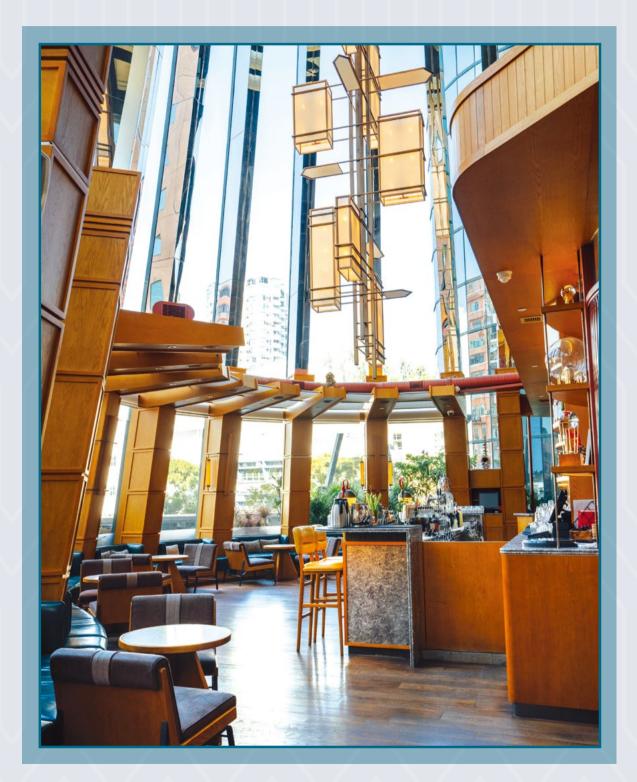
LANGHAM HOSPITALITY INVESTMENTS

Stock code: 1270



ANNUAL REPORT 2022

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:

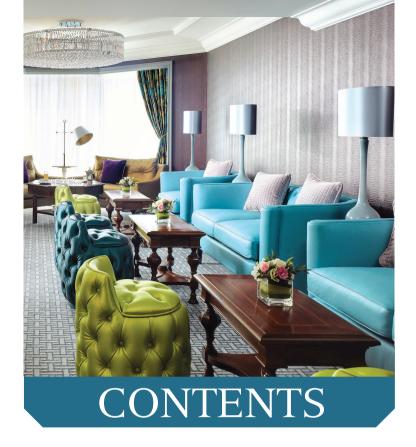
The Langham, Hong Kong Cordis, Hong Kong Eaton HK

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.





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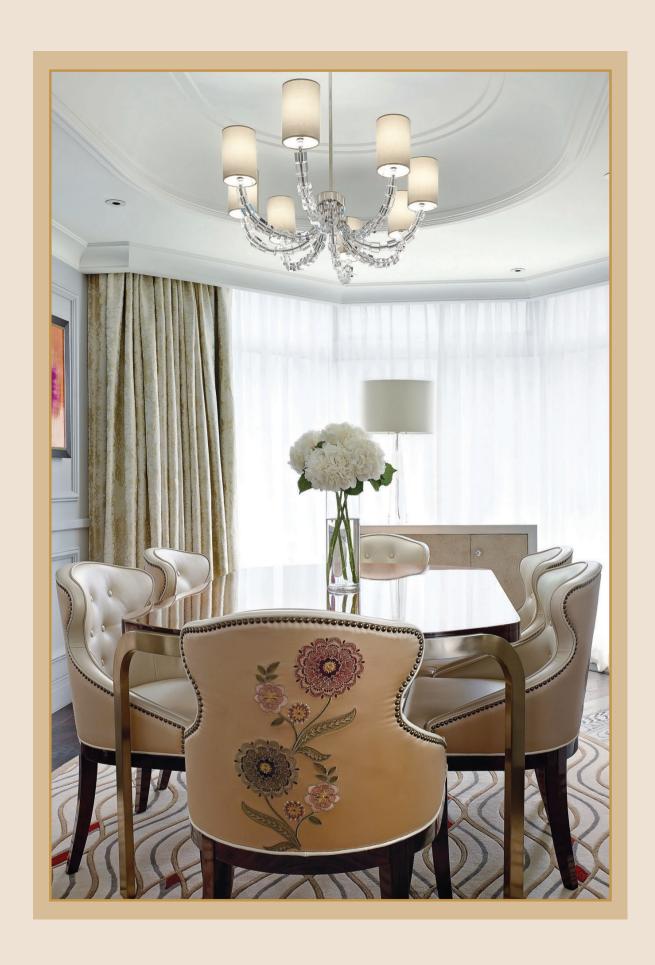
Glossary of Terms

THE LANGHAM

HONG KONG

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.



