetings, the Chairman schedules a meeting annually with Independent Non-executive Directors without the presence of other Directors to discuss the affairs of the Trust Group.

The Company Secretary is required to prepare minutes that record not only the decision reached but any concerns raised or dissenting views expressed by Directors. Draft version of the minutes is circulated to all Directors for their comment and confirmation. The final version are also received by the Directors for records. Minutes of all Board and Board Committee Meetings are available for Directors' inspection.

# CORPORATE GOVERNANCE REPORT

Measures	Mechanisms to ensure independence
<b>Supply and Access to Information</b>	<p>Directors are provided with monthly reports covering highlights of the Trust Group's major businesses to keep abreast of the Trust Group's business performance and enable them to bring informed decisions in the best interests of the Trust Group and the Unitholders. More thorough and comprehensive management and financial updates are provided to all Board members on a quarterly basis to ensure each member is aware of the financial performance and position of the Trust Group.</p> <p>The Directors also have access to the advice and services of the Company Secretary who supports the Boards, ensures good information flow within the Boards, and Board policies and procedures are followed.</p> <p>To facilitate proper discharge of Directors' duties and responsibilities, all Directors (including Independent Non-executive Directors) are entitled to seek advice from the Company Secretary or in-house legal team as well as from independent professional advisors at the expense of the Trust Group, in which the Company Secretary is responsible to make all necessary arrangement.</p>
<b>Induction and Continuing Development</b>	<p>The Company Secretary will provide induction pack and orientation program for all new recruits to the Boards. Such pack and program would familiarise the newly appointed Director with the business and operations of the Trust Group, the legal framework under which the Trust and the Company are governed and the internal control and policies of the Trust and the Company. Subsequent information packages are regularly provided to the Directors to keep them abreast of latest developments in the industry and legal framework that are relevant to the affairs of the Trust and the Company.</p>
<b>Remuneration of Independent Non-executive Directors</b>	<p>Independent Non-executive Directors receive only fixed fee(s) for their role as members of the Boards and Board Committees and no profit related pay will be granted to them as this may lead to bias in their decision-making and compromise their objectivity and independence.</p>

The Boards consider the above measures could facilitate Directors to contribute effectively and independent views and input are available to the Boards and Board Committees. The Boards have reviewed the implementation and effectiveness of the above mechanisms for the year 2023.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE MEASURES TO ADDRESS POTENTIAL CONFLICTS OF INTEREST

Apart from the parent-subsidary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two groups as summarised in the chart on pages 56 to 57. These contractual arrangements also constitute continuing connected transactions of the Trust and the Company under the Listing Rules. Details of the transactions which are subject to disclosure and reporting requirements are provided in the Report of the Directors contained in this Annual Report on pages 105 to 110.

These business relationships and the fact that some of the Directors of the Trustee-Manager and the Company also hold directorships and/or senior management positions in the Great Eagle Group might give rise to potential conflicts of interests between the Group and the Great Eagle Group. As the interests of the Trust Group align with the Great Eagle Group and the performance and growth between the Trust Group and the Great Eagle Group are mutually complementary, the impact of conflicts of interests is minimal and the Boards believe that the Directors can still make independent decisions in the best interests of the Trust Group and the Unitholders. In all circumstances, the Trustee-Manager Board and the Company Board believe that the potential conflicts can be sufficiently reduced as follows:

- the Group focuses on optimising the performance of the three existing hotel properties, adopting a growth strategy of investing in completed stand-alone hotels in Asia. The Great Eagle Group, on the other hand, focuses on further capitalising on its resources and expertise in developing its hotel management services operations and brand building;
- given that the Group is among the major contributors to the performance of the Great Eagle Group, any reliance that the Group may have on the Great Eagle Group in relation to its performance and growth will be mutually complementary;
- the Great Eagle Group has granted to the Company a Deed of Right of First Refusal pursuant to which the Group will have the first right to participate and to acquire completed stand-alone hotels to be managed under the Langham Brands and Other Eaton Brands (as defined in the Great Eagle ROFR Deed) in Asia (excluding Australia and New Zealand) should the Great Eagle Group wish to sell or have the opportunity to invest in these hotels;
- various corporate governance measures are established seeking to address any potential conflicts of interest thereby safeguarding the interests of independent Unitholders. They include:
  - (i) any conflicted Directors must abstain from voting and will not be counted in the quorum of the relevant Board meeting in the event of any conflict issues;
  - (ii) pursuant to Article 90 of the articles of association of the Trustee-Manager, a Director of the Trustee-Manager must give priority to the interest of all the Unitholders as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Unitholders as a whole and that of the Trustee-Manager;

# CORPORATE GOVERNANCE REPORT

- (iii) potential connected transactions between the Great Eagle Group and the Trust Group and the existing continuing connected transactions (other than exempt continuing connected transactions and those transactions qualifying for an exemption) are reviewed and reported annually by the Independent Non-executive Directors and auditors of the Company;
- (iv) where the Trustee-Manager Board and the Company Board are required to determine matters under the Great Eagle ROFR Deed, such matters will be referred to the Independent Non-executive Directors and/or to those Directors who do not have a material interest in the matter; and
- specific corporate governance measures have also been put in place in respect of the operation of the Great Eagle ROFR Deed as follows:
  - (i) as part of the Trustee-Manager's and the Company's respective internal control systems, each has maintained a register of all opportunities/transactions arising from the implementation of the Great Eagle ROFR Deed;
  - (ii) as part of its internal audit plan, each of the Trustee-Manager and the Company will, through the internal audit function, review the implementation of the Great Eagle ROFR Deed each year;
- (iii) the Audit Committee of the Company will review the implementation of the Great Eagle ROFR Deed to ascertain that the terms of the Great Eagle ROFR Deed have been complied with. The review will include an examination of supporting documents and such other information deemed necessary by the Audit Committee; and
- (iv) the Independent Non-executive Directors will review on an annual basis compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and will disclose in the annual report of the Trust and the Company their findings on the compliance by Great Eagle with the terms of the Great Eagle ROFR Deed and any decision made by the Group regarding any exercise of the right of first refusal and the basis of such decision subject to not breaching any of the Group's or Great Eagle's contractual or legal obligations.

The Audit Committees of the Trustee-Manager and the Company shall be responsible for overseeing the implementation of the above corporate governance measures in respect of the operation of the Great Eagle ROFR Deed.

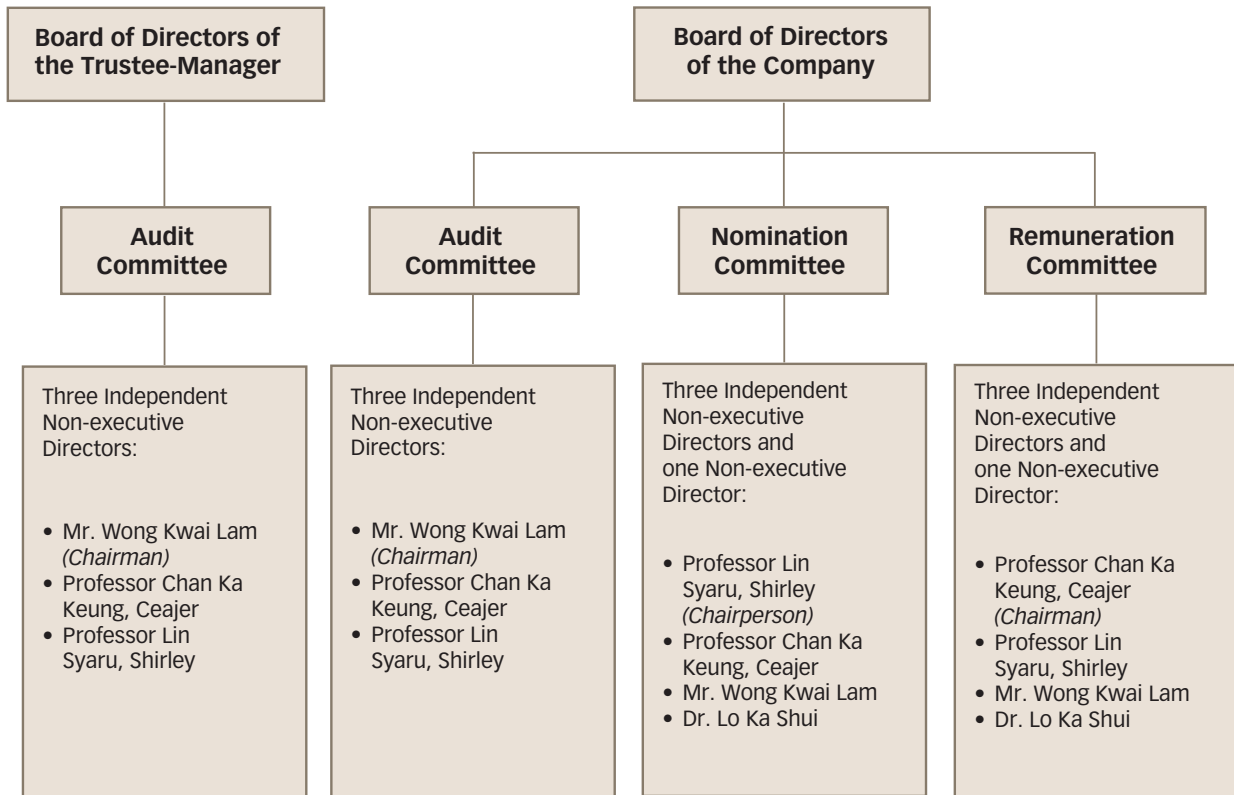


# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

To provide effective oversight, the Trustee-Manager Board and the Company Board have established the following Board Committees with their own terms of reference that have been approved by the respective Boards and are reviewed periodically to ensure that they comply with the

latest legal and regulatory requirements and reflect developments in recommended best practices. Each Committee reports its decisions and recommendations to the respective Boards. The terms of reference of the Committees setting out in detail their duties and responsibilities are posted on our corporate website and the HKEXnews website.



# CORPORATE GOVERNANCE REPORT

## Audit Committee

### *Roles and Authorities*

The Audit Committee of the Trustee-Manager and the Company shall, amongst other things, review the reports and proposals from management and make recommendations to the respective Boards in respect of the financial reporting and other statutory obligations, risk management and internal control systems, audit process and corporate governance practices with a view to assisting the respective Boards to fulfill their duties in relation to risk management, internal control, financial management and corporate governance.

### *Summary of work*

During the year ended 31 December 2023, the Audit Committee of the Trustee-Manager and the Company held two regular meetings with all members present. The following is a summary of the major work done categorised by the primary areas of duties of the Audit Committee:

Primary areas of duties	Summary of major work done of the Audit Committee in 2023
<b>Disclosure of financial information</b>	<ul style="list-style-type: none"><li>• reviewed and approved the draft 2023 Interim Report and interim results announcement of the Trust and the Company for the period ended 30 June 2023</li><li>• reviewed and approved the draft 2022 Annual Report and final results announcement of the Trust and the Company for the year ended 31 December 2022</li><li>• reviewed the unaudited financial statements of the Trust and the Company and the unaudited financial statements of the Trustee-Manager for the period ended 30 June 2023, and the audited financial statements of the Trust and the Company and the audited financial statements of the Trustee-Manager for the year ended 31 December 2022, with particular regard to the significant audit risks and other audit issues including:<ol style="list-style-type: none"><li>(1) the review on the fair value of the three investment properties of the Trust Group;</li><li>(2) the potential oversight by management in financial reporting process;</li><li>(3) the assessment of going concern basis in connection with the net current liabilities status of the Trust Group and the Group; and</li><li>(4) the review on the fair value of derivate financial instruments – interest rate swaps.</li></ol></li></ul>
<b>Risk management and internal control</b>	<ul style="list-style-type: none"><li>• reviewed the significant findings and recommendations from the internal auditor</li><li>• reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager</li></ul>

# CORPORATE GOVERNANCE REPORT

Primary areas of duties	Summary of major work done of the Audit Committee in 2023
<b>Reports from external auditor</b>	<ul style="list-style-type: none"> <li>considered the reports from Deloitte Touche Tohmatsu on interim review of the financial information and annual audit of the financial statements of the Trust and the Company and of the Trustee-Manager</li> </ul>
<b>Re-appointment of external auditor</b>	<ul style="list-style-type: none"> <li>reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the external auditor and approved its remuneration</li> </ul>
<b>Connected Transactions</b>	<ul style="list-style-type: none"> <li>reviewed and monitored connected transactions through half-yearly reports submitted by management to ensure compliance with the terms of the waivers granted by the Stock Exchange and all other applicable rules and regulations</li> </ul>
<b>Legal and Regulatory Compliance</b>	<ul style="list-style-type: none"> <li>reviewed the legal and regulatory, and governance and compliance issues including but not limited to compliance with the Listing Rules, the Trust Deed, the SFO and the Corporate Governance Code for the year ended 31 December 2022 and the six months ended 30 June 2023 and disclosures in the Corporate Governance Report</li> </ul>
<b>Great Eagle ROFR Deed</b>	<ul style="list-style-type: none"> <li>reviewed and adopted the corporate governance measures in respect of the operation of the Great Eagle ROFR Deed</li> <li>reviewed the implementation and compliance of the Great Eagle ROFR Deed</li> <li>during the year 2023, there were no properties or investment opportunities being acquired by or made available to the Great Eagle Group that were subject to the Great Eagle ROFR Deed</li> </ul>

## Nomination Committee

### *Roles and Authorities*

The Nomination Committee focuses on strengthening, broadening, balancing and understanding the range of skills, experience and diversity on the Company Board. The Committee shall formulate policy and make recommendations to the Company Board on nomination, appointment or re-appointment of Directors and Board succession.

### *Board Diversity Policy*

The Nomination Committee adopted the Board Diversity Policy in 2019. The Company believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments to the Boards shall be on merit, in the context of the skills and experience the Boards as a whole requires to be effective, and against objective criteria and with due regard for the benefits of

diversity. There are many considerations that factor into the Nomination Committee's nomination process including legal requirements, best practices, and skills required to complement the Boards' skill set and the number of Directors needed to discharge the duties of the Boards and Board Committees. But it will not set any restrictions like gender, age, cultural or educational background when short listing candidates. The Company believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background and other qualities of Directors. The Nomination Committee shall review the diversity of the Boards at least annually taking into account the Group's business model and specific needs and shall monitor the implementation of the Board Diversity Policy and, if appropriate, make recommendations on proposed changes to the Boards to complement the Company's corporate strategy.

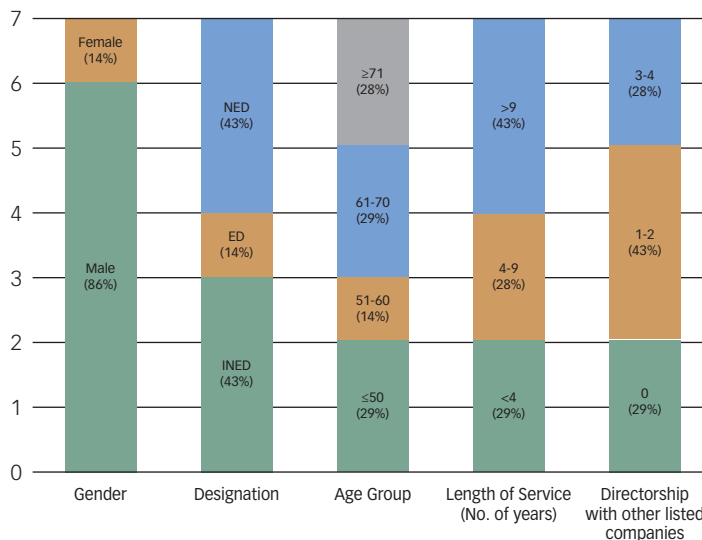
# CORPORATE GOVERNANCE REPORT

Currently, the Boards have a diversity of perspectives appropriate to the requirements of the business of the Trust Group. The Boards comprise a range of expertise including property and hotel development and investment, financial and hospitality asset management, hotel operations, sales and marketing, assets pricing, international affairs and global investment and commercial and investment banking. The mix of the skills and

background of the Directors are appropriate taking into account the business nature, corporate strategy and structure of the Trust Group. Besides, the Boards are made up of different age groups and both genders. The Boards consider that the current board composition is diversified with appropriate balanced professional background, skill, experience, gender and age. The following chart shows the diversity profile of the Boards as at 31 December 2023:



Number of Directors



Remarks:  
 ED - Executive Director  
 NED - Non-executive Director  
 INED - Independent Non-executive Director

# CORPORATE GOVERNANCE REPORT

## ***Nomination Policy***

The Nomination Committee adopted the Nomination Policy in 2019 which sets out the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company. The objective of the Nomination Policy is to assist the Nomination Committee in fulfilling its duties and responsibilities as provided in its terms of reference. The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates.

The Nomination Committee shall consider any and all candidates recommended as nominees for Directors to the Nomination Committee by any Directors of the Company or Unitholders in accordance with the Company's Articles and the Trust Deed. The Nomination Committee may also undertake its own search process for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees. The Nomination Committee shall endeavour to find individuals of high integrity who possess the qualifications, qualities, skills, experience and independence (in case of Independent Non-executive Directors) to effectively represent the best interests of all Unitholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. The Nomination Committee may use any process it deems appropriate for the purpose of evaluating candidates including personal interviews, background checks, written submission by the candidates and third party references. As far as practicable, nominees for each election or appointment of Directors shall be evaluated using a substantially similar process. The Nomination Committee shall review the Nomination Policy from time to time.

## ***Independence Assessment***

The Nomination Committee believes that independence is an important part of fulfilling the Directors' duty to supervise the management of the business and affairs of the Trust and the Company. The Nomination Committee of the Company is accountable for assessing whether any relationships or circumstances would likely to interfere with the exercise of objective and unfettered judgment by relevant Directors. It reviews all relevant facts and circumstances such as interlocking directorship, competing businesses and other significant commitment that might potentially impose an impact on Directors' judgment. To be considered independent, an Independent Non-executive Director must also meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Nomination Committee also considered the Independent Non-executive Directors' tenure, noting that two Independent Non-executive Directors have served on the Boards for more than nine years ("Long Serving INEDs"), namely, Professor Lin Syaru, Shirley and Mr. Wong Kwai Lam. In accordance with the Trust Deed and the Company's Articles, Mr. Wong Kwai Lam shall retire from office and his re-election is subject to a separate resolution to be approved by the Holders of Share Stapled Units at the forthcoming AGM. After considering the relevant independence assessment requirements set out in Rule 3.13 of the Listing Rules, the Nomination Committee formed the view that there is no evidence showing that Long Serving INEDs who have served on a board for nine years or more would lose their independence nor be at an increased risk of complacency given their familiarity with management. The Nomination Committee considered that independence of mind is far more important than the appearance of independence and was fully satisfied that the Mr. Wong demonstrated complete independence in character and judgement both in his designated roles as members of the Boards and Board Committees and was of the opinion that he will continue to bring independent views of the Trust Group's affairs to the Boards notwithstanding his length of service. In addition, the Nomination Committee was of the view that the unique background and experience of Mr. Wong can enable him to have more exposure to certain tasks on risk management and control procedures, which can be implemented in the Trust Group to provide effective monitoring.

# CORPORATE GOVERNANCE REPORT

Mr. Wong did not have any relationships with any other Directors, senior management, substantial or controlling Holders of Share Stapled Units of the Trust and the Company. He has confirmed that he did not have any material interest in competing business, either directly or indirectly, with the Trust Group's business. He was not involved in the daily management of the Trust and the Company and has never engaged in any executive management which would materially interfere with his exercise of independent judgement. He has submitted annual confirmation to the Trustee-Manager and the Company on his fulfillment of the independence guidelines set out in Rule 3.13 of the Listing Rules which assesses the independence of Independent Non-executive Directors. He has also provided written confirmation to the Trustee-Manager and the Company on the sufficiency of time spent and attention to the affairs of the Trust and the Company. In view of the above, the Nomination Committee believed that Mr. Wong is able to devote sufficient time and attention to the affairs of the Trust and the Company without being over-occupied in the business of other listed companies.

## **Summary of Work**

During the year ended 31 December 2023, one Nomination Committee meeting was held with full attendance of the Committee members. The following is a summary of the major work done categorised by the primary areas of duties of the Nomination Committee:

Primary areas of duties	Summary of major work done of the Nomination Committee in 2023
<b>Board composition</b>	<ul style="list-style-type: none"><li>reviewed the size, structure and composition of the Company Board by taking into account the diversity of skills, knowledge and experience of the Board members</li><li>reviewed Directors' time commitment to the affairs of the Trust and the Company through, inter alia, their meeting attendance and other listed companies' directorships</li></ul>
<b>Independence of Independent Non-executive Directors</b>	<ul style="list-style-type: none"><li>assessed independence of all the Independent Non-executive Directors</li></ul>
<b>Appointment or re-appointment of Directors</b>	<ul style="list-style-type: none"><li>reviewed and approved the nomination of Mr. Brett Stephen Butcher, Mr. Lo Chun Lai, Andrew and Professor Lin Syaru, Shirley, all being the retiring Directors for re-election at the 2023 AGM</li></ul>

The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager as 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.

# CORPORATE GOVERNANCE REPORT

## Remuneration Committee

### *Roles and Authorities*

The Remuneration Committee sets up formal and transparent procedures for setting policy on Executive Director's remuneration and for fixing the remuneration packages for all Directors and senior management and to ensure remuneration levels are sufficient to attract and retain Directors to run the Company successfully without paying more than necessary.

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of individual Executive Director and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors.

### *Summary of Work*

During the year ended 31 December 2023, one Remuneration Committee meeting was held with full attendance of the Committee members. Below is a summary of major work done categorised under the primary areas of duties of the Remuneration Committee:

Primary areas of duties	Summary of major work done of the Remuneration Committee in 2023
<b>Remuneration packages of Executive Director and senior management</b>	<ul style="list-style-type: none"><li>approved the salary review and discretionary bonus distribution for the year 2023 and other remuneration packages of the Executive Director and senior management of the Company</li></ul>
<b>Remuneration of Directors</b>	<ul style="list-style-type: none"><li>reviewed the market trend of the remuneration package generally offered to non-executive directors and independent non-executive directors of comparable companies listed in Hong Kong</li><li>reviewed the remuneration package offered to Non-executive Directors and Independent Non-executive Directors of the Company and recommended that no adjustment should be made for the year 2023</li></ul>

The requirement to establish a Remuneration Committee is not applicable to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust nor the Trustee-Manager, and the Trustee-Manager does not have any employee.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION OF DIRECTORS

The framework of the remuneration offered to the Executive Director and senior management of the Company is a combination of pre-determined elements plus discretionary components:

### Remuneration Framework

- |                             |  |
|-----------------------------|--|
| <b>Basic compensation</b>   | <ul style="list-style-type: none"><li>• includes basic salary, retirement benefits and other allowances</li><li>• it is fixed and set to be at the level sufficient to retain and motivate employees, taking into account the scope and complexity of responsibilities, individual performance as well as market pay levels</li></ul>                                |
| <b>Bonus and incentives</b> | <ul style="list-style-type: none"><li>• vital to align the interest of the executives with that of Unitholders</li><li>• the level is determined by reference to factors such as the financial performance and profitability of the Trust and the Company, individual performance, prevailing market conditions and remuneration benchmark in the industry</li></ul> |

As discussed above, Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust nor the Trustee-Manager. The Directors' fees entitled to be received by each Director of the Company and the members of the respective Board Committees of the Company for the year 2023 are set out hereinbelow. The remuneration levels were proposed with reference to the time involved, specific duties and services of individual directors and the prevailing market conditions.

Further details of Directors' emoluments are provided in note 14 to the consolidated financial statements of the Trust and the Company.



# CORPORATE GOVERNANCE REPORT

## Director's Fee and Board Committee Remuneration

Capacity	Annual Fee (HK\$)
<b>Board of Directors</b>	
• Executive Director	50,000
• Non-executive Director	170,000
• Independent Non-executive Director	220,000
• Chairman	270,000
<b>Audit Committee</b>	
• Chairman	100,000
• Committee Member	50,000
<b>Remuneration Committee</b>	
• Chairman	50,000
• Committee Member	25,000
<b>Nomination Committee</b>	
• Chairman	30,000
• Committee Member	20,000

## Board and Board Committee Meetings

Apart from understanding the respective responsibilities of the Trustee-Manager Board and the Company Board, the Directors must be able and willing to devote the required amount of time to the affairs of the Trust and the Company, including attendance at Board meetings and Board committee meetings. The Non-executive Directors and the Independent Non-executive Directors had confirmed to the Trustee-Manager and the Company that they had given sufficient time and attention to the affairs of the Trust and the Company throughout 2023.

# CORPORATE GOVERNANCE REPORT

During the year under review, each of the Trustee-Manager and the Company held four regular Board meetings. The attendance of individual Directors at all the Board and Board Committee meetings and general meetings held during the year ended 31 December 2023 is set out below:

## **Number of Meeting(s) Attended/Eligible to Attend in 2023**

Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	2023 AGM	EGM
<b>Non-executive Directors</b>						
LO Ka Shui ( <i>Chairman</i> )	4/4	–	1/1	1/1	1/1	1/1
LO Chun Him, Alexander	4/4	–	–	–	1/1	1/1
LO Chun Lai, Andrew	4/4	–	–	–	1/1	1/1
<b>Attendance Rate</b>	<b>100%</b>	<b>–</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Executive Director</b>						
Brett Stephen BUTCHER ( <i>Chief Executive Officer</i> )	4/4	–	–	–	1/1	1/1
<b>Attendance Rate</b>	<b>100%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100%</b>	<b>100%</b>
<b>Independent Non-executive Directors</b>						
CHAN Ka Keung, Ceajer	4/4	2/2	1/1	1/1	1/1	1/1
LIN Syaru, Shirley	4/4	2/2	1/1	1/1	1/1	1/1
WONG Kwai Lam	4/4	2/2	1/1	1/1	1/1	1/1
<b>Attendance Rate</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Overall Attendance Rate</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: The Board and Board Committee meetings of the Trustee-Manager and the Company were held on a concurrent basis.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

The Trustee-Manager Board and the Company Board are entrusted with the overall responsibility on an ongoing basis for ensuring that adequate and effective risk management and internal control systems are established and maintained for the Trustee-Manager and the Company. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure there are adequate and effective risk management and internal control systems within the Trustee-Manager and the Company:

- (a) a good control environment including well defined organisational structure, limit of authority, reporting lines and responsibilities;
- (b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted annually by the Trustee-Manager and the Company;
- (c) appropriate risk mitigating activities including clear and written company policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives;
- (d) effective information platforms to facilitate internal and external information flow; and
- (e) structured internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committees of the Trustee-Manager and the Company and the Great Eagle Group's Internal Audit Department, the Trustee-Manager Board and the Company Board have conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2023.

A risk management framework is implemented that provides a structured basis where all key risks (including but not limited to governance and strategy, regulatory compliance, people and talent, technology and operations, financial, economic, legal and ESG) are identified, analysed, evaluated, treated, monitored and reported in a consistent manner at all levels across the Company. Risk Register is maintained to summarise the significant risks faced by the Company and the relevant risk mitigating activities.

With adoption of a risk-based approach, the Internal Audit Department takes the lead to evaluate the risk management and internal control systems of the Trustee-Manager and the Company by reviewing all their major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The three-year audit plan of the Internal Audit Department is approved by the Audit Committees. The Head of Internal Audit Department reports directly to the Audit Committees and the Chairman of the Trustee-Manager and the Company. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committees for discussion at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Audit Department to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2023 and the assessment of the Audit Committees thereon, no significant irregularity or deficiency in the risk management and internal control systems has drawn the attention of the Audit Committees.

The Trustee-Manager Board and the Company Board therefore are satisfied that the Trust (together with the Trustee-Manager) and the Company have maintained adequate and effective risk management and internal control systems for the year ended 31 December 2023.

# CORPORATE GOVERNANCE REPORT

## EXTERNAL AUDITORS

### Auditor's responsibilities for the financial statements

The statement by the Auditor about its reporting responsibilities for the Trust Group and the Trustee-Manager are set out in the Independent Auditor's Report on pages 114 to 118 and pages 178 to 180 respectively of this Annual Report.

### Auditor's Remuneration

During the year ended 31 December 2023, the total fees in respect of audit and non-audit services provided to the Trust Group and the Trustee-Manager by the external auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

Services rendered	For the year ended 31 December 2023	
	Trust Group HK\$'000	Trustee-Manager HK\$'000
<b>Audit services</b>	1,312	20
<b>Non-audit services</b>		
Interim review fee	386	–
Other review fees including continuing connected transactions review, etc	98	2
<b>TOTAL</b>	<b>1,796</b>	<b>22</b>

Note: The total amounts of Auditor's Remuneration as disclosed in note 13 to the consolidated financial statements of the Trust and the Company and note 4 to the financial statements of the Trustee-Manager are HK\$1,312,000 and HK\$20,000 respectively and do not include the fees in respect of non-audit services

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

### Constitutional Documents

During the year ended 31 December 2023, there was no change to the Trust Deed and the Company's Articles, the current version of which are available for download from our corporate website and the HKEXnews website.

### Unitholder Communication Policy

We recognise the importance of maintaining an ongoing dialogue with our Unitholders. The Unitholder Communication Policy has been put in place to promote effective engagement with individual Unitholders, institutional investors and other stakeholders. The Boards will review the Unitholder Communication Policy annually to ensure its effectiveness and compliance with the prevailing regulatory and other requirements. Below is a summary of the Unitholder Communication Policy.

Our corporate website ([www.langhamhospitality.com](http://www.langhamhospitality.com)) is one of the key channels by which the Unitholders and potential investors can find a wealth of information about the Trust Group. All corporate communications of the Trust and the Company, including but not limited to annual and interim reports, announcements, circulars, key corporate governance policies, terms of reference of the various Board Committees, press releases and other corporate information, are made available on this website. For Unitholders who have supported the use of environmentally-friendly means in receiving corporate communications, our corporate website provides the most convenient way for locating the desired information. We also address the needs of those Unitholders who are more accustomed to reading offline by sending corporate communications to them in printed form free of charge upon receipt of their election in writing as such.

To facilitate a two-way dialogue with Unitholders and other stakeholders, the corporate communications and corporate website are supplemented by various briefings and conferences. The management meets existing and potential investors, financial analysts and media regularly at road shows, analyst briefings, investor conferences and one-on-one group meetings where our senior executives can exchange and share views and opinions with the participants and address any queries that they may have about the business development and corporate strategies of the Trust Group based on publicly available information. Relevant presentation materials from analyst briefings on annual and interim results are also posted on our corporate website so as to deliver a more in-depth understanding on the Trust Group's financial performance and position.

Unitholders may at any time direct their enquiries about the Trust and the Company to the Trustee-Manager Board and the Company Board by writing to the Company's principal place of business in Hong Kong or by email to [enquiry@langhamhospitality.com](mailto:enquiry@langhamhospitality.com).

During the year 2023, the Boards reviewed the implementation and effectiveness of the Unitholder Communication Policy. The corporate website was updated on a regular basis to maintain an effective ongoing communication with Unitholders and Unitholders could access the latest information of the Trust and the Company through the corporate website. Information released by the Trust and the Company to the Stock Exchange was also posted on the corporate website as soon as reasonably practicable thereafter. Unitholders were provided with the opportunities to communicate with the Directors and management directly at general meetings. Enquires from Unitholders were responded within a specific timeframe. Based on the above, the Boards are of the view that the Unitholder Communication Policy is effective.

# CORPORATE GOVERNANCE REPORT

## General Meetings

The Trustee-Manager Board and the Company Board recognise the significance of general meetings which provide the best opportunity for a genuine dialogue between the Directors and the Unitholders.

The 2023 AGM of the Trust and the Company was held on 11 May 2023 at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The matters resolved thereat are listed below:

- Received and adopted the audited consolidated Financial Statements of the Trust and the Company for the year ended 31 December 2022, the audited Financial Statements of the Trustee-Manager for the year ended 31 December 2022, together with their respective Reports of the Directors and the Independent Auditor.
- Declared a final distribution of HK2.9 cents per Share Stapled Unit for the year ended 31 December 2022.
- Re-elected Mr. Brett Stephen Butcher as an Executive Director, Mr. Lo Chun Lai, Andrew as a Non-executive Director and Professor Lin Syaru, Shirley as an Independent Non-executive Director.
- Authorised the Directors of the Company to fix their remuneration.
- Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor of the Trust, the Trustee-Manager and the Company, and authorised the Directors of the Trustee-Manager and the Company to fix their remuneration.
- Approved the grant of a general mandate to the Directors of the Trustee-Manager and the Company to allot, issue and deal with additional Share Stapled Units not exceeding 20% of the issued number of Share Stapled Units (the "General Mandate").

# CORPORATE GOVERNANCE REPORT

The General Mandate will remain in effect until the conclusion of the next AGM of the Holders of Share Stapled Units, or the expiration of the period within which such AGM is required to be held, or until revoked, renewed or varied by an ordinary resolution of Holders of Share Stapled Units, whichever occurs first. Although the General Mandate granted may not be utilised during the valid period as mentioned above, this gives the Company the flexibility when needed without proposing second and subsequent refreshments of a general mandate in any one year. The Company will use the mandate sparingly and in the interest of the Holders of Share Stapled Units. Set out below is the utilisation rate of the General Mandate granted by the Holders of Share Stapled Units for the last five validity periods:

Year of AGM	Mandate Validity Period	Number of Issued Share Stapled Units under Granted Mandate	% of Utilised Mandate <sup>(Note)</sup>
2018	18/4/2018 to 10/5/2019	22,678,703	1.080
2019	10/5/2019 to 12/5/2020	23,725,692	1.118
2020	12/5/2020 to 12/5/2021	14,258,483	0.665
2021	12/5/2021 to 12/5/2022	23,330,053	0.722
2022	12/5/2022 to 11/5/2023	33,509,726	1.029

Note: This percentage is based on the number of issued Share Stapled Units as at the dates of the relevant AGMs.

An EGM of the Trust and the Company was held on 21 July 2023 at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong at which the remaining transactions under the Master Lease Agreements for the Third Period from 1 January 2024 to 29 May 2027, being the expiry date of the Master Lease Agreements, and the Base Rent and Variable Rent during the period were approved.

# CORPORATE GOVERNANCE REPORT

General meetings of the Trust and the Company are held on a combined basis, proceedings of general meetings as summarised hereinbelow are reviewed from time to time to ensure that the best appropriate corporate governance practices are followed.

## Proceedings of General Meetings

Notice of general meetings together with other relevant corporate communications in printed form (or the notification letters for receiving the said corporate communications by electronic means through our corporate website, as the case may be) will be despatched to Holders of Share Stapled Units (i) no less than 21 days prior to the AGM and general meeting where a special resolution is proposed for consideration and (ii) no less than 14 days for all other general meetings.

The Chairman of the Trustee-Manager Board and the Company Board as well as the chairmen of each of the Board Committees or, in their absence, their duly appointed delegates or other members of the respective Committees are available to answer questions at the general meetings.

The chairman of the independent board committee or, in his/her absence, his/her duly appointed delegates or other member(s) of the committee will be available to answer questions at any general meetings at which approval for a connected transaction or approval from independent Holders of Share Stapled Units for any other transaction is sought.

The external auditor will attend the AGM to answer questions relating to the audit.

To safeguard the interests and rights of the Holders of Share Stapled Units, separate resolutions are proposed at the general meetings on each substantial issue, including the election/re-election of each individual Director.

Holders of Share Stapled Units will be provided opportunities to ask questions for each of the proposed resolutions at general meetings.

All votes of the Holders of Share Stapled Units at general meetings will be taken by poll. The procedures for conducting a poll will be clearly explained at the meeting.

Poll results will be made available by way of an announcement, which will be published on our corporate website and the HKEXnews website on the same day after the general meeting.



# CORPORATE GOVERNANCE REPORT

## **Rights of Holders of Share Stapled Units**

### ***Right to Convene/Call a General Meeting***

Pursuant to Article 12.3 of the Company's Articles, general meetings shall be convened on the written requisition of any one or more member(s) of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and resolutions shall be added to a meeting agenda and signed by the requisitionists, provided that such requisitionists hold as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 10% of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Within 21 days from the date of deposit of the requisition, the Company Board shall proceed to convene the meeting to be held with such notice in accordance with Article 12.4.

### ***Right to Appoint/Remove Trustee-Manager***

Pursuant to Clause 23.1 of the Trust Deed, holders of Units of the Trust may (i) by requisition convene a meeting to vote on a resolution to remove the trustee-manager and (ii) nominate a company which has consented in writing to serve as the replacement trustee-manager for appointment at general meeting by serving the requisition/nomination on the incumbent trustee-manager, provided that the holders of Units making such requisition and/or nomination hold not less than 5% of the total voting rights of all holders of Units at the date of the requisition/nomination.

### ***Proposing a Person for Election as a Director***

Pursuant to Article 16.5 of the Company's Articles, two members of the Company (not including the person to be proposed) together representing not less than 10% of the total voting rights of all the members are entitled to propose a person for election as a Director of the Company at the general meeting by lodging a written notice with the principal office of the Company in Hong Kong of their such intention together with the consent of the nominated person at least seven days before the date of the general meeting.