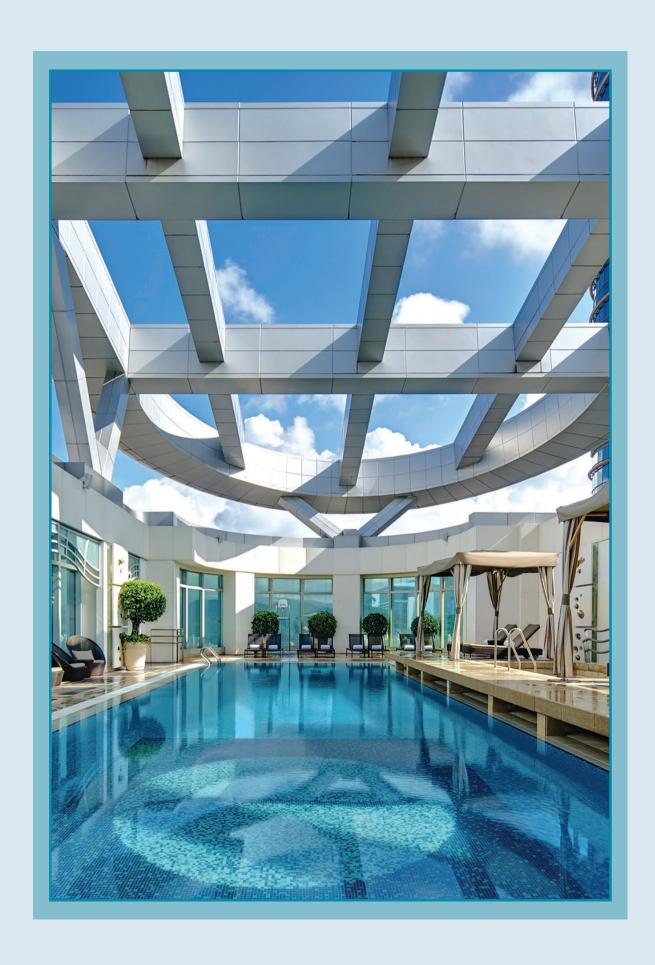


CORDIS

ravidas a cantamparany luvuny hatal avnariar

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.







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.





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

comprise hotels committed to delivering exceptional experiences across the globe. The