# CORPORATE GOVERNANCE REPORT

## DISTRIBUTION POLICY

In accordance with the provisions of the Trust Deed, the following distribution policy has been put in place:

- (a) Any declaration and payment of distributions shall be determined at the sole discretion of the Boards with the long-term objective of maximising Unitholder value of the Trust Group.
- (b) The Trust Group aims to provide its Unitholders with a target annual distribution payout of not less than 90% of the distributable income of the Group in any financial year subject to the following factors:
  - 1. the Trust Group's actual and expected cash flow positions and financial performance;
  - 2. projected capital expenditure, future expansion plans and growth opportunities;
  - 3. the Trust Group's debts to equity ratio, return on equity and the relevant financial covenants;
  - 4. general economic conditions, business cycle of the Trust Group's core business;
  - 5. general expectation of Unitholders and investors of the Trust Group; and
  - 6. any other factors that the Boards deem appropriate.

The Boards may declare and make distributions on a semi-annual basis at its discretion. The payment of final distribution is subject to the approval of Unitholders. The Boards may at their sole discretion declare the payment of distributions to Unitholders as they deem appropriate.

The distribution policy and the declaration and/or payment of distributions under this policy are subject to the Boards' continuing determination that this distribution policy and the declaration and/or payment of distribution would be in the best interests of the Trust Group and the Unitholders, and are in compliance with all applicable laws and regulations.

The Boards will continually review the distribution policy and reserves the right in their sole and absolute discretion to update, amend, modify and/or cancel the distribution policy at any time, and the distribution policy shall in no way constitute a legally binding commitment by the Trust Group in respect of its future distribution and/or the obligation of the Trust Group to declare a distribution at any time or from time to time.

# CORPORATE GOVERNANCE REPORT

## **SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES**

The Trust Group has adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiries, all members of the Boards and relevant employees of the Company confirmed that they had fully complied with the Code of Conduct for Securities Transactions during the year ended 31 December 2023. The Directors' interests in the securities of the Trust and the Company and the associated corporations (within the meaning of the SFO) as at 31 December 2023 are set out in the Report of the Directors.

## **DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

The Trustee-Manager Board and the Company Board, supported by the Accounts and Finance Department, are responsible for the preparation of the financial statements of the Trust Group and the Trustee-Manager for the year ended 31 December 2023.

## **DIRECTORS' AND OFFICERS' INSURANCE**

During the year ended 31 December 2023, appropriate Directors' and Officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and officers of the Trustee-Manager and the Company.

## **PUBLIC FLOAT**

So far as the Trustee-Manager Board and the Company Board are aware of, as at the date of this report, the Trust and the Company had maintained a sufficient public float with more than 25% of the issued and outstanding Share Stapled Units being held by the public.

# CORPORATE GOVERNANCE REPORT

## HOTEL MANAGER AND EMPLOYEES

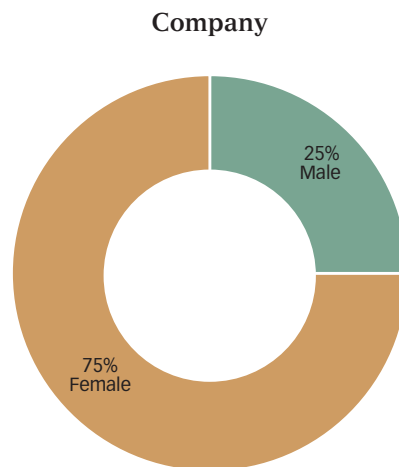
The Trust Group does not manage the daily operations of the Hotels. The Hotel Manager is responsible for the management of and all sales, marketing and advertising activities in relation to the Hotels pursuant to the Hotel Management Agreements. The Hotel Manager has a team of well-experienced operational staff exclusively dedicated in providing services to the Hotels. The Hotels control the payroll and related expense in accordance with the business level and also continuously review the process for higher efficiency. Comparing to 31 December 2022, there is an increase of 112 headcounts as at 31 December 2023.

A detailed gender composition of the employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels are set out in the “Environmental, Social and Governance Report” on page 37 of this Annual Report.

Salary levels of the Hotel Manager’s employees are competitive, and discretionary bonuses are granted based on performance of the Hotels as well as achievement of departmental key performance indicators. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. The Hotel Manager and its subsidiaries are required to contribute an amount equivalent to 5% of the employees’ basic salary (subject to the cap as stipulated under the applicable laws) to the Mandatory Provident Fund Scheme as mandatory contribution.

The Company has employed a team of four professional staff members to maintain an effective operation of the Trust Group. The Great Eagle Group provides certain administrative and non-management services to the Trust Group, which include but not limited to, legal and corporate secretarial support, finance, accounting and taxation support, human resources support, information technology support, internal audit support and general office administrative support on a cost-sharing basis under the Administrative Support Services Agreement. The remuneration package of our employees includes salary, bonuses, allowances and various retirement benefit schemes for the benefit of the staff. All staff members are signed up with the Mandatory Provident Fund Scheme in accordance with the applicable laws and regulations.

The gender ratio of the employees, including the Chief Executive Officer is illustrated as below chart:



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE ENHANCEMENT

Good corporate governance practice is key to the long-term success of the Trust and the Company in an ever-evolving business landscape. The current corporate governance framework adopted by the Trust and the Company emphasises accountability to all Holders of Share Stapled Units, resolution of conflict of interest issues, transparency in reporting, compliance with relevant regulations and sound operating and investing procedures. The Boards regularly evaluate and look for improvements in the governance approach to respond to changes, and to ensure that it is relevant and aligned with best practices. The Boards believe the effective integration of corporate governance, environmental and social responsibilities could potentially release even greater value. For details of the environment and social performance, please refer to the Environmental, Social and Governance Report.

# REPORT OF THE DIRECTORS

The Trustee-Manager Board and the Company Board have pleasure in presenting the annual report together with the audited consolidated financial statements of the Trust Group for the year ended 31 December 2023.

The Trustee-Manager Board also presents its audited financial statements of the Trustee-Manager for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

### The Trust

The Trust is constituted, upon and subject to the terms and conditions of the Trust Deed entered into between the Trustee-Manager and the Company, as a fixed single investment trust in Hong Kong. The scope of activity of the Trust is limited to investing in the Company.

### The Company

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

The principal activities and other particulars of the Company's principal subsidiaries as at 31 December 2023 are set out in note 36 to the consolidated financial statements of the Trust Group.

### The Trustee-Manager

The Trustee-Manager has a specific and limited role to administer the Trust. The Trustee-Manager is not actively engaged in running the businesses operated by the Trust Group.

## BUSINESS REVIEW

### Business Performance and Future Prospects

A detailed review on the Trust Group's business performance during the reporting period, as well as the future prospects of the Trust Group are set out in the Chairman's Statement and CEO's Review on pages 14 to 24 of this Annual Report, the discussions thereof form part of this Directors' Report.

The Trust Group is committed to the preservation of its reputation and integrity through compliance with applicable laws, rules and regulations ("Laws"). Control procedures are in place to ensure compliance with Laws which have a significant impact on the Group in conduct of its business including Securities and Futures Ordinance, the Listing Rules, the Takeovers Code and those related to personal data privacy, copyrights and intellectual property, anti-money laundering, occupational health and safety, environmental protection, hotel operations and business licenses. The Trust Group will not be obliged to do anything if by doing so it would or might cause the Group to breach any applicable laws. The Trust Group has also adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

### Risks and Uncertainties

The Trustee-Manager Board and the Company Board are aware that the Trust Group is exposed to various risks, including the risks that are specific to the Trust Group or the hospitality industry as well as other risks that are common to most if not all other businesses. The Trustee-Manager Board and the Company Board have established a practice to ensure that significant risks which may adversely affect the Trust Group's performance are identified, reported, monitored, and managed on a continuous basis. The following principal risks and uncertainties are considered to have the potential to adversely affect the Trust Group's performance if they are not managed effectively.

# REPORT OF THE DIRECTORS

## **Revenue Stability**

The Trust Group's primary source of income is rental payments for the lease of the Hotels under the Master Lease Agreements, comprising a Base Rent and a Variable Rent.

In accordance with the provisions in the Master Lease Agreements, the Company appointed an independent professional property valuer, Vigers (the Valuer), to conduct a rental review to determine the market rental package of the Hotels (including the market rent of the Hotels and the applicable percentage of the Variable Rent) for the period from 1 January 2024 to 29 May 2027 (i.e. the expiry date of the Master Lease Agreements) (the "Third Period"). Vigers determined that the market rental package of the Hotels for the Third Period shall be comprised of (i) a Base Rent being fixed at HK\$225.0 million per annum under the Master Lease Agreements; and (ii) a Variable Rent being 50% instead of 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fee on an annual basis. An ordinary resolution in relation to the approval of the remaining transactions under the Master Lease Agreements for the Third Period, and the Base Rent and Variable Rent during the Third Period was passed by independent Holders of Share Stapled Units at the extraordinary general meeting of the Trust and the Company held on 21 July 2023.

There could be no guarantee that the actual revenue derived from the Hotels would be equivalent to the Base Rent and the Variable Rent payable under the Master Lease Agreements. To mitigate the risk, we have adopted the Active Asset Management Strategy with the following major measures:

- Supervise the Master Lessee and the Hotel Manager to enhance the quality and value of the Hotels, and to achieve growth in operating performance.
- Meet with the Hotel General Manager to monitor and control the Hotels' performance.
- Regularly review the Hotels' performance.
- Review the Hotels' future three months outlook and booking pace.

The Master Lease Agreements will expire in May 2027. Non-renewals of the agreements may have a material adverse effect on the Trust Group as it would result in the Trust Group of ceasing to enjoy the guaranteed minimum revenue payable as the Base Rent under the Master Lease Agreements. It may also be difficult to enter into alternative leasing arrangements on similar terms to the Master Lease Agreements if the master leasee is not the hotel manager. The revenue of the Trust Group may experience fluctuations and variations by the time the Master Lease Agreements reach their conclusion.

## **Post-pandemic Recovery**

A substantial portion of the Trust Group's revenue is derived from Variable Rent which is exposed to the underlying performance of the Hotels.

Following the long-awaited removal of COVID-related restrictions, the economy of Hong Kong enjoyed a strong uptick at the start of 2023 and began to normalise. With the removal of COVID-related restrictions, the number of visitor arrivals to Hong Kong increased significantly. According to statistics provided by the Hong Kong Tourism Board, the number of visitors to the city rose from 600,000 to 34,000,000 in 2023. However, the economy is still undergoing the post-effects brought by the global pandemic and far from the glory of the pre-pandemic economic level. The external environment at large remains unfavourable and has yet fully recovered from the prolonged global economic crisis or recession, which disrupts the Trust Group's business operations. The persisting geopolitical tensions, tight financial conditions and economic uncertainties are post-effects of the pandemic for the global.

A slower-than-expected retail and tourism recovery was recorded in 2023, despite various promotions of the Hong Kong Government were launched from time to time. It is anticipated that it would be a challenging road to full recovery for Hong Kong and economic growth and consumer confidence will take time to recover. The Trust Group proactively repositioned its hospitality service operating modes in order to attract and retain guests to stay in the Hotels, stabilise the Hotels' occupancy and average room rate and to cope with any challenges. In all, the Trust Group has strived to maintain stability of its operations in Hong Kong.

# REPORT OF THE DIRECTORS

## ***Hong Kong's Hospitality Industry***

The Hong Kong hospitality industry relies on the number of potential customers travelling to Hong Kong and is closely linked to the development of tourist activity here. The desire of tourists to visit Hong Kong is impacted by various external factors that are outside our control, including adverse global, regional, or local economic conditions, social factors, travel warnings issued by other countries, travel disruptions, viral epidemics and fluctuations in the Hong Kong dollar exchange rate against other currencies. In addition, travel disruptions arising from viral epidemics, natural disasters, adverse weather conditions, terrorist acts, riots or civil disturbances may have an adverse impact on the number of travellers coming to Hong Kong. The Trustee-Manager Board and the Company Board cannot predict these events and the extent to which they will directly or indirectly impact the hospitality industry in Hong Kong.

## ***Cyber Attacks***

Loss of data and leaks of confidential information are the costliest kinds of cybercrime that target hotels. The cost of recovering from cyber-attacks, including reputational damage from losses to the brand value, is considerable. To mitigate the risk of cyber-attacks, hotel IT infrastructure vulnerabilities are regularly scanned and patched. Risky external IP addresses are blocked. All servers and user computers are equipped with antivirus or endpoint protection. Emails are filtered for spam and malware. Password control and user access to the systems and network elements are regularly updated and reviewed. System backup and disaster recovery facilities provide additional layers of protection. All these measures increase the difficulties for hackers. In addition, business units have also acquired appropriate insurance, which also helps in mitigating risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event.

## ***Environment and Climate Change***

The main threats of climate change stemming from the increasing temperature of Earth's atmosphere include rising sea levels, ecosystem collapse, and more frequent extreme weather. Extreme weather events may increase the risks of disruption of the Trust Group's business operations and supply chain, and physical damage to the Hotels which could adversely affect their valuation. The Trust Group has been committed to enacting various sustainable strategies and practices in response to climate change risks. More details on how the Trust Group addresses the environmental and climate-related risks are set out in the "Environmental, Social and Governance Report" on pages 30 to 54 of this Annual Report.

## ***The Trust Group's Financial Instruments***

The Trust Groups' major financial instruments include derivative financial instruments, other receivables, bank balances, trade creditors, other payables, construction fee payables and secured bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with the Groups' financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. Details of the same, and the policies on how to mitigate these risks, are set out in note 28 to the consolidated financial statements contained in this Annual Report. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.



# REPORT OF THE DIRECTORS

## **Hotels' Valuation**

The valuation of the investment properties of the Trust Group is based on a discounted cash flow analysis for the Hotels and an income capitalisation approach for the retail shops. Under a discounted cash flow analysis, the periodic net operating income, along with, where applicable, an estimate of the terminal value anticipated at the end of the relevant projection period, is then discounted to its net present value.

Fair value gains would not generate a flow of funds from which distributions could be paid. In the case of losses arising from changes in fair value of the investment properties of the Trust Group, this could have an adverse impact on its ability to comply with the financial covenants under the loan agreements, particularly the loan-to-value covenant, and may also lead to an adverse market perception of the performance of its business, even though such losses are not realised.

During the year, the Trust Group had successfully extended the loan facilities for a year to 2024 and continued to benefit from the interest rate previously offered by the financial institutions. Looking ahead, the Trust Group may need to contemplate additional refinancing endeavors or further extensions of expiring loan facilities to maintain financial stability.

The Trust Group will closely monitor its debt and cash position. Cash flow forecasts with sensitivity analysis will be prepared to ensure that all sources of liquidity risk are identified to evaluate the impact of different levels of business activity in relation to the existing loan facilities.

## **Hotel Renovations**

The cost of maintaining the Hotels, the need to renovate or redevelop and the risk of unforeseen maintenance or repair requirements tend to increase over time as the Hotels age. If the operation of the Hotels or the restaurant or catering facilities is disrupted as a result of such repairs and/or maintenance, this will adversely affect the results of the Hotel's operations and reduce the level of Variable Rent payable to the Trust Group. In view of the above, the following control activities are identified and implemented by the Trust Group:

- The Trust Group has obtained additional revolving banking facilities to meet any unforeseen renovations.
- The Trust Group will communicate with the Project Manager on cash requirements for hotel renovations on an on-going basis and renovation progress reports will be reviewed regularly.
- The cash position of the Trust Group will be reviewed on a regular basis.

The Trust Group shall continue to improve its hotel services and facilities to ensure that customers continue to enjoy an unforgettable experience.

# REPORT OF THE DIRECTORS

## **Stability of Distributions**

Pursuant to the Hotel Management Agreements and the Trademark Licence Agreements (the "Hotel Agreements"), the fees payable from 1 January 2018 onwards shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager. Moreover, in considering the payment of manager fee to be settled by way of the issue of Share Stapled Units, the public float requirement under the Listing Rules has to be taken into account to avoid any violation of the rules and regulations. If the Hotel Manager elects the payment of the Manager Fees by way of cash, the amount that may be available for distribution to Holders of Share Stapled Units will decrease.

The Active Asset Management Strategy as mentioned above, has been adopted with the aim of enhancing the financial performance of the Trust Group. Further efforts will be made to establish an investor relations strategy to help the Trust to engage into current and prospective investors and analysts.

## **DISTRIBUTION**

### **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). Details of which are set out in notes 11 and 12 to the consolidated financial statements to the Trust Group.

### **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.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and/or liabilities of the Trust Group is set out on page 189 of this Annual Report.

## **MOVEMENTS IN RESERVES**

Details of the movements in the reserves of the Trust Group during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity.

## **FIXED ASSETS**

Details of the movements in the property, plant and equipment of the Trust Group during the year are set out in note 17 to the consolidated financial statements of the Trust Group.

## **INVESTMENT PROPERTIES**

Movements in the investment properties of the Trust Group during the year ended 31 December 2023 are set out in note 18 to the consolidated financial statements. All of the Trust Group's investment properties were revalued by independent professional property valuer as at 31 December 2023 adopting income approach by using discounted cashflow analysis for the Hotels and income capitalization approach for the retail shops to arrive at the valuation of investment properties.

Details of the investment properties of the Trust Group as at 31 December 2023 are set out in the Schedule of Investment Properties on page 188 of this Annual Report.

# REPORT OF THE DIRECTORS

## 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. 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 Fees (collectively the "Hotel Manager's Fees") to the Hotel Manager of HK\$16,686,818 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 HK\$28,091,584 for the first half of 2023	29,538,995
<b>31 December 2023</b>	<b>Total number of Issued Share Stapled Units</b>	<b>3,318,869,006</b>

## 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.

# REPORT OF THE DIRECTORS

## DIRECTORS

In accordance with clause 29.1(a) of the Trust Deed, the Directors of the Trustee-Manager shall be the same individuals who serve as Directors of the Company. The Directors of the Trustee-Manager Board and the Company Board during the year 2023 are set out as follows:

### Non-executive Directors

Dr. LO Ka Shui (*Chairman*)  
Mr. LO Chun Him, Alexander  
Mr. LO Chun Lai, Andrew

### Executive Director

Mr. Brett Stephen BUTCHER (*Chief Executive Officer*)

### Independent Non-executive Directors

Professor CHAN Ka Keung, Ceajer  
Professor LIN Syaru, Shirley  
Mr. WONG Kwai Lam

In accordance with clause 29.2(m) of the Trust Deed and Article 16.21 of the Company's Articles, Mr. Lo Chun Him, Alexander, Professor Chan Ka Keung, Ceajer and Mr. Wong Kwai Lam shall retire from office at the 2024 AGM and, being eligible, offer themselves for re-election.

## DIRECTORS', OFFICERS AND MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors of the Trustee-Manager and the Company, and officers and management of the Company are set out on pages 25 to 29 of this Annual Report.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Trustee-Manager or the Company or any of the subsidiaries of the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensations).

## DIRECTORS' EMOLUMENTS

Details of emoluments of the Directors of the Company are set out in note 14 to the consolidated financial statements of the Trust Group.

Pursuant to the terms of letters of appointment/employment contract, all emoluments of the Directors shall be borne by the Company.

## PERMITTED INDEMNITY

The Trust Deed, the Company's Articles and the articles of association of Trustee-Manager provide that every Director is entitled to be indemnified out of the assets of the Trust or the Company against all losses or liabilities incurred or sustained by him/her as a Director of the Trustee-Manager and the Company.

Pursuant to the Trust Deed, the Trustee-Manager shall, save in the case of fraud, wilful default or negligence, be entitled to have recourse to the Trust Property (as defined in the Trust Deed) and shall incur no personal liability in respect of any losses or liabilities which may arise directly or indirectly from such engaging in any Authorised Business (as defined in the Trust Deed).

During the year ended 31 December 2023, appropriate Directors' and Officers' liabilities insurance coverage had been arranged in respect of legal action that might be taken against the Directors and Officers of the Trustee-Manager and the Company.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE STAPLED UNITS, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors of the Trustee-Manager and the Company in the Share Stapled Units, underlying Share Stapled Units and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code, or which were recorded in the register required under Section 352 of the SFO are as follows:

### Long Positions in Share Stapled Units and Underlying Share Stapled Units

Name of Director	Capacity	Nature of Interests	Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs <sup>(2)</sup>	Total
LO Ka Shui	Beneficial Owner	Personal Interests	31,584,000	0.95 )	
	Interests of Controlled Corporations	Corporate Interests	2,333,768,928 <sup>(1)</sup>	70.32 )	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	90,010,250	2.71 )	73.98
Brett Stephen BUTCHER	Beneficial Owner and Jointly with Spouse	Joint Interests	2,170,545	0.07	0.07
LO Chun Lai, Andrew	Beneficial Owner	Personal Interests	300,000	0.01	0.01

Notes:

- (1) These 2,333,768,928 Share Stapled Units comprise the following:
- (i) 2,330,678,928 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 2,186,734,428 Share Stapled Units (65.89%), Fine Noble Limited as to 87,894,750 Share Stapled Units (2.65%) and Great Eagle Nichemusic Limited as to 8,947,500 Share Stapled Units (0.27%) and The Great Eagle Company, Limited as to 47,102,250 Share Stapled Units (1.42%), all of the said companies are wholly-owned subsidiaries of Great Eagle. Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle. His interests in Great Eagle are disclosed below on page 100; and
  - (ii) 3,090,000 Share Stapled Units (0.09%) were held by two companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies.
- (2) This percentage has been compiled based on 3,318,869,006 Share Stapled Units of the Trust and the Company in issue as at 31 December 2023.

# REPORT OF THE DIRECTORS

## Long Positions in Shares and Underlying Shares of Associated Corporations

### Great Eagle

As at 31 December 2023, Great Eagle owned 70.23% interests in the Trust and the Company and therefore is an associated corporation of the Trust and the Company. The interests of Directors of the Trustee-Manager and the Company in Great Eagle as at 31 December 2023 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital <sup>(6)</sup>	Total
LO Ka Shui	Beneficial Owner	Personal Interests	64,912,835 <sup>(1)</sup>	8.68 )	
	Interests of Controlled Corporations	Corporate Interests	95,948,364 <sup>(2)</sup>	12.83 )	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	254,664,393	34.06 )	
	Founder of a Discretionary Trust	Trust Interests	65,866,676	8.81 )	64.38
Brett Stephen BUTCHER	Beneficial Owner	Personal Interests	827,000 <sup>(3)</sup>	0.11 )	
	Beneficial Owner and Jointly with Spouse	Joint Interests	31,433	0.00 )	0.11
LO Chun Him, Alexander	Beneficial Owner	Personal Interests	1,163,488 <sup>(4)</sup>	0.16	0.16
LO Chun Lai, Andrew	Beneficial Owner	Personal Interests	761,000 <sup>(5)</sup>	0.10	0.10

#### Notes:

- (1) Among these interests, 3,390,000 were share options.
- (2) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.
- (3) Among these interests, 775,000 were share options.
- (4) Among these interests, 1,035,000 were share options.
- (5) Among these interests, 176,000 were share options.
- (6) This percentage has been compiled based on 747,723,345 shares of Great Eagle in issue as at 31 December 2023.

# REPORT OF THE DIRECTORS

## **Champion Real Estate Investment Trust (“Champion REIT”)**

Champion REIT is accounted for as a subsidiary of Great Eagle, the holding company of the Trust and the Company. As at 31 December 2023, Great Eagle owned 69.23% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the holdings of Directors of the Trustee-Manager and the Company in Champion REIT as at 31 December 2023 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Units/ Underlying Units Held	Percentage of Issued Units <sup>(2)</sup>	Total
LO Ka Shui	Beneficial Owner	Personal Interests	3,592,007	0.06 )	
	Interests of Controlled Corporations	Corporate Interests	4,166,747,905 <sup>(1)</sup>	69.29 )	
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Trust Interests	9,011,000	0.15 )	69.50

Notes:

(1) These 4,166,747,905 units comprise the following:

- (i) 4,163,489,295 units (69.23%) were indirectly held by Great Eagle of which Dr. Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director. His interests in Great Eagle are disclosed above on page 100; and
- (ii) 3,258,610 units (0.05%) were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies.

(2) This percentage has been compiled based on 6,013,734,531 units of Champion REIT in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors of the Trustee-Manager and the Company were taken to be interested or deemed to have any other interests or short positions in Share Stapled Units, underlying Share Stapled Units or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code, or which were recorded in the register required under Section 352 of the SFO.

# REPORT OF THE DIRECTORS

## INTERESTS OF SUBSTANTIAL HOLDERS' OF SHARE STAPLED UNITS

As at 31 December 2023, the interests and short positions of persons (other than a Director or the chief executive of the Trustee-Manager and the Company) in the Share Stapled Units or underlying Share Staple Units of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued Share Stapled Units of the Trust and the Company are as follows:

Name	Total Number of SSUs/ Underlying SSUs Held	Percentage of Issued SSUs <sup>(3)</sup>
Great Eagle Holdings Limited	2,330,678,928 <sup>(1)</sup>	70.23
LHIL Assets Holdings Limited	2,186,734,428	65.89
HSBC International Trustee Limited	2,302,586,433 <sup>(2)</sup>	69.38

Notes:

- (1) These 2,330,678,928 Share Stapled Units were indirectly held by Great Eagle through its wholly-owned subsidiaries in the following manner:
  - (i) the same parcel of Share Stapled Units held by LHIL Assets Holdings Limited as disclosed in the above table;
  - (ii) 87,894,750 Share Stapled Units held by Fine Noble Limited;
  - (iii) 8,947,500 Share Stapled Units held by Great Eagle Nichemusic Limited; and
  - (iv) 47,102,250 Share Stapled Units held by The Great Eagle Company, Limited.
- (2) The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as 9 March 2023) received from HSBC International Trustee Limited ("HITL"). HITL in its capacity as a trustee of several discretionary trusts held 42.13% interests in Great Eagle as at 31 December 2023.
- (3) This percentage has been compiled based on 3,318,869,006 Share Stapled Units of the Trust and the Company in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 99) was interested (or deemed to be interested) or held any short position in the Share Stapled Units or underlying Share Stapled Units of the Trust and the Company which would fall to be disclosed to the Trustee-Manager and the Company under the provisions of Divisions 2 and 3 of Part X of the SFO, or which were recorded in the register required under Section 336 of the SFO.



# REPORT OF THE DIRECTORS

## DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

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

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

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

To further maintain a clear delineation of the geographical location of their hotel properties in and outside Asia, a Deed of Right of First Refusal was entered into between Great Eagle and the Company to ensure the Trust Group would have the first right to participate and to acquire completed stand-alone hotels in Asia (excluding Australia and New Zealand) should the Great Eagle Group wish to sell or is given the opportunity to invest in these hotels.

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

In addition, the Trust Group has established various corporate governance measures to address any potential conflict of interest of the common Directors of the Trust Group and the Great Eagle Group. For details, please refer to the Corporate Governance Report.

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

# REPORT OF THE DIRECTORS

## **DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Details of the connected transactions and continuing connected transactions are set out in this report and note 35 to the consolidated financial statements. Save as disclosed above, there was no transaction, arrangement or contracts of significance subsisted during or at the end of the year to which the Trustee-Manager, the Company or any of its subsidiaries, substantial Unitholders, holding company or fellow subsidiaries was a party and in which a Director of the Trustee-Manager and the Company or his/her connected entity is or was materially interested, either directly or indirectly.

## **MANAGEMENT AND/OR ADMINISTRATION CONTRACT**

On 10 May 2013, the Company and Great Eagle entered into an Administrative Support Services Agreement pursuant to which the Great Eagle Group provides certain administrative and non-management services to the Trust Group, including but not limited to legal and corporate secretarial support, finance, accounting and taxation support, human resources support, information technology support, internal audit support and general office administrative support on a cost-sharing basis for an initial term of 3 years and shall be automatically renewed for a further term of 3 years each upon expiration of any such term, subject to compliance with the applicable disclosure and reporting requirements under the Listing Rules. The sharing of the above administrative services is an exempted connected transaction under Rule 14A.98 of the Listing Rules.

Great Eagle is a controlling Holder of Share Stapled Units of the Trust and the Company. Dr. Lo Ka Shui, being the Chairman and Non-executive Director of the Trustee-Manager and the Company, is a substantial Shareholder, the Chairman and Managing Director of Great Eagle. Mr. Brett Stephen Butcher, being the Chief Executive Officer and Executive Director of the Trustee-Manager and the Company, is currently the Executive Advisor of the hotel asset management arm of Great Eagle and was also the former Chief Executive Officer of Langham Hospitality Group ("LHG"), the hospitality arm of Great Eagle. Mr. Lo Chun Him, Alexander, being a Non-executive Director of the Trustee-Manager and the Company, is an Executive Director of Great Eagle. Mr. Lo Chun Lai, Andrew, being a Non-executive Director of the Trustee-Manager and the Company, is the Asset Management & Senior Vice President – Finance at LHG. Details of the interests and shareholdings of Dr. Lo Ka Shui, Mr. Brett Stephen Butcher, Mr. Lo Chun Him, Alexander and Mr. Lo Chun Lai, Andrew in Great Eagle are disclosed in the sections headed "Directors' Interest in Competing Businesses" and "Long Positions in Shares and Underlying Shares of Associated Corporations".

Saved as disclosed above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Trustee-Manager or the Company were entered into or existing during the year.

# REPORT OF THE DIRECTORS

## DISCLOSURE OF CONNECTED TRANSACTION AND/OR CONTINUING CONNECTED TRANSACTIONS PURSUANT TO CHAPTER 14A OF THE LISTING RULES

### Continuing Connected Transactions subject to Waivers granted by the Stock Exchange

As disclosed in the initial public offering prospectus dated 16 May 2013, agreements in relation to the continuing connected transactions as set out in paragraphs 1 to 4 below were entered prior to the listing of the Trust and the Company and waivers by the Stock Exchange from strict compliance with, if applicable, the announcement and approval of independent Holders of Share Stapled Units requirements of the Listing Rules had been granted. Principal details and conditions of the waivers are disclosed in the latter section headed "Waivers".

	Aggregate Transaction Amount for the year ended 31 December 2023 (HK\$'000)
1. Master Lease Agreements <sup>(a)</sup>	
– Base Rent	225,000
– Variable Rent <sup>(b)</sup>	368,469
2. Hotel Management Agreements <sup>(a)(b)(c)</sup>	
– Base fee	24,282
– Incentive fee	23,431
3. Centralised Services and Marketing Agreements <sup>(a)(b)</sup>	
– Reimbursement of Cost <sup>(d)</sup>	10,254
– Global Marketing Fee	17,301
– Reservation fees <sup>(d)</sup>	8,134
4. Trademark Licence Agreements <sup>(a)(b)(c)</sup>	16,188

Notes:

- (a) Obtained waiver from the requirements of making announcement and/or obtaining independent Holders of Share Stapled Units' approval.
- (b) Obtained waiver from the requirement to set a monetary cap.
- (c) Obtained approval from independent Holders of Share Stapled Units to settle the fees payable for the three financial years ended 31 December 2023 in the form of Share Stapled Units subject to the election of the Hotel Manager.
- (d) Reimbursement of Costs and Reservation fees are included in the operating expenses of the Hotels.

# REPORT OF THE DIRECTORS

1. **Master Lease Agreements** – three separate lease agreements each dated 10 May 2013 entered into between each of the Hotel Companies as the Lessors and GE (LHIL) Lessee Limited as the Master Lessee. The Master Lessee, being an indirect wholly-owned subsidiary of Great Eagle, which is a controlling Holder of Share Stapled Units of the Trust and the Company, is a connected person of the Trust and the Company under the Listing Rules.

Pursuant to the Master Lease Agreements, each of the Lessors has agreed to lease the hotel owned by it (excluding the designated outlets at Eaton HK) to the Master Lessee for a term of 14 years from and including 30 May 2013 (date of listing) and shall, subject to the compliance with the relevant requirements of the Listing Rules by the Company, be renewable by mutual agreement of the parties. The Master Lessee assumes such responsibilities are set out under the Hotel Management Agreements and bears all operating expenses in respect of the Hotels (other than payment of the Hotel Management Fees, the Licence Fees, the Global Marketing Fee, etc), and delegates the management and operations obligations to the Hotel Manager of the respective Hotels under the terms of the Hotel Management Agreements.

Under the Master Lease Agreements, the Master Lessee has agreed to pay the Lessors an aggregate fixed Base Rent of HK\$225.0 million per annum (pro rata for any period of less than one year) and a Variable Rent for the whole term.

Based on the rental review conducted by Vigers pursuant to the Master Lease Agreements in 2019, it was determined that no change shall be made to the market rental package of the Hotels for the period from 1 January 2020 to 31 December 2023 (the "Second Period"). The Variable Rent for the Second Period shall be calculated on the basis of 70% of the Hotels' Aggregate Gross Operating Profit before deduction of the Global Marketing Fee payable by each of the Hotel Companies on an annual basis.

In May 2023, a further rental review was conducted by Vigers to determine the market rental package of the Hotels for the Third Period. Vigers determined that the market rental package of the Hotels for the Third Period shall be comprised of (i) a Base Rent being fixed at HK\$225.0 million per annum under the Master Lease Agreements; and (ii) a Variable Rent being 50% of the Hotels' Aggregate Gross Operating Profit before deduction of the Global Marketing Fee on an annual basis, which is less than the 70% threshold as set out in the Master Lease Agreements. An ordinary resolution in relation to the approval of the remaining transactions under the Master Lease Agreements for the Third Period, and the Base Rent and Variable Rent during the Third Period was passed by independent Holders of Share Stapled Units at the extraordinary general meeting of the Trust and the Company held on 21 July 2023.

The Base Rent payable by the Master Lessee to the Lessors per annum under the Master Lease Agreements is HK\$225.0 million. The cap for the Variable Rent under the Master Lease Agreements is determined by reference to the formulae for determining the Variable Rent. As the Stock Exchange granted a waiver (the "Monetary Cap Waiver") from the setting of a monetary cap for the Variable Rent payable under the Master Lease Agreements for the duration of the Master Lease Agreements and the Monetary Cap Waiver is valid notwithstanding that the Variable Rent percentage for the Third Period is updated, no annual cap has been set on the Variable Rent in respect of the Third Period.

# REPORT OF THE DIRECTORS

2. **Hotel Management Agreements** – three separate hotel management agreements each dated 10 May 2013, and entered into by each Hotel Company, the Master Lessee, Langham Hotels International Limited as the Hotel Manager, the Trustee-Manager and the Company. As the Hotel Manager and the Master Lessee are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Trust and the Company under the Listing Rules.

Pursuant to the Hotel Management Agreements, the Master Lessee has agreed to engage the Hotel Manager as the sole and exclusive manager of the Hotels to supervise, direct and control the businesses and day-to-day operations of the Hotels in accordance with the agreed standards of the relevant Hotel and to formulate and manage the annual plan and budget for each Hotel for an initial term of 30 years from and including 30 May 2013 (the date of listing) and may, subject to compliance with the relevant Listing Rules at the relevant time, be renewed for a further term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Hotel Management Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the requirement of the relevant Listing Rules at the relevant time. The service fee payable to the Hotel Manager under the Hotel Management Agreements shall be linked to the operating profit and revenue of the Hotels on the following basis:

- *Base Fee*: a fixed percentage of 1.5% of total revenue of the relevant Hotel.
- *Incentive Fee*: a fixed percentage of 5.0% of the adjusted Gross Operating Profit (being gross operating profit less the base fee (as mentioned above) and Licence Fee payable under the relevant Trademark Licence Agreement).

The cap for the fees payable under the Hotel Management Agreements is determined by reference to the formulae for determining the fees payable pursuant to the Hotel Management Agreements as described above.

3. **Centralised Services and Marketing Agreements** – three separate centralised services and marketing agreements each dated 10 May 2013, and entered into by each Hotel Company, the Master Lessee, Langham Hotels Services Limited as the Service Provider, the Trustee-Manager and the Company. As the Master Lessee and the Service Provider are both indirect wholly-owned subsidiaries of Great Eagle which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Trust and the Company under the Listing Rules.

Pursuant to the Centralised Services and Marketing Agreements, the Service Provider has agreed to provide global marketing and advertising services, centralised reservation services and certain hotel specific services of each Hotel for an initial term of 30 years from, and including 30 May 2013 (date of listing) and may, subject to compliance with the requirements of relevant Listing Rules at the relevant time, be renewed for a term of 10 years by notice at the election of the Service Provider. Thereafter, the Centralised Services and Marketing Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the requirements of relevant Listing Rules at the relevant time. Each of the Centralised Services and Marketing Agreements shall be coterminous with the Hotel Management Agreement for the same Hotel. The fee and other amounts payable to the Service Provider under each Centralised Services and Marketing Agreement shall be determined on the following basis:

- *Reimbursement of Costs*: at cost to be paid by the Master Lessee as an operating expense of the Hotels.

## REPORT OF THE DIRECTORS

- *Global Marketing Fee*: a fixed percentage of 2.0% of the total room revenue of the relevant Hotel to be paid by each Hotel Company.
- *Reservation Fees*: a fixed US\$ amount and percentage of revenue for each materialised reservation, depending on the means by which the reservation is made, to be paid by the Master Lessee as an operating expense of the Hotels.