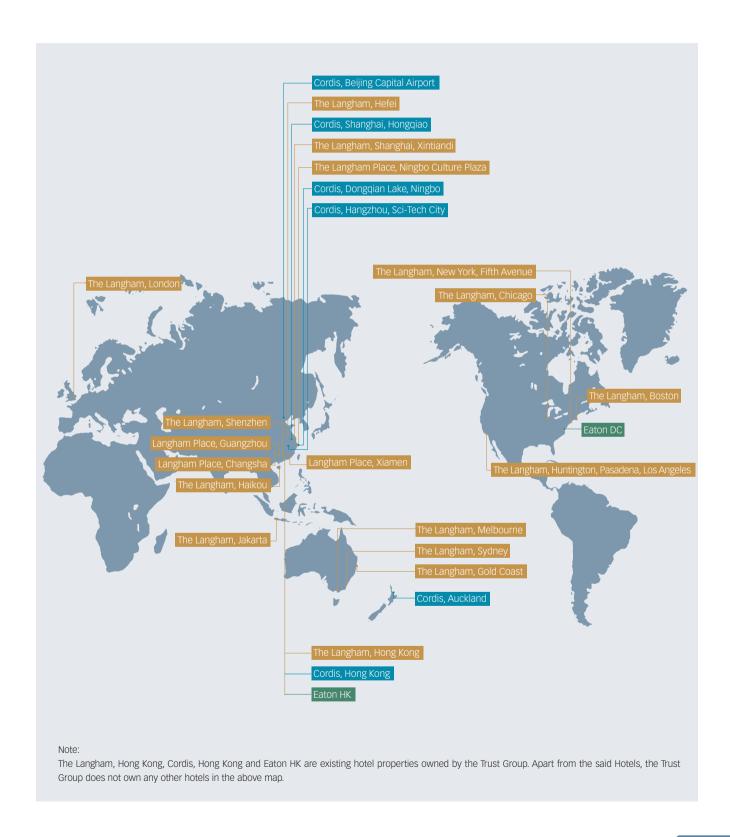
CORDIS

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



CORPORATE INFORMATION AND FINANCIAL CALENDAR

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.
Hang Seng Bank Limited
Mizhuo Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited

CORPORATE INFORMATION AND FINANCIAL CALENDAR

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

INVESTORS ENQUIRIES

For enquiries from investors or Holders of Share Stapled Units, please email to enquiry@langhamhospitality.com

HKEX STOCK CODE

1270

FINANCIAL CALENDAR

Event	Date
2022 Interim Results Announcement	12 August 2022
2022 Annual Results Announcement	20 February 2023
Closure of Registers for ascertaining the entitlement to attend and vote at the 2023 Annual General Meeting	8 May 2023 – 11 May 2023 (both days inclusive)
2023 Annual General Meeting	11 May 2023
Ex-distribution Date	16 May 2023
Closure of Registers for ascertaining the entitlement to the proposed 2022 Final Distribution	18 May 2023 – 23 May 2023 (both days inclusive)
Record Date for 2022 Final Distribution	23 May 2023
Payment of 2022 Final Distribution of HK2.9 cents per Share Stapled Unit	6 June 2023

DISTRIBUTION NOTICE

FINAL DISTRIBUTION

The Trustee-Manager Board has recommended the payment of a final distribution of HK2.9 cents per Share Stapled Unit (2021: HK2.7 cents) for the year ended 31 December 2022 to Holders of Share Stapled Units whose names appear on the Share Stapled Units Register on 23 May 2023. Subject to the approval of the Holders of Share Stapled Units at the 2023 AGM, the payment of the final distribution will be made on 6 June 2023. Since no interim dividend was made for the six month ended 30 June 2022 (2021: Nil), distribution per Share Stapled Unit for the year was HK2.9 cents. Based on the closing Share Stapled Unit price of HK\$1.11 as at 31 December 2022, total Distribution per Share Stapled Unit is equivalent to a distribution yield of 2.6%.

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

CLOSURE OF REGISTERS

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

To attend and vote at the 2023 AGM (i)

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

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

(ii) To qualify for the proposed 2022 final distribution

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

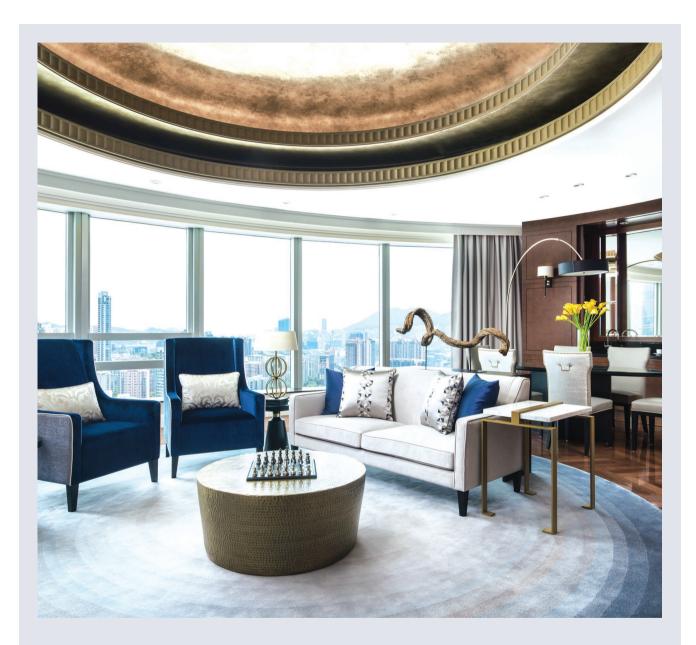
In order to qualify for the proposed 2022 final distribution, all properly completed transfer forms accompanied by the relevant Share Stapled Units certificates must be lodged with the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell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