The annual caps for the Global Marketing Fee payable under the Centralised Services and Marketing Agreements are determined by reference to the formula for determining the Global Marketing Fee payable pursuant to the Centralised Services and Marketing Agreements as described above.

4. **Trademark Licence Agreements** – three separate trademark licence agreements each dated 10 May 2013 and entered into by each Hotel Company, the Hotel Manager as the Licensor, the Master Lessee, the Trustee-Manager and the Company. As the Hotel Manager and the Master Lessee are both indirect wholly-owned subsidiaries of Great Eagle, which is a controlling Holder of Share Stapled Units of the Trust and the Company, they are connected persons of the Trust and the Company under the Listing Rules.

Pursuant to the Trademark Licence Agreements, the Licensor has agreed to grant non-exclusive and non-transferable licences to the relevant Hotel Company, the Trustee-Manager, the Company and the Master Lessee to use the Langham brands for branding and marketing activities relating to the Hotels and/or for describing the ownership of the Hotels for an initial term of 30 years from and including, 30 May 2013 (date of listing) and may, subject to compliance with the requirements of relevant Listing Rules at the relevant time, be renewed for a term of 10 years by notice at the election of the Hotel Manager. Thereafter, the Trademark Licence Agreements may be renewed for successive 10-year terms by mutual agreement of the parties subject to compliance with the requirements of relevant Listing Rules at the relevant time. Each of the Trademark Licence Agreements shall be coterminous with the Hotel Management Agreement for the same Hotel. The Licence Fee payable to the Hotel Manager by each Hotel Company under the Trademark Licence Agreements shall be 1.0% of the total revenue of the relevant Hotel.

The cap for the Licence Fees payable under the Trademark Licence Agreements is determined by reference to the formula for determining the Licence Fees payable pursuant to the Trademark Licence Agreements as described above.

# REPORT OF THE DIRECTORS

## Waivers

### ***Requirements to obtain approval of independent Holders of Share Stapled Units and make announcements***

The transactions described in paragraphs 1 to 4 above constitute non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules and normally are required to be announced, reported on, subject to annual review and approved by independent Unitholders. Rule 14A.52 of the Listing Rules also requires that the period for the agreement in respect of non-exempt continuing connected transactions must be fixed and, except in special circumstances, must not exceed 3 years.

The Trustee-Manager and the Company applied for, and the Stock Exchange granted to the Trustee-Manager and the Company, a waiver from strict compliance with the announcement and, if applicable, the approval of independent Unitholders requirements of the Listing Rules in respect of each of the above non-exempt continuing connected transactions for the entire duration of each of those transactions, other than, in the case of the Hotel Agreements, the payment of fees payable by way of Share Stapled Units, which shall only be subject to a waiver until 31 December 2017 (but the payment of fees in cash shall be subject to a waiver for the duration of the Hotel Agreements).

From 1 January 2018 onwards, the fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination or both, at the election of the Hotel Manager. The Hotel Manager is a wholly-owned subsidiary of Great Eagle and Great Eagle is the controlling Holders of Share Stapled Units of the Trust and the Company. The Hotel Manager is therefore a connected person of the Trust and the Company under the Listing Rules. Pursuant to Rule 13.36(1) of the Listing Rules, in respect of the issue of the Share Stapled Units to the Hotel Manager for payment of the Manager Fees, approval from the independent Holders of Share Stapled Units shall be required.

On 15 December 2020, the Hotel Manager had elected the payment of the fees wholly by way of Share Stapled Units for the year ended 31 December 2021. A specific mandate relating to the issue of Share Stapled Units as payment of the fees for the three financial years ended 31 December 2023 was approved by independent holders of Share Stapled Units at the extraordinary general meeting held on 12 May 2021.

On 15 December 2023, the Hotel Manager has elected the payment of the fees wholly by way of Share Stapled Units for the year ending 31 December 2024, subject to the 1.5% Issuance Cap and the approval of independent holders of Share Stapled Units at the extraordinary general meeting to be held on 8 May 2024.

### ***Requirement to set a monetary cap***

The Trustee-Manager and the Company also applied for, and the Stock Exchange granted to the Trustee-Manager and the Company, a waiver from the setting of a monetary cap for the Variable Rent payable under the Master Lease Agreements and the fees payable under the Hotel Management Agreements, the Centralised Services and Marketing Agreements and the Trademark Licence Agreements for the duration of these agreements more particularly set out in the description of these transactions in paragraphs 1 to 4 above.

### ***Compliance with Rule 13.36(1)(a) of the Listing Rules***

Note (1) to Rule 13.36(2)(b) of the Listing Rules provides further that independent shareholders' approval shall be obtained for an issue of securities to a connected person pursuant to a general mandate given to the directors of an issuer by the existing shareholders.

The Trustee-Manager and the Company applied for, and the Stock Exchange granted to the Trustee-Manager and the Company, a waiver from strict compliance with Rule 13.36(1)(a) of the Listing Rules in respect of the Share Stapled Units that may be issued to the Hotel Manager pursuant to the Hotel Agreements, during the period from the Listing Date until 31 December 2017.

# REPORT OF THE DIRECTORS

Further details and the conditions of the waivers are disclosed in the initial public offering prospectus.

From 1 January 2018 onwards, the fees shall be settled by way of cash, the issue of Share Stapled Units, or a combination of both, at the election of the Hotel Manager, subject to the approval of the independent Holders of Share Stapled Units for the issue of the Share Stapled Units.

As disclosed in the announcement of Langham dated 15 December 2020, the Hotel Manager has elected the payment of the Manager Fees wholly by way of Share Stapled Units for the year ended 31 December 2021 and a specific mandate relating to the issue of Share Stapled Units as payment of the fees for the three financial years ended 31 December 2023 was approved by independent holders of Share Stapled Units at the extraordinary general meeting held on 12 May 2021. With a further announcement made on 15 December 2023, the Hotel Manager has elected the payment of the Manager Fees wholly by way of Share Stapled Units for the year ending 31 December 2024, subject to the 1.5% Issuance Cap and the approval of independent holders of Share Stapled Units at the extraordinary general meeting to be held on 8 May 2024.

Pursuant to Rule 13.36(1) of the Listing Rules, in respect of the issue of the Share Stapled Units to the Hotel Manager for payment of the Manager Fees, approval from the independent Holders of Share Stapled Units shall be required.

## Review of Connected Transactions

The Internal Audit Department has conducted review on the connected transactions, including continuing connected transactions, of the Trust Group for the year ended 31 December 2023. It has confirmed to the Trustee-Manager Board and the Company Board that adequate and effective policies and procedures on checking, identifying, recording, monitoring and reporting connected transactions are in place and have been properly complied with during the year. Connected transactions are subject to the approval of the full Board as provided under the Schedule of Matters Reserved for the Board. Continuing connected transactions are reported monthly and reviewed by the Audit Committee half yearly.

In accordance with Rule 14A.55 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Trustee-Manager and the Company have reviewed the above continuing connected transactions for the period ended 31 December 2023 and confirmed they have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or on terms no less favourable to the Trust Group than terms available to or obtained from the independent third parties; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Holders of Share Stapled Units as a whole.

The external auditor of the Trustee-Manager and the Company was engaged to report on the above continuing connected transactions of the Trust Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Trust Group in accordance with Rule 14A.56 of the Listing Rules.

The Trustee-Manager Board has also confirmed that the charges paid or payable out of the Trust Property (as defined in the Trust Deed) of the Trust to the Trustee-Manager are in accordance with the Trust Deed; and they are not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the Holders of Share Stapled Units as a whole.



# REPORT OF THE DIRECTORS

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2023, certain transactions between the Trust Group, the Trustee-Manager and parties regarded as “related parties” under the applicable accounting standards subsisted. Several of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 35 to the consolidated financial statements of the Trust and the Company.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s Articles or the laws of the Cayman Islands which would oblige the Company to offer new Share Stapled Units on a pro-rata basis to existing Holder of Share Stapled Units.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the combined value of the Trust Group’s contracts with its five largest suppliers, which were not of a capital nature, was about 78.7% of the total value of supplies purchased. Purchase from the largest supplier was 56.4%. Among these five largest suppliers, three of them are wholly-owned subsidiaries of Great Eagle, a substantial Unitholder which indirectly owned 70.23% interest in the Trust and the Company as at 31 December 2023.

Total rental income under the adoption of HKFRS15 of the Trust Group for the year ended 31 December 2023 amounted to HK\$513,965,000, 99.7% of which were derived from the leases of the Hotels to the Master Lessee, GE (LHIL) Lessee Limited, a wholly-owned subsidiary of Great Eagle and no more than 1% of the rental income was received from lease of retail shops at Eaton HK. Breakdown of the revenue is set out in note 6 to the consolidated financial statements of the Trust Group contained in this Annual Report.

The business relationship with Great Eagle and the measures to mitigate the potential conflicts of interest between the Trust Group and Great Eagle are disclosed in the Corporate Governance Report.

Save as disclosed above, other suppliers and customers are independent third parties and none of the Directors, their associates or any Holders of Share Stapled Units (which to the knowledge of the Trustee-Manager Board and the Company Board own more than 5% of the issued Share Stapled Units) has any interest in the Trust Group’s suppliers and customers.

## AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Trustee-Manager and the Company will be proposed at the forthcoming AGM to be held on 8 May 2024.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, 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.

# REPORT OF THE DIRECTORS

## CORPORATE GOVERNANCE

The Trust, the Trustee-Manager and the Company embraced the importance of maintaining and developing a high standard of corporate governance practices to sustain and protect the interests of Holders of Share Stapled Units. Throughout the year ended 31 December 2023, the Trustee-Manager and the Company have complied with all the applicable code provisions, and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code.

Details on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 55 to 91 of this Annual Report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance ("ESG") Report (the "Report") is prepared in accordance with the Stock Exchange's ESG Reporting Guide (the "Guide") under Appendix C2 of the Listing Rules and satisfies the mandatory disclosure requirements and "comply or explain" provisions. The Report follows the four Reporting Principles, namely Materiality, Quantitative, Balance and Consistency as stipulated in the Guide. The Report is set out on pages 30 to 54 of this Annual Report. During the reporting period, the Trust Group made no charitable and other donations.

On behalf of the boards of  
**LHIL Manager Limited**  
**(as trustee-manager of the Trust) and Langham**  
**Hospitality Investments Limited**



**LO Ka Shui**  
*Chairman*

Hong Kong, 19 February 2024

# FINANCIAL INFORMATION



## LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED

- 114** Independent Auditor's Report
- 119** Consolidated Statement of Profit or Loss and  
Other Comprehensive Income
- 120** Consolidated Statement of Financial Position
- 121** Consolidated Statement of Changes in Equity
- 122** Consolidated Statement of Cash Flows
- 124** Notes to the Consolidated Financial Statements

## LHIL MANAGER LIMITED

- 178** Independent Auditor's Report
- 181** Statement of Profit or Loss and  
Other Comprehensive Income
- 181** Statement of Financial Position
- 182** Statement of Changes in Equity
- 183** Notes to the Financial Statements

# INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

# Deloitte.

# 德勤

## **TO THE HOLDERS OF SHARE STAPLED UNITS OF LANGHAM HOSPITALITY INVESTMENTS AND LANGHAM HOSPITALITY INVESTMENTS LIMITED**

*(Langham Hospitality Investments is a trust constituted under the laws of Hong Kong; Langham Hospitality Investments Limited is incorporated in the Cayman Islands with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of Langham Hospitality Investments (the "Trust") and Langham Hospitality Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Trust Group") and of the Company and its subsidiaries (collectively referred to as the "Group") set out on pages 119 to 177 (hereinafter collectively referred to as "the Trust and the Company's consolidated financial statements"). As explained in note 2 to the Trust and the Company's consolidated financial statements, the consolidated financial statements of the Trust Group and the consolidated financial statements of the Group are presented together. The Trust and the Company's consolidated financial statements together comprise the consolidated statement of financial position of the Trust Group and of the Group as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Trust Group and of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information and other explanatory information.

In our opinion, the Trust and the Company's consolidated financial statements give a true and fair view of the consolidated financial position of the Trust Group and the Group as at 31 December 2023, and of the Trust Group's and the Group's consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Trust Group and the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

## Key audit matter

## How our audit addressed the key audit matter

### **Valuation of investment properties**

We identified the valuation of investment properties as a key audit matter due to significance of the balance to the consolidated financial statements as a whole, combined with significant judgments associated with determining the fair value. As at 31 December 2023, the Trust Group and the Group's investment properties, comprising of The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK, amounted to HK\$15,662 million and represented 99% of the Trust Group and the Group's total assets. Increase in fair value of investment properties of approximately HK\$926 million was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

As disclosed in note 18 to the consolidated financial statements, these investment properties are stated at fair value based on a valuation carried out by an independent professional property valuer. In determining the fair value of investment properties, the independent professional property valuer used an income approach by using discounted cash flow analysis for the hotel properties based on an analysis of historical data and assumptions about future market conditions affecting supply, demand, income, expenses and the potential for risk. The valuation is dependent on certain key inputs that involve management and independent professional property valuer's judgment. The key inputs used in valuing the investment properties by the independent property valuer include discount rate as adopted in the valuation report and average daily rates per room. A table showing the Groups' (as defined in note 2) sensitivity to the fair value measurement is also disclosed in note 18.

Our procedures in relation to valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of the independent professional property valuer;
- Obtaining an understanding from the independent professional property valuer about the valuation methodology, the performance of the property markets, significant assumptions adopted, critical judgmental areas on key inputs and data used in the valuation; and
- Evaluating, with the involvement of our internal valuation specialists, the reasonableness of the information provided by management to the independent professional property valuer by comparing with average daily rates per room and discount rate used in the industry.

# INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

## OTHER INFORMATION

The LHIL Manager Limited (the "Trustee-Manager") and the directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE TRUSTEE-MANAGER AND THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Trustee-Manager and the Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Trustee-Manager and Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustee-Manager and the Directors are responsible for assessing the Trust Group and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee-Manager and the Directors either intend to liquidate the Trust Group and the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Group and the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Group and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee-Manager and the Directors.
- Conclude on the appropriateness of the Trustee-Manager and the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Group and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Group and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust Group and the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# INDEPENDENT AUDITOR'S REPORT OF THE TRUST AND OF THE COMPANY

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Kuen.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

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

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	6	513,965	332,106
Property related expenses		(19,298)	(18,353)
<b>Net property income</b>		<b>494,667</b>	313,753
Other income	8	9,993	3,581
Increase in fair value of investment properties	18	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	9	(247,119)	(145,111)
<b>Profit before tax</b>		<b>1,099,842</b>	461,134
Income tax expense	10	(19,523)	(41,573)
<b>Profit and total comprehensive income for the year attributable to holders of Share Stapled Units</b>	13	<b>1,080,319</b>	419,561
<b>Earnings per Share Stapled Unit</b>			
Basic and diluted	16	HK33 cents	HK13 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND THE COMPANY

At 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	924	2,040
Investment properties	18	15,662,000	14,685,000
Deposits	19	5,874	5,277
		<b>15,668,798</b>	14,692,317
<b>Current assets</b>			
Debtors, deposits and prepayments	19	43,718	13,022
Derivative financial instruments	20	–	72,143
Bank balances		122,516	245,149
		<b>166,234</b>	330,314
<b>Current liabilities</b>			
Creditors, deposits and accruals	21	68,205	45,651
Secured bank loans due within one year	22	6,050,305	6,306,416
Lease liabilities due within one year	23	808	1,067
Tax payable		42,100	44,423
		<b>6,161,418</b>	6,397,557
<b>Net current liabilities</b>		<b>(5,995,184)</b>	(6,067,243)
<b>Total assets less current liabilities</b>		<b>9,673,614</b>	8,625,074
<b>Non-current liabilities</b>			
Derivative financial instruments	20	12,277	14,306
Lease liabilities due after one year	23	67	875
Deferred tax liabilities	24	470,612	448,940
		<b>482,956</b>	464,121
<b>NET ASSETS</b>		<b>9,190,658</b>	8,160,953
<b>Capital and reserves</b>			
Issued capital/units	25	3,319	3,273
Reserves		9,187,339	8,157,680
<b>TOTAL EQUITY</b>		<b>9,190,658</b>	8,160,953

The consolidated financial statements on pages 119 to 177 and the statement of financial position and reserves of the Company on pages 161 to 162 were approved and authorised for issue by the Board of Directors on 19 February 2024 and are signed on its behalf by:

**LO Ka Shui**  
DIRECTOR

**Brett Stephen BUTCHER**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

	Share capital/ units HK\$'000	Share premium HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Share- based payment reserve HK\$'000	Property revaluation reserve HK\$'000 (Note c)	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022	3,241	8,369,752	(11,562,543)	1,179	12,598,157	(1,610,000)	7,799,786
Profit and total comprehensive income for the year	-	-	-	-	-	419,561	419,561
Distribution paid	-	(87,907)	-	-	-	-	(87,907)
Issue of Share Stapled Units (note 25)	32	29,481	-	-	-	-	29,513
At 31 December 2022	3,273	8,311,326	(11,562,543)	1,179	12,598,157	(1,190,439)	8,160,953
Profit and total comprehensive income for the year	-	-	-	-	-	1,080,319	1,080,319
Distribution paid	-	(95,391)	-	-	-	-	(95,391)
Issue of Share Stapled Units (note 25)	46	44,731	-	-	-	-	44,777
At 31 December 2023	3,319	8,260,666	(11,562,543)	1,179	12,598,157	(110,120)	9,190,658

Notes:

- (a) Under the Cayman Islands Companies Law, the share premium of the Company is available for distribution.
- (b) Pursuant to a group reorganisation in May 2013, certain businesses were transferred to the Groups (as defined in note 2). Other reserve represents the difference between the considerations of the transfers and the share capital of the businesses as of the date of the transfer.
- (c) Property revaluation reserve represents the revaluation gain arising from transfer from property, plant and equipment to investment properties which amounted to the difference between the fair value of the investment properties and the carrying amount of the property, plant and equipment at the date of transfer.

# CONSOLIDATED STATEMENT OF CASH FLOWS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
<b>Operating activities</b>		
Profit before tax	1,099,842	461,134
Adjustments for:		
Hotel management fees and licence fee payable in form of Share Stapled Units	63,901	33,148
Change in fair value of derivative financial instruments	70,114	(83,085)
Increase in fair value of investment properties	(926,343)	(218,416)
Interest expense	234,973	132,809
Interest income	(9,111)	(2,890)
Depreciation on property, plant and equipment	1,118	1,208
Loan front-end/extension fee amortisation	11,114	11,250
Gain on disposal of property, plant and equipment	–	(84)
Operating cash flows before movements in working capital	545,608	335,074
(Increase) decrease in debtors, deposits and prepayments	(31,412)	7,842
Increase (decrease) in creditors, deposits and accruals	26	(34)
Cash generated from operations	514,222	342,882
Interest paid	(227,380)	(126,272)
Hong Kong Profits Tax paid	(174)	(33)
<b>Net cash from operating activities</b>	<b>286,668</b>	<b>216,577</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
<b>Investing activities</b>		
Additions of investment properties	(55,398)	(63,047)
Additions of property, plant and equipment	(2)	(138)
Interest received	9,827	1,702
<b>Net cash used in investing activities</b>	<b>(45,573)</b>	<b>(61,483)</b>
<b>Financing activities</b>		
Repayment of bank loans	(357,853)	–
Addition of bank loans	100,000	–
Distribution paid	(95,391)	(87,907)
Payment of extension fee	(9,372)	–
Repayment of lease liabilities	(1,067)	(1,162)
Interest paid for leases	(45)	(58)
<b>Net cash used in financing activities</b>	<b>(363,728)</b>	<b>(89,127)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(122,633)</b>	<b>65,967</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>245,149</b>	<b>179,182</b>
<b>Cash and cash equivalents at the end of the year, represented by bank balances</b>	<b>122,516</b>	<b>245,149</b>

# 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 addresses of the registered offices of the Trustee-Manager and of the Company and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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".

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".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 3. 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)**

#### **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 in Note 24 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 3. 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)

#### 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 set out in Note 4 to 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 <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

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

### 4.1 Basis of preparation of consolidated financial statements

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, as explained in the accounting policy information set out below.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 4.2 Material accounting policy information

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Trust and of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### ***Basis of consolidation (Continued)***

The Groups reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Groups obtain control over the subsidiary and ceases when the Groups lose control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Groups gain control until the date when the Groups cease to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Groups are eliminated in full on consolidation.

#### ***Investment properties***

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

#### ***Leases***

##### ***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Groups assess whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### **Leases (Continued)**

##### **The Groups as lessor**

###### *Classification and measurement of leases*

Leases for which the Groups are lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Rental income which are derived from the Groups' ordinary course of business are presented as revenue.

###### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Groups apply HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### **The Groups as lessee**

###### *Right-of-use assets*

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability.

Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Groups present right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### *Leases (Continued)*

##### *The Groups as lessee (Continued)*

###### *Lease liabilities*

At the commencement date of a lease, the Groups recognise and measure the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Groups use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Groups present lease liabilities as a separate line item on the consolidated statement of financial position.

###### *Lease modifications*

The Groups account for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Groups remeasure the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Groups account for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### **Revenue from contracts with customers**

The Groups recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Groups’ performance as the Groups perform;
- the Groups’ performance creates or enhances an asset that the customer controls as the Groups perform; or
- the Groups’ performance does not create an asset with an alternative use to the Groups and the Groups have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

#### **Principal versus agent**

When another party is involved in providing services to a customer, the Groups determine whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Groups are principals) or to arrange for those services to be provided by the other party (i.e. the Groups are agents).

The Groups are principals if the Groups control the specified service before that service is transferred to a customer.

The Groups are agents if the Groups’ performance obligation is to arrange for the provision of the specified service by another party. In this case, the Groups do not control the specified service provided by another party before that service is transferred to the customer. When the Groups act as agents, the Groups recognise revenue in the amount of any fee or commission to which the Groups expect to be entitled in exchange for arranging for the specified services to be provided by the other party.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is presented as other income.

#### **Financial assets**

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Other financial assets are subsequently measured at fair value through profit or loss.

For financial assets at amortised cost, interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 "Financial Instruments" ("HKFRS 9")*

The Groups perform impairment assessment under expected credit loss ("ECL") model on financial assets (including other receivables and bank balances), and other items (receivable from Master Lessee and lease receivable) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Groups' historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Groups always recognise lifetime ECL for receivable from Master Lessee and lease receivable. The ECL on receivable from Master Lessee and lease receivable is assessed individually.

For other receivables and bank balances, the Groups measure the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Groups recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### *Derecognition of financial assets*

The Groups derecognise a financial asset only when the contractual rights to the cash flows from the asset expire. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### ***Financial instruments (Continued)***

#### ***Financial liabilities and equity instruments***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Trust and the Company are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities at amortised cost*

Financial liabilities (including trade creditors, other payables, construction fee payables and secured bank loans) are subsequently measured at amortised cost, using the effective interest method.

#### *Derecognition of financial liabilities*

The Groups derecognise financial liabilities when, and only when, the Groups' obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

#### ***Derivative financial instruments***

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### ***Borrowing costs***

All borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### **Taxation**

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Groups' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Groups expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Groups recognise the right-of-use assets and the related lease liabilities, the Groups first determine whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 4.2 Material accounting policy information (Continued)

#### ***Taxation (Continued)***

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Groups' accounting policies, which are described in note 4, the Trustee-Manager and the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Critical judgments in applying accounting policies**

The following are the critical judgments, apart from those involving estimations, that the Trustee-Manager and the Directors have made in the process of applying the Groups' accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### ***Deferred taxation on investment properties***

For the purposes of measuring deferred taxation liabilities arising from investment properties that are measured using the fair value model, the Trustee-Manager and the Directors have reviewed the Groups' investment property portfolios and concluded that the Groups' investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. One of the business objectives of the Groups is to enhance the value of hotel portfolios, therefore, in determining the Groups' deferred taxation on investment properties, the Trustee-Manager and the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Groups have not recognised any deferred taxation on changes in fair value of investment properties as the Groups are not subject to any income taxes on disposal of its investment properties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### ***Fair values of investment properties***

Investment properties are stated at fair value of HK\$15,662,000,000 (2022: HK\$14,685,000,000) based on the valuation performed by an independent professional property valuer.

In determining the fair value of investment properties situated in Hong Kong, the valuer adopted income approach by using discounted cash flow analysis for the hotel properties which is an analysis of historical data and assumptions about future market conditions affecting supply, demand, income, expenses and the potential of risk.

In relying on the valuation report, the Trustee-Manager and the Directors have exercised their judgments and are satisfied that the methods of valuation, assumptions and key inputs are reflective of the current market conditions. The Groups use valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 18 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

### ***Derivative financial instruments***

In addition, as described in note 28, the fair value of derivative financial instruments that is not quoted in active market is provided by the counterparty financial institutions and determined by using discounted cash flow method. Valuation technique commonly used by market practitioners is applied. Derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

In relying on the valuation provided by the financial institutions, Trustee-Manager and the Directors have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

Note 28 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of derivative financial instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 6. REVENUE

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

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. Details are set out in note 35(a).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 7. 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	228,389	243,840	122,938	595,167	(81,202)	513,965
Segment results	192,906	200,540	101,221	494,667	–	494,667
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						(247,119)
Profit before tax						1,099,842
Income tax expense						(19,523)
Profit for the year attributable to holders of Share Stapled Units						1,080,319

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 7. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

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	125,406	145,180	105,372	375,958	(43,852)	332,106
Segment results	106,684	118,737	88,332	313,753	-	313,753
Other income						3,581
Increase in fair value of investment properties						218,416
Change in fair value of derivative financial instruments						83,085
Administrative and other expenses						(12,590)
Finance costs						(145,111)
Profit before tax						461,134
Income tax expense						(41,573)
Profit for the year attributable to holders of Share Stapled Units						419,561

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.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 8. OTHER INCOME

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

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

## 9. FINANCE COSTS

	2023 HK\$'000	2022 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	1,032	1,052
	<b>247,119</b>	<b>145,111</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 10. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	8,261	183
Overprovision in prior years	(10,410)	(19)
	(2,149)	164
Deferred tax (note 24):		
Current year	28,257	41,424
Overprovision in prior years	(6,585)	(15)
	21,672	41,409
	19,523	41,573

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
Profit before tax	1,099,842	461,134
Tax at Hong Kong Profits Tax rate of 16.5%	181,474	76,087
Tax effect of expenses not deductible for tax purposes	19,769	6,643
Tax effect of income not taxable for tax purposes	(155,174)	(50,666)
Overprovision in prior years	(16,995)	(34)
Others	(9,551)	9,543
Tax charge for the year	19,523	41,573

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 11. 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:

	2023 HK\$'000	2022 HK\$'000
Profit for the year attributable to holders of Share Stapled Units	<b>1,080,319</b>	419,561
Adjustments:		
Depreciation	<b>1,118</b>	1,208
Deferred tax	<b>21,672</b>	41,409
Loan front-end/extension fee amortisation	<b>11,114</b>	11,250
Hotel management fees and licence fee payable in form of Share Stapled Units (notes 31 and 35(c))	<b>63,901</b>	33,148
Increase in fair value of investment properties	<b>(926,343)</b>	(218,416)
Change in fair value of derivative financial instruments	<b>70,114</b>	(83,085)
Reserve for furniture, fixtures and equipment	<b>(24,282)</b>	(14,558)
<b>Total distributable income</b>	<b>297,613</b>	190,517

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 12. DISTRIBUTION STATEMENT

NOTE	2023 HK\$'000	2022 HK\$'000
<b>Interim distribution period (note a)</b>		
Total distributable income in respect of the six months ended 30 June	<b>136,792</b>	124,601
Percentage of distributable income for distribution (note c)	–	–
Distributable income for interim distribution period	–	–
Interim distribution	–	–
<b>Final distribution period (note a)</b>		
Total distributable income in respect of the financial year ended 31 December	<b>297,613</b>	190,517
Less: distributable income paid for interim distribution period (note b)	–	–
Distributable income available for final distribution period	<b>297,613</b>	190,517
Percentage of distributable income for distribution (note c)	–	50%
Distributable income for final distribution period	–	95,259
Final distribution (note d)	–	95,259
<b>Distribution per Share Stapled Unit</b>		
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 12. DISTRIBUTION STATEMENT (CONTINUED)

Notes: (Continued)

(b) Interim distribution

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

(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.

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

	2023 HK\$'000	2022 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2022: seven) directors and the chief executive were as follows:

	2023					2022
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000 (Note b)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000	Total HK\$'000
<b>Executive Director and Chief Executive</b>						
Mr. Brett Stephen BUTCHER	50	1,867	266	18	2,201	2,267
<b>Non-executive Directors</b>						
Dr. LO Ka Shui	315	–	–	–	315	315
Mr. LO Chun Him Alexander	170	–	–	–	170	170
Mr. LO Chun Lai, Andrew	170	–	–	–	170	170
<b>Independent Non-executive Directors</b>						
Professor LIN Syaru, Shirley	325	–	–	–	325	325
Mr. WONG Kwai Lam	365	–	–	–	365	365
Professor CHAN Ka Keung, Ceajer	340	–	–	–	340	340
	<b>1,735</b>	<b>1,867</b>	<b>266</b>	<b>18</b>	<b>3,886</b>	<b>3,952</b>

Notes:

- The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Groups. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- Discretionary bonuses are determined by the remuneration committee of the Company from time to time by reference to the prevailing market conditions, the performance of the Company as well as the individual performance.
- There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 15. FIVE HIGHEST PAID INDIVIDUALS

The two (2022: three) out of five highest paid individuals of the Groups during the year are directors, details of whose emoluments are set out in note 14 above. The emoluments of the remaining three (2022: two) highest paid employees are neither director nor chief executive of the Company. The emoluments of the remaining three (2022: two) individuals are as follow:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	2,121	1,507
Discretionary bonuses	265	186
Retirement benefits scheme contributions	94	43
	<b>2,480</b>	<b>1,736</b>

	2023 Number of employees	2022 Number of employees
Bands:		
Nil – HK\$1,000,000	2	1
HK\$1,000,001 – HK\$1,500,000	1	1

Discretionary bonuses are determined with reference to the Groups' operating results and individual performance.

During both years, no emoluments were paid by the Groups to any of the five individuals with the highest emoluments as an inducement to join or upon joining the Groups or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 16. 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:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leased properties HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
COST			
At 1 January 2022	5,329	73	5,402
Additions	2,651	138	2,789
Disposals	(3,952)	(4)	(3,956)
At 31 December 2022	4,028	207	4,235
Additions	–	2	2
At 31 December 2023	<b>4,028</b>	<b>209</b>	<b>4,237</b>
DEPRECIATION			
At 1 January 2022	3,738	53	3,791
Charge for the year	1,165	43	1,208
Eliminated upon disposals	(2,800)	(4)	(2,804)
At 31 December 2022	2,103	92	2,195
Charge for the year	<b>1,072</b>	<b>46</b>	<b>1,118</b>
At 31 December 2023	<b>3,175</b>	<b>138</b>	<b>3,313</b>
CARRYING VALUES			
At 31 December 2023	<b>853</b>	<b>71</b>	<b>924</b>
At 31 December 2022	1,925	115	2,040

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives on the following basis:

Leased properties	Over the term of the lease
Furniture and fixtures	20% per annum

Note: Right-of-use assets are shown as leased properties under the property, plant and equipment.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 18. INVESTMENT PROPERTIES

	2023 HK\$'000	2022 HK\$'000
FAIR VALUE		
At the beginning of the year	14,685,000	14,407,000
Additions	50,657	59,584
Increase in fair value recognised in profit or loss	926,343	218,416
At the end of the year	15,662,000	14,685,000

The fair value of the Groups' investment properties of HK\$15,662,000,000 as at 31 December 2023 (2022: HK\$14,685,000,000) has been arrived at on a basis of valuation carried out by Vigers Appraisal and Consulting Limited, an independent professional property valuer not connected with the Groups.

The Groups engage an independent professional property valuer to perform the valuation. Management works closely with the independent professional property valuer to establish the appropriate valuation techniques and inputs to the model. Management reports the valuation report and findings to the Trustee-Manager and the Directors half-yearly to explain the cause of fluctuations in the fair value of the assets.

The independent professional property valuer adopted income approach by using discounted cash flow analysis for the Hotels and income capitalisation approach for the retail shops to arrive at the valuation of investment properties at 31 December 2023 and 2022.

The discounted cash flow analysis for the hotel properties is established based on analysis of historical data and combined with assumptions about future market conditions affecting supply, demand, income, expenses and the potential of risk. These assumptions determine the earning capability of the hotel properties upon which the pattern of income and expenditures are projected to establish a fair maintainable operating profit on a pre-tax yearly basis by a reasonably efficient operator over a 10-year investment horizon; and the anticipated net operating income stream receivable thereafter is capitalised at appropriate terminal capitalisation rates and adjusted to present value by appropriate discount rate to reflect the capital values beyond the years.

The income capitalisation approach for the retail shops is established based on the capitalisation of the property net rental income derived from the existing tenancies at appropriate term yield, and due allowance has been made for the reversionary interests.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 18. INVESTMENT PROPERTIES (CONTINUED)

The key inputs used in valuing the investment properties by the independent professional property valuer under the aforesaid income approach were the discount rate used at 9.10% (2022: 8.75%) and average daily rates, which ranged from HK\$1,249 to HK\$2,335 (2022: HK\$842 to HK\$1,596) per room. An increase in the average daily rate used would result in an increase in fair value measurement of the investment properties, and vice versa, holding all other variables constant. The following table details the Groups' sensitivity to a 50 basis points (2022: 50 basis points) increase/decrease in discount rate holding all other variables constant.

	2023		2022	
	50 basis points increase HK\$'000	50 basis points decrease HK\$'000	50 basis points increase HK\$'000	50 basis points decrease HK\$'000
The Langham, Hong Kong	(220,000)	220,000	(200,000)	210,000
Cordis, Hong Kong	(260,000)	270,000	(260,000)	280,000
Eaton HK	(130,000)	140,000	(130,000)	140,000
	(610,000)	630,000	(590,000)	630,000

Details of the Groups' investment properties and information about the fair value hierarchy as at 31 December 2023 and 2022 are as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2023 HK\$'000
The Langham, Hong Kong	–	–	5,460,000	5,460,000
Cordis, Hong Kong	–	–	6,660,000	6,660,000
Eaton HK	–	–	3,542,000	3,542,000
	–	–	15,662,000	15,662,000

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2022 HK\$'000
The Langham, Hong Kong	–	–	4,950,000	4,950,000
Cordis, Hong Kong	–	–	6,320,000	6,320,000
Eaton HK	–	–	3,415,000	3,415,000
	–	–	14,685,000	14,685,000

There were no transfers into or out of Level 3 during the year.

The carrying amounts of investment properties comprise properties situated in Hong Kong.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS

	2023 HK\$'000	2022 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	9,413	7,474
	<b>49,592</b>	18,299
Less: deposits paid to contractors for hotels renovation classified as non-current assets	<b>(5,874)</b>	(5,277)
Debtors, deposits and prepayments classified as current assets	<b>43,718</b>	13,022

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

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:

	2023 HK\$'000	2022 HK\$'000
Within 3 months	39,514	9,281

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2023 and 2022, all of the derivative financial instruments are interest rate swaps. The Groups entered into interest rate swap contracts with bank (2022: banks) to manage the exposure to the interest rate risk on the Groups' floating-rate borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. No hedge accounting is adopted and there is no offsetting during both years.

Major terms of the interest rate swaps are as follows:

Total notional amount	Maturity	Floating interest rate	Fixed interest rate	Interest period
<b>2023</b> HK\$1,500,000,000	October – December 2025	Hong Kong Interbank Offered Rate ("HIBOR")	3.975%–3.995%	Monthly
<b>2022</b> HK\$5,000,000,000	May 2023 – December 2025	HIBOR	0.830%–3.995%	Monthly

## 21. CREDITORS, DEPOSITS AND ACCRUALS

	2023 HK\$'000	2022 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	606	758
	<b>68,205</b>	<b>45,651</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 21. CREDITORS, DEPOSITS AND ACCRUALS (CONTINUED)

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

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

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.

## 22. SECURED BANK LOANS

	2023 HK\$'000	2022 HK\$'000
Secured term loans	5,706,267	5,990,000
Secured revolving loans	352,880	327,000
Loan front-end/extension fee	(8,842)	(10,584)
	<b>6,050,305</b>	6,306,416

The maturity of the above loans based on scheduled repayment terms is as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	6,050,305	6,306,416

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 22. SECURED BANK LOANS (CONTINUED)

During the year ended 31 December 2023, the Groups entered a supplementary agreement with banks for the existing bank facilities to extend the bank facilities for a further term of one year to 2024.

As at 31 December 2023, the Groups have a banking facility amounted to HK\$6,247,600,000 (2022: HK\$6,690,000,000), including term loans facility amounted to HK\$5,706,267,000 (2022: HK\$5,990,000,000) and revolving loans facility amounted to HK\$541,333,000 (2022: HK\$700,000,000).

Secured term loans of HK\$5,706,267,000 (2022: HK\$5,990,000,000) are variable-rate borrowings, bearing interest at HIBOR plus 0.83% (2022: HIBOR plus 0.80%) per annum and are repayable in one lump sum on maturity date which will fall due in December 2024 (2022: December 2023). Secured revolving loans of HK\$352,880,000 (2022: HK\$327,000,000) are variable-rate borrowings, bearing interest at HIBOR plus 0.83% (2022: HIBOR plus 0.80%) per annum and are revolving on a monthly basis, of which the related bank facility will expire in 2024 (2022: 2023). All bank loans are secured by the Groups' investment properties.

## 23. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Within one year	808	1,067
More than one year but not exceeding two years	67	808
More than two years but not exceeding three years	-	67
	<b>875</b>	1,942
Less: Amount due for settlement within one year shown under current liabilities	<b>(808)</b>	(1,067)
Amount due for settlement after one year shown under non-current liabilities	<b>67</b>	875

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 24. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Right-of-use assets HK\$'000	Lease liabilities HK\$'000	Fair value of derivative financial instruments HK\$'000	Total HK\$'000
At 1 January 2022	453,666	(46,135)	–	–	–	407,531
Adjustments (note 3)	–	–	263	(263)	–	–
At 1 January 2022 (restated)	453,666	(46,135)	263	(263)	–	407,531
Charge to profit or loss	28,140	3,741	55	(55)	9,543	41,424
(Over)underprovision in prior year	(273)	258	–	–	–	(15)
At 31 December 2022 (restated)	481,533	(42,136)	318	(318)	9,543	448,940
Charge to profit or loss	<b>18,301</b>	<b>19,503</b>	<b>(177)</b>	<b>173</b>	<b>(9,543)</b>	<b>28,257</b>
(Over)underprovision in prior year	<b>475</b>	<b>(7,060)</b>	–	–	–	<b>(6,585)</b>
At 31 December 2023	<b>500,309</b>	<b>(29,693)</b>	<b>141</b>	<b>(145)</b>	–	<b>470,612</b>

At the end of the reporting period, the Groups have unutilised tax losses of HK\$179,954,000 (2022: HK\$255,369,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$179,954,000 (2022: HK\$255,369,000) of such losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 25. ISSUED CAPITAL/UNITS

	Number of shares/ units	Nominal value HK\$
Authorised:		
<b>Ordinary shares of HK\$0.0005 each</b>		
At 1 January 2022, 31 December 2022 and 2023	5,000,000,000	2,500,000
<b>Preference shares of HK\$0.0005 each</b>		
At 1 January 2022, 31 December 2022 and 2023	5,000,000,000	2,500,000

Units issued/share capital issued and fully paid:

### Share Stapled Units

In accordance with the Trust Deed and the Company's articles of association, the number of ordinary shares and preference shares of the Company must be the same at all times and must be equal to the number of Share Stapled Units. Hence, the movements of the number of Share Stapled Units are the same as that of the ordinary shares and preference shares as shown below.

	Number of shares	Nominal value HK\$
<b>Ordinary shares of HK\$0.0005 each (note a)</b>		
At 1 January 2022	3,240,973,711	1,620,487
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	14,846,574	7,423
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	17,662,794	8,832
At 31 December 2022	3,273,483,079	1,636,742
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	15,846,932	7,923
Issue of ordinary shares as payment of hotel management fees and licence fee (note b)	29,538,995	14,770
At 31 December 2023	3,318,869,006	1,659,435



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 25. ISSUED CAPITAL/UNITS (CONTINUED)

### Share Stapled Units (Continued)

	Number of shares	Nominal value HK\$
<b>Preference shares of HK\$0.0005 each (note c)</b>		
At 1 January 2022	3,240,973,711	1,620,487
Issue of preference shares as payment of hotel management fees and licence fee (note b)	14,846,574	7,423
Issue of preference shares as payment of hotel management fees and licence fee (note b)	17,662,794	8,832
At 31 December 2022	3,273,483,079	1,636,742
Issue of preference shares as payment of hotel management fees and licence fee (note b)	<b>15,846,932</b>	<b>7,923</b>
Issue of preference shares as payment of hotel management fees and licence fee (note b)	<b>29,538,995</b>	<b>14,770</b>
At 31 December 2023	<b>3,318,869,006</b>	<b>1,659,435</b>
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Issued capital/unit as shown in the consolidated financial statements	<b>3,319</b>	3,273

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 25. ISSUED CAPITAL/UNITS (CONTINUED)

### Share Stapled Units (Continued)

Notes:

- (a) All of the issued ordinary shares of the Company are held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust.
- (b) Details of Share Stapled Units issued for both years as payment of hotel management fees and licence fee are as follows (notes 31 and 35(c)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$'000	Number of shares
2 March 2022	1 July 2021 to 31 December 2021	0.879	13,051	14,846,574
26 August 2022	1 January 2022 to 30 June 2022	0.932	16,462	17,662,794
7 March 2023	1 July 2022 to 31 December 2022	1.053	16,686	15,846,932
25 August 2023	1 January 2023 to 30 June 2023	0.951	28,091	29,538,995

- (c) The preference shares issued are components of the Share Stapled Units and have no rights to dividends, distributions or other payment from the Company except in case of the winding up of the Company, or if the Trust is terminated, the preference shares would be redeemed on termination at their par value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>		
Investment in subsidiaries (note)	–	–
Amounts due from subsidiaries	8,173,199	8,158,397
	<b>8,173,199</b>	8,158,397
<b>Current assets</b>		
Prepayments	517	431
Bank balances	4,123	1,811
	<b>4,640</b>	2,242
<b>Current liability</b>		
Accruals and other payable	1,224	1,214
<b>Net current assets</b>	<b>3,416</b>	1,028
<b>Non-current liability</b>		
Amount due to a subsidiary	3,071	3,425
<b>NET ASSETS</b>	<b>8,173,544</b>	8,156,000
<b>Capital and reserves</b>		
Issued capital	3,319	3,273
Reserves	8,170,225	8,152,727
<b>TOTAL EQUITY</b>	<b>8,173,544</b>	8,156,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022	8,369,752	(577,391)	7,792,361
Profit and total comprehensive income for the year	–	418,792	418,792
Distribution paid	(87,907)	–	(87,907)
Issue of ordinary and preference shares (note 25)	29,481	–	29,481
At 31 December 2022	8,311,326	(158,599)	8,152,727
Profit and total comprehensive income for the year	–	<b>68,158</b>	<b>68,158</b>
Distribution paid	<b>(95,391)</b>	–	<b>(95,391)</b>
Issue of ordinary and preference shares (note 25)	<b>44,731</b>	–	<b>44,731</b>
At 31 December 2023	<b>8,260,666</b>	<b>(90,441)</b>	<b>8,170,225</b>

Note: As at 31 December 2023, investment in subsidiaries amounted to HK\$16 (2022: HK\$16).

## 27. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Groups manage their capital to ensure that entities in the Groups will be able to continue as a going concern while maximising the return to holders of Share Stapled Units through the optimisation of the debt and equity balances. The Groups' overall strategy remains unchanged from prior year.

The capital structure of the Groups consists of debt, which includes bank loans disclosed in note 22, net of cash and cash equivalents and equity attributable to holders of Share Stapled Units, comprising issued share capital, reserves and accumulated losses. The capital structure of the Trust and the Company consists of equity attributable to holders of Share Stapled Units, comprising issued share capital/units, reserves and accumulated losses.

The Trustee-Manager and the Directors review the capital structure on a regular basis. As part of this review, the Trustee-Manager and the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Trustee-Manager and Directors, the Groups will balance its overall capital structure through new share issues.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 28. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets</b>		
<i>Derivative financial instruments</i>		
Interest rate swaps	–	72,143
<i>Financial assets at amortised cost</i>		
Other receivables	579	1,316
Bank balances	122,516	245,149
	<b>123,095</b>	246,465
	<b>123,095</b>	318,608
<b>Financial liabilities</b>		
<i>Derivative financial instruments</i>		
Interest rate swaps	12,277	14,306
<i>Financial liabilities at amortised cost</i>		
Trade creditors	37,687	17,446
Other payables	22,235	14,850
Construction fee payables	5,211	9,355
Secured bank loans	6,050,305	6,306,416
	<b>6,115,438</b>	6,348,067
	<b>6,127,715</b>	6,362,373

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies

The Groups' major financial instruments include derivative financial instruments, other receivables, bank balances, trade creditors, other payables, construction fee payables and secured bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with the Groups' financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risk**

##### **Interest rate risk**

The Groups are exposed to fair value interest rate risk in relation to lease liabilities.

The Groups are exposed to cash flow interest rate risk in relation to pay-fixed/receive-floating interest rate swaps, bank balances and variable-rate secured bank loans. Interest rate risk is managed by the management on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Interest rate risk on bank balances is considered immaterial and therefore has been excluded from the sensitivity analysis below. The Groups' cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Groups' pay-fixed/receive-floating interest rate swaps and variable-rate secured bank loans.

##### *Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2022: 50 basis points) increase or decrease in pay-fixed/receive-floating interest rate swaps and secured bank loans is used which represents management's assessment of the effect from possible change in interest rates.

If the interest rates had been 50 basis points (2022: 50 basis points) higher or lower and all other variables were held constant, the Groups' profit for the year would decrease/increase by HK\$21,665,000 (2022: HK\$668,000). This is mainly attributable to the Groups' exposure to interest rates on its floating rate secured bank loans and the changes in fair value of pay-fixed/receive-floating interest rate swaps.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### ***Credit risk and impairment assessment***

The Groups' maximum exposure to credit risk which will cause a financial loss to the Groups due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Groups measure the loss allowance on bank balances equal to 12m ECL. The credit risk on bank balances is limited because counterparties are banks with external credit rating of at least A1 assigned by international credit-rating agencies.

As at 31 December 2023 and 2022, other than concentration of credit risk on receivable from Master Lessee and bank balances, which are deposited with several banks with high credit-ratings, the Groups do not have any other significant concentration of credit risk.

With respect to credit risk arising from the Groups' receivable from Master Lessee and lease receivable, the Groups' exposure to credit risk arising from default of the counterparties are limited as the counterparties have good history of repayment and the Groups do not expect to incur a significant loss arising from receivable from Master Lessee and lease receivable. In addition, the Groups perform impairment assessment under ECL model upon application of HKFRS 9. In this regard, the Trustee-Manager and the Directors consider that the Groups' credit risk is significantly reduced.

The Groups have concentration of credit risk as receivable from Master Lessee was due from a debtor.

The credit risk on derivative financial instruments is limited because the counterparty is a bank with external credit rating of at least A1 assigned by an international credit-rating agency.

Based on the ECL assessment, the credit exposures for all the financial assets, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2023 and 2022, no loss allowance provision for the amounts was recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk

In management of the liquidity risk, the Groups monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Groups' operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

#### Liquidity risk analysis

The following table details the Groups' contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities on the earliest date on which the Groups can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2023 HK\$'000
<b>Non-derivative financial liabilities</b>							
Trade creditors	N/A	37,687	-	-	-	37,687	37,687
Construction fee payables	N/A	4,552	470	189	-	5,211	5,211
Other payables	N/A	22,235	-	-	-	22,235	22,235
Secured bank loans - variable rate	4.96%	423,251	5,901,914	-	-	6,325,165	6,050,305
		487,725	5,902,384	189	-	6,390,298	6,115,438
Lease liabilities	1.87%-3.90%	278	546	67	-	891	875
		488,003	5,902,930	256	-	6,391,189	6,116,313



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

#### Liquidity risk analysis (Continued)

	Weighted average interest rate %	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2022 HK\$'000
<b>Non-derivative financial liabilities</b>							
Trade creditors	N/A	17,446	–	–	–	17,446	17,446
Construction fee payables	N/A	8,564	395	396	–	9,355	9,355
Other payables	N/A	14,850	–	–	–	14,850	14,850
Secured bank loans – variable rate	2.04%	357,131	6,074,700	–	–	6,431,831	6,306,416
		397,991	6,075,095	396	–	6,473,482	6,348,067
Lease liabilities	1.87%–3.90%	278	834	824	67	2,003	1,942
		398,269	6,075,929	1,220	67	6,475,485	6,350,009

In addition, the following table details the Groups' liquidity analysis for its derivative financial instruments based on its contractual maturity. For derivative financial instruments settled on a net basis, undiscounted cash inflows (outflows) are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 to 5 years HK\$'000	Total Undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
<b>2023</b>						
<b>Derivatives net settlement</b>						
Interest rate swaps	1,640	(746)	(14,085)	–	(13,191)	(12,277)
<b>2022</b>						
<b>Derivatives net settlement</b>						
Interest rate swaps	20,873	56,486	(5,134)	(10,368)	61,857	57,837

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair values

The fair values of the financial liabilities representing derivative financial instruments are determined as detailed in note 28(d).

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The Trustee-Manager and the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

### (d) Fair value measurements of financial instruments

One of the Groups' financial assets and financial liabilities is measured at fair value at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 December 2023</b>				
<i>Derivative financial instruments</i>				
<b>Liability</b>				
Interest rate swaps	–	12,277	–	12,277
<hr/>				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 December 2022</b>				
<i>Derivative financial instruments</i>				
<b>Asset</b>				
Interest rate swaps	–	72,143	–	72,143
<hr/>				
<b>Liability</b>				
Interest rate swaps	–	14,306	–	14,306

There were no transfers between Levels 1 and 2 in the current year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Fair value measurements of financial instruments (Continued)

The following table gives information about how the fair value of the financial asset (liability) is determined (in particular, the valuation techniques and inputs used).

Financial assets (liabilities)	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs
	2023	2022		
	HK\$'000	HK\$'000		
Interest rate swaps classified as non-current	(12,277)	(14,306)	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.
Interest rate swap classified as current	–	72,143	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.

### (e) Financial assets and financial liabilities subject to enforceable master netting arrangements

The Groups have entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements (“ISDA Agreements”) signed with a bank (2022: two banks). These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Groups currently have no legally enforceable right to set off the recognised amounts.

As at 31 December 2023, the gross amount of financial assets and financial liabilities that are subject to enforceable master netting arrangements are nil (2022: HK\$72,143,000) and HK\$12,277,000 (2022: HK\$14,306,000). No deposit was placed with the counterparties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 29. PLEDGE OF ASSETS

As at 31 December 2023 and 2022, all investment properties of the Groups 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 Groups.

## 30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Groups' liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Groups' consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$'000	Interest payable HK\$'000	Secured bank loans HK\$'000	Derivative financial instruments HK\$'000	Distribution payable HK\$'000	Total HK\$'000
At 1 January 2022	1,689	6,267	6,295,166	25,248	–	6,328,370
Net cash flows	(1,220)	(126,272)	–	–	(87,907)	(215,399)
Interest expense	58	132,751	–	–	–	132,809
Other changes						
Front-end fee amortisation	–	–	11,250	–	–	11,250
Distribution declared	–	–	–	–	87,907	87,907
New lease entered	2,651	–	–	–	–	2,651
Lease early terminated	(1,236)	–	–	–	–	(1,236)
Fair value adjustments	–	–	–	(10,942)	–	(10,942)
At 31 December 2022	1,942	12,746	6,306,416	14,306	–	6,335,410
Net cash flows	(1,112)	(227,380)	(267,225)	–	(95,391)	(591,108)
Interest expense	45	234,928	–	–	–	234,973
Other changes						
Front-end/extension fee amortisation	–	–	11,114	–	–	11,114
Distribution declared	–	–	–	–	95,391	95,391
Fair value adjustments	–	–	–	(2,029)	–	(2,029)
At 31 December 2023	875	20,294	6,050,305	12,277	–	6,083,751

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 31. MAJOR NON-CASH TRANSACTIONS

The Groups incurred hotel management fees and licence fee payable to Langham Hotels International Limited for the year ended 31 December 2023 of HK\$63,901,000 (2022: HK\$33,148,000) (note 35(c)), of which HK\$28,091,000 (2022: HK\$16,462,000) was settled by Share Stapled Units. The remaining balance of HK\$35,810,000 (2022: HK\$16,686,000) will also be settled by Share Stapled Units subsequent to the end of the reporting period.

During the year ended 31 December 2022, the Groups entered into new lease agreements for the use of leased properties for 2 to 3 years. On the lease commencement, the Groups recognised right-of-use assets and lease liabilities of HK\$2,651,000 and HK\$2,651,000 respectively.

## 32. COMMITMENTS

At 31 December 2023, the Groups had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$15,656,000 (2022: HK\$17,052,000) of which HK\$14,156,000 (2022: HK\$13,610,000) were contracted for.

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

## 33. OPERATING LEASE COMMITMENTS

### The Groups as lessor

Minimum lease payments receivable on leases are as follows:

	2023 HK\$'000	2022 HK\$'000
<b>With Master Lessee</b>		
Within one year	225,000	225,000
In the second year	225,000	–
In the third year	225,000	–
In the fourth year	92,540	–
	<b>767,540</b>	225,000
<b>With other tenants</b>		
Within one year	825	1,363
In the second year	600	224
In the third year	543	–
	<b>1,968</b>	1,587

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 33. OPERATING LEASE COMMITMENTS (CONTINUED)

### The Groups as lessor (Continued)

Leases with Master Lessee (note 35(a)) are negotiated for a term of 14 years from the Listing Date.

From commencement date to 31 December 2019 (the "First Period"), leases are negotiated at fixed annual base rent and variable rent based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fee. From 1 January 2020 to 31 December 2023 (the "Second Period") and 1 January 2024 to expiry date of lease term (the "Third Period"), the leases are negotiated with reference to market rental to be determined by independent professional property valuer. It was determined in 2019 that fixed annual base rent of Second Period remained the same as the First Period and variable rent of Second Period was calculated as the same basis as that of the First Period. In 2023, it was determined that fixed annual base rent of the Third Period remains the same as the Second Period, while the applicable percentage of variable rent is changed to 50%. The above minimum lease payments only include fixed annual base rent of the Third Period as the variable rent of the Third Period cannot be determined as of the date of approval of the consolidated financial statements.

Leases with other tenants in respect of the retail shops in Eaton HK are negotiated for a term of three to five years at fixed monthly rentals and variable rentals which are charged based on the percentage of sales of retail shops. The above minimum lease payments only include fixed monthly rentals up to the third year as the fixed rentals thereafter and the variable rentals cannot be determined as of the date of approval of the consolidated financial statements.

## 34. RETIREMENT BENEFITS SCHEME

The Groups operate a Mandatory Provident Fund Scheme for all qualifying employees. The Groups are required to contribute 5%, while the employees are required to contribute 5% of their salaries to the scheme, subject to minimum and maximum relevant income levels.

Total contributions to retirement fund schemes for the year ended 31 December 2023 charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK\$112,000 (2022: HK\$82,000).

## 35. CONNECTED AND RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in there consolidated financial statements, the Groups had the following significant transactions with related parties during the year. All of the following related parties are subsidiaries of Great Eagle Holdings Limited, the ultimate holding company, and Dr. Lo Ka Shui, Director of the Company, is a substantial shareholder, the chairman and managing director of Great Eagle Holdings Limited. The transactions were carried out in the normal course of the Groups' business on terms mutually agreed between the parties. The following significant transactions are connected transactions other than the interest expense on lease liabilities and gain on disposal of right-of-use asset, the following related parties are connected parties of the Groups as defined in the chapter 14A of the Listing Rules.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 35. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	NOTES	2023 HK\$'000	2022 HK\$'000
Rental income			
Master Lessee	(a)	593,469	373,856
Management fee income			
Langham Hotels International Limited	(b)	600	493
Hotel management fees and licence fee			
Langham Hotels International Limited	(c)	63,901	33,148
Global marketing fee			
Langham Hotels Services Limited	(d)	17,301	10,704
Property management services fee			
Keysen Property Management Services Limited	(e)	2,843	2,251
Addition of right-of-use asset/ addition of lease liabilities			
Moon Yik Company, Limited	(f)	–	1,520
Gain on disposal of right-of-use asset			
Moon Yik Company, Limited	(f)	–	84
Interest expense on lease liabilities			
Moon Yik Company, Limited	(f)	34	47
Management fee and air conditioning charge			
Moon Yik Company, Limited	(f)	106	114
Lease agency fee			
The Great Eagle Estate Agents Limited	(g)	118	67
Administrative support service fee			
The Great Eagle Company, Limited	(h)	960	960
Procurement services fee			
Champion Global Services Limited	(i)	272	–
Project management services fee (overpaid) paid			
The Great Eagle Development and Project Management Limited	(j)	(123)	738
Design and construction contracting services fee			
Keysen Engineering Company, Limited	(k)	852	47
Licence fee			
Sunrise Success Limited	(l)	962	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 35. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes:

- (a) For the purpose of connected and related party disclosures, rental income and related service fees income that charged to Master Lessee in accordance with the master lease agreement has been presented before netting with service fees (including hotel management fees, licence fee and global marketing fee) of HK\$81,202,000 (2022: HK\$43,852,000). Annual base rent of HK\$225 million was charged for the year ended 31 December 2023. Variable rent payable was recorded based on 70% of the Hotels' aggregate gross operating profit before deduction of global marketing fee. No variable rent payable would be recorded when there is Hotels' aggregate gross operating loss before deduction of global marketing fee.

A reconciliation between the Hotels' aggregate gross operating profit and the Groups' segment profit and calculation of variable rent are shown as follows:

	2023 HK\$'000	2022 HK\$'000
Hotels' aggregate gross operating profit before deduction of global marketing fee	526,384	212,652
70% thereon, variable rent (before netting with services fees)	368,469	148,856
Base rent	225,000	225,000
Add:		
Rental income from retail shops in Eaton HK	1,698	2,102
Groups' segment revenue	595,167	375,958
Less:		
Service fees		
– Hotel management fees (i.e. base fee and incentive fee)	(47,713)	(23,442)
– Licence fee	(16,188)	(9,706)
– Global marketing fee	(17,301)	(10,704)
Property taxes, rates and insurance	(18,509)	(17,585)
Other deductions	(789)	(768)
Groups' segment profit	494,667	313,753

- (b) The management fee income was charge to Langham Hotels International Limited for its share of administration expenses.
- (c) Langham Hotels International Limited is entitled, in accordance with hotel management agreements, to (i) a base fee of 1.5% of the total revenue of the relevant hotels; (ii) licence fee of 1% of the total revenue of the relevant hotels (payable under the trademark licence agreements); and (iii) an incentive fee of 5% of the adjusted gross operating profit (i.e. Hotels' gross operating profit less the base fee and the licence fee) of the relevant hotels. The hotel management fees and license fee, which are part of service fees and have been netted with revenue, are reported as connected and related party transactions for the disclosure purpose. The hotel management fees and licence fee would be settled by Share Stapled Units (notes 25 and 31).

	2023 HK\$'000	2022 HK\$'000
(A) Total revenue of relevant hotels	1,618,814	970,573
(B) Adjusted relevant hotels' gross operating profit	468,614	177,684
(i) Base fee (A x 1.5%)	24,282	14,558
(ii) Licence fee (A x 1%)	16,188	9,706
(iii) Incentive fee (B x 5%)	23,431	8,884
Total fees	63,901	33,148



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 35. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

Notes: (Continued)

- (d) Global marketing fee was payable on a fixed percentage of 2% of the total room revenue of the relevant hotels (i.e. HK\$865,048,000 (2022: HK\$535,186,000)) under centralised services fees and marketing agreements. Global marketing fee, which is part of service fees and has been netted with revenue, is reported as a connected and related party transaction for the disclosure purpose.
- (e) The property management services fee payable is determined based on the annual budget prepared by Keysen Property Management Services Limited, taking into account the actual cost incurred, plus remuneration to Keysen Property Management Services Limited, and the management shares allocated to Cordis, Hong Kong in respect of the lot of land on which it is situated.
- (f) Rental payments were made to Moon Yik Company, Limited for leasing office premises. Addition of the new right-of-use asset and lease liabilities of HK\$1,520,000 and HK\$1,520,000, respectively, were recognised for the year ended 31 December 2022 regarding the lease agreement for leasing an office premise at Suite 2702, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong commenced on 15 February 2022. On 14 February 2022, the Groups early terminated the lease agreement for leasing an office premise at Suite 3001, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. It resulted in a gain on disposal of right-of-use asset recognised in profit or loss for the year ended 31 December 2022. Interest expenses on lease liabilities were recognised for years ended 31 December 2023 and 2022. As at 31 December 2023, lease liabilities to Moon Yik Company, Limited was approximately HK\$589,000 (2022: HK\$1,091,000). The management fee and air conditioning charge were payable to Moon Yik Company, Limited for the expenses related to office premises.
- (g) Lease agency fee was charged at the rate of 4% of the monthly rental income receivable from Eaton HK's retail shops plus an amount equivalent to a month's rental income arising from the leasing of the relevant retail shops for new leases and/or an amount equivalent to half month's rental income arising from the leasing of the relevant rental shops for renew leases (if any).
- (h) Administrative support service fee was charged on cost sharing basis and allocated to the Groups according to time spent by relevant personnel of The Great Eagle Company, Limited on the businesses of the Groups and the related share of administrative costs.
- (i) Procurement services fee at a rate of 5% of (a) the respective budgeted sums of furniture, fixtures and equipment categories for hotel renovation and operating supplies and equipment categories for hotel renovation and (b) the actual amount of the purchase orders for furniture, fixtures and equipment and operating supplies and equipment categories for hotel maintenance and miscellaneous categories.
- (j) Project management services fee at a rate of 3% of the actual amount of the construction cost for renovation of the Hotels as certified by project quantity surveyor or other consultants. The amount for the year ended 31 December 2023 was the refund of the overpaid project management services fee of renovation projects of the Hotels in previous year.
- (k) The contract sum for the work of design and construction contracting services shall be negotiated on an arm's length basis and determined between Keysen Engineering Company, Limited and/or its associated companies and the Groups subject to tender or price comparison process to be arranged by the Groups in accordance with its internal control policy.
- (l) Licence fee was paid to Sunrise Success Limited for the non-exclusive right of using the licenced area on the 7th Floor of Wah Shun Industrial Building as warehouse.

The remuneration of Directors and Chief Executive Officer during the year was as follows:

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	3,868	3,934
Post-employment benefits	18	18
	<b>3,886</b>	<b>3,952</b>

The remuneration of Directors and Chief Executive Officer is determined by the remuneration committee having regard to the performance of individuals and market trends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 36. PARTICULARS OF THE SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2023 and 2022 are set out below:

Direct subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2023	2022
– incorporated in the British Virgin Islands:				
LHIL Properties Limited	1 share of US\$1	Investment holding	100%	100%
LHIL Treasury Holdings Limited	1 share of US\$1	Investment holding	100%	100%

Direct subsidiary	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of shares	Issued and paid up share capital HK\$		2023	2022
– incorporated and operating in Hong Kong:					
LHIL Company Limited	1	1	Provision for administrative services	100%	100%

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2023	2022
– incorporated in the British Virgin Islands:				
Braveforce Investments Limited	1 share of US\$1	Investment holding	100%	100%
LHIL Finance Holdings Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (EHK) Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (LHK) Limited	1 share of US\$1	Investment holding	100%	100%
LHIL (Cordis) Limited	1 share of US\$1	Investment holding	100%	100%
Rowan Enterprises Limited	1 share of US\$1	Investment holding	100%	100%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRUST AND THE COMPANY

For the year ended 31 December 2023

## 36. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Indirect subsidiaries	Number of shares	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
		Issued and paid up share capital	US\$		2023	2022
– incorporated in Liberia:						
Baxter Investment Limited	500	500		Investment holding	100%	100%
Glendive Investment Limited	500	500		Investment holding	100%	100%

Indirect subsidiaries	Number of shares	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
		Issued and paid up share capital	HK\$		2023	2022
– incorporated and operating in Hong Kong:						
Grow On Development Limited	5,000	5,000		Property investment	100%	100%
Harvest Star International Limited	2	2		Property investment	100%	100%
Cordis Hong Kong Limited	2	2		Property investment	100%	100%
LHIL Finance Limited	1	1		Financing	100%	100%
LHIL Treasury (HK) Limited	1	1		Financing	100%	100%
LHIL Treasury Company Limited	1	1		Treasury management	100%	100%

None of the subsidiaries had any debt securities subsisting at 31 December 2023 and 2022 or at any time during the year.

# INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

# Deloitte.

# 德勤

## TO THE MEMBER OF LHIL MANAGER LIMITED

*(incorporated in Hong Kong with limited liability)*

## OPINION

We have audited the financial statements of LHIL Manager Limited (the "Company") set out on pages 181 to 187, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

# INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

19 February 2024

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL MANAGER LIMITED

For the year ended 31 December 2023

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

# STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 31 December 2023

	NOTE	2023 HK\$	2022 HK\$
<b>Current asset</b>			
Cash on hand		1	1
<b>NET ASSET</b>		1	1
<b>Capital</b>			
Share capital	6	1	1
<b>TOTAL EQUITY</b>		1	1

The financial statements on pages 181 to 187 were approved and authorised for issue by the Board of Directors on 19 February 2024 and are signed on its behalf by:

**LO Ka Shui**  
DIRECTOR

**Brett Stephen BUTCHER**  
DIRECTOR

# STATEMENT OF CHANGES IN EQUITY OF LHIL MANAGER LIMITED

For the year ended 31 December 2023

	Share capital HK\$
At 1 January 2022, 31 December 2022 and 31 December 2023	1



# 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 address of the registered office and the principal place of business of the Company is 33/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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

The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the register holders of units of the Trust (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 2022 (collectively, the “Trust Deed”) but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

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

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

The Company had no cash transaction during the year as all of its transactions were settled through inter-company current account, thus the statement of cash flows is not presented.

## 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

# NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2023

## 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 new and 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 <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> 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 as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The material accounting policy information is set out below.

# NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### **Financial instruments**

#### ***Financial asset***

Financial asset is recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial asset is initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial asset are added to the fair value of the financial asset, as appropriate, on initial recognition.

#### ***Classification and subsequent measurement of financial asset***

Financial asset that meet the following conditions is subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### ***Equity instrument***

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instrument issued by the Company is recognised at the proceeds received, net of direct issue costs.

# NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2023

## 4. PROFIT OR LOSS BEFORE TAX

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

## 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.

## 6. SHARE CAPITAL

	Number of ordinary share	Nominal value HK\$
Issued and fully paid:		
Ordinary share with no par value		
At 1 January 2022, 31 December 2022 and 2023	1	1

## 7. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of equity attributable to shareholder, comprising issued share capital.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider that the cost of capital and the associated risks. Based on recommendations of the Directors, the Company will balance its overall capital structure through new share issues.

# NOTES TO THE FINANCIAL STATEMENTS OF LHIL MANAGER LIMITED

For the year ended 31 December 2023

## 8. FINANCIAL INSTRUMENT

### (a) Category of financial instrument

	2023 HK\$	2022 HK\$
<b>Financial asset</b>		
<i>Financial asset at amortised cost</i>		
Cash on hand	1	1

### (b) Financial risk management objective and policy

The Company's financial instrument represents cash on hand. The risk associated with the Company's financial instrument is limited.

## 9. RELATED PARTY DISCLOSURES

Transaction with a fellow subsidiary is disclosed in the statement of profit or loss and other comprehensive income.

All of the Company's key management personnel are Directors. No directors' emoluments were paid or payable by the Company since the Directors of the Company are not entitled to any remuneration under the terms as set out in their letters of appointment of Directors.

## SCHEDULE OF INVESTMENT PROPERTIES

The Trust Group has 100% interest in the investment properties listed below, which are held under medium term leases.

Name and Location	Use	Gross Floor Area (sq.ft.)
The Langham, Hong Kong 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hotel/Commercial	375,000
Cordis, Hong Kong 555 Shanghai Street, Mong Kok, Kowloon, Hong Kong	Hotel	580,000
Eaton HK 380 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	Hotel/Commercial	339,000

## FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
<b>RESULTS</b>					
Revenue	483,883	208,256	224,352	332,106	<b>513,965</b>
(Loss)/Profit before tax	(2,586,238)	(2,826,678)	(337,218)	461,134	<b>1,099,842</b>
Income tax expense	(48,473)	(6,129)	(9,344)	(41,573)	<b>(19,523)</b>
(Loss)/Profit for the year attributable to Holders of shares of the Company/ Share Stapled Units	(2,634,711)	(2,832,807)	(346,562)	419,561	<b>1,080,319</b>
<b>ASSETS AND LIABILITIES</b>					
Total assets	17,612,046	15,079,578	14,612,576	15,022,631	<b>15,835,032</b>
Total liabilities	(7,622,259)	(6,949,981)	(6,812,790)	(6,861,678)	<b>(6,644,374)</b>
Net assets	9,989,787	8,129,597	7,799,786	8,160,953	<b>9,190,658</b>

## GLOSSARY OF TERMS

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meanings:

Terms	Definition
“AGM”	The annual general meeting of the Trust and the Company to be held on a combined basis as a meeting
“Board(s)” or “Board(s) of Directors”	Board of directors of the Trustee-Manager and/or Board of directors of the Company
“Code of Conduct for Securities Transactions”	Code of Conduct regarding Securities Transactions by Directors and Relevant Employees adopted by the Trustee-Manager and the Company
“Company”	Langham Hospitality Investments Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2013
“Company’s Articles of Association”	The second amended and restated articles of association of the Company adopted on 12 May 2022 as amended, supplemented, substituted or otherwise modified for the time being in force
“Company Board”	The Board of the Company
“Corporate Governance Code”	Appendix C1 “Corporate Governance Code” of the Listing Rules
“Distribution Entitlement Waiver Deed”	The deed dated 10 May 2013 entered into among LHIL Assets Holdings Limited, Great Eagle and the Trustee-Manager in relation to the waiver by LHIL Assets Holdings Limited of its entitlement to receive distributions payable by the Trustee-Manager
“Distribution Waiver”	The waiver by LHIL Assets Holdings Limited of its entitlement to receive any distributions payable by the Trustee-Manager (on behalf of the Trust) in respect of a portion of the Share Stapled Units held by it as at the Listing Date for the period from the Listing Date to 31 December 2013 and each of the years ended 31 December 2014, 2015, 2016 and 2017, each such portion of the distributions waived being available for distribution to the Holders of Share Stapled Units in respect of which the distributions have not been waived, as further described in the initial public offering prospectus of the Trust and the Company dated 16 May 2013 “Distributions – Distribution Waiver”
“Great Eagle”	Great Eagle Holdings Limited (Stock Code: 41), the holding company of the Trust and the Company, holding 70.23% of the issued Share Stapled Units as at 31 December 2023



## GLOSSARY OF TERMS

Terms	Definition
"Great Eagle Group"	Great Eagle and its subsidiaries
"Great Eagle ROFR Deed"	The Deed of Right of First Refusal dated 10 May 2013 entered into between Great Eagle and the Company
"Group"	The Company and its subsidiaries
"HKAS"	Hong Kong Accounting Standard
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKTB"	Hong Kong Tourism Board
"Holder(s) of Share Stapled Units" or "Unitholder(s)"	Holder(s) of Share Stapled Units of the Trust and the Company
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hotel Companies"	The companies which own the Hotels, being Harvest Star International Limited, Cordis Hong Kong Limited and Grow On Development Limited; and "Hotel Company" shall mean any of them
"Hotel Manager"	Langham Hotels International Limited, a company incorporated in Hong Kong with limited liability on 30 August 1984 and an indirect wholly-owned subsidiary of Great Eagle
"Hotel(s)"	The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK
"Listing Date"	30 May 2013, being the date of listing of the Share Stapled Units on the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Master Lessee"	GE (LHIL) Lessee Limited, a company incorporated in Hong Kong with limited liability on 5 February 2013 and an indirect wholly-owned subsidiary of Great Eagle
"Model Code"	Appendix C3 "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules

## GLOSSARY OF TERMS

Terms	Definition
"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
"RevPAR"	Revenue per available room
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Stapled Unit(s)" or "SSU(s)"	<p>Share stapled unit(s) jointly issued by the Trust and the Company. A share stapled unit is the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"><li>(a) a unit in the Trust;</li><li>(b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit in the Trust and held by the Trustee-Manager; and</li><li>(c) a specifically identified preference share of the Company stapled to the unit in the Trust</li></ul>
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust"	Langham Hospitality Investments, as constituted pursuant to the Trust Deed
"Trust Deed"	The deed of trust dated 8 May 2013 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by a first supplemental deed dated 22 April 2016 and a second supplemental deed dated 12 May 2022
"Trust Group"	The Trust and the Group
"Trustee-Manager"	LHIL Manager Limited, a company incorporated in Hong Kong with limited liability on 25 January 2013 and an indirect wholly-owned subsidiary of Great Eagle, in its capacity as trustee-manager of the Trust
"Trustee-Manager Board"	The Board of the Trustee-Manager
"Valuer" or "Vigers"	Vigers Appraisal and Consulting Limited, an independent property valuer appointed by the Company pursuant to the Master Lease Agreements

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This annual report is available in both English and Chinese versions and has been published on our corporate website at [www.langhamhospitality.com](http://www.langhamhospitality.com) and the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk).

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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)

&

LANGHAM  
HOSPITALITY  
INVESTMENTS  
LIMITED

(Incorporated in the Cayman Islands with limited liability)



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