FINANCIAL HIGHLIGHTS

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

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

CHAIRMAN'S STATEMENT



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

CHAIRMAN'S STATEMENT

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

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

Fixed rental income from GE (LHIL) Lessee Limited (the "Master Lessee") amounted to HK\$225.0 million in 2022 and variable rental income totaling HK\$148.9 million, representing our share of the Hotels' aggregate gross operating profit before deduction of global marketing fee. Overall, the gross rental

income, after accounting for service fees expenses incurred, increased 48.1% to HK\$332.1 million in 2022. After deducting property-related expenses, the Trust Group's net property income increased 54.1% year-on-year to HK\$313.7 million.

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



CHAIRMAN'S STATEMENT

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

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

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

OUTLOOK

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

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

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

On behalf of the Board, I would like to take this opportunity to thank the management and all staff of the Trustee-Manager and the Trust Group for having worked diligently under a highly challenging environment, particularly in quarantine facilities, to deliver the Trust Group's overall improved operating results.

LO Ka Shui

Chairman

OPERATIONAL REVIEW

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

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

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

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

In 2022, reflecting the improvement in the Hotels' operating performances compared with 2021, hotel management fees rose 80.0% to HK\$23.4 million, the licence fee rose 29.3% to HK\$9.7 million and the global marketing fee rose 176.9% to HK\$10.8 million. Total service fees payable to the hotel management company increased 79.9% year-on-year to HK\$43.9 million in 2022.

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

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

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

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

last year at HK\$11.3 million. Overall finance costs increased 25.6% to HK\$145.1 million.

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

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

Net profit after tax for 2022 was HK\$419.6 million. Two key factors that significantly lifted the profit after tax for the year ended 31 December 2022 were the increase in fair value of investment properties (hotel portfolio) of HK\$218.4 million and the increase in fair value of derivative financial instruments (interest rate swap contracts) of HK\$83.1 million. The mild

increment in the valuation of the hotel portfolio reflected the moderate revival of the hotels' business during the year. Excluding the fair value changes of investment properties and derivative financial instruments, a net profit of HK\$118.1 million in 2022 was recorded, representing a year-on-year increase of HK\$51.3 million or 76.8%.

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

To derive the Trust Group's distributable income, profit (loss) attributable to Holders of Share Stapled Units was adjusted for the non-cash items. Items adjusted included any (increase) decrease in fair value of investment properties, change in fair value of the

derivative financial instruments, hotel management fees and licence fee being paid in Share Stapled Units, loan front-end fee amortisation, deferred tax, depreciation and cash contributions to furniture, fixtures and equipment reserve.

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

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

The Trustee-Manager Board recommended to distribute HK\$95.3 million, representing 50% of the total distributable income for the year ended 31 December 2022.

Based on 50% payout ratio, the final distribution of HK2.9 cents per Share Stapled Unit was recommended to distribute to the Holders of Share Stapled Units. In comparison, final distributable income in 2021 of HK\$88.7 million or HK2.7 cents per Share Stapled Unit was declared. Final distribution per Share Stapled Unit year-on-year increased 7.4%.

Hotel Performances

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

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

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

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

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

Individual hotels

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

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

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

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

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

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

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

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

On the other hand, revenue from F&B operations at Eaton HK fell by 1.7% in 2022, mainly due to the short-

term closure of various F&B outlets at various times in the first half of 2022. The total revenue of the hotel improved 34.1% year-on-year in 2022.

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

Hong Kong Hotel Markets	Occupancy		Average Room Rate (in HK\$)		RevPAR (in HK\$)	
	2022	2021	2022	2021	2022	2021
High Tariff A	55.9 %	45.3%	1,407	1,185	786	537
year-on-year growth	+10.6ppt		+18.7%		+46.4%	
High Tariff B	69.3%	64.6%	730	545	506	353
year-on-year growth	+4.7%ppt		+33.9%		+43.3%	

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

However, tariff A hotels increase in RevPAR was 46.4% compared with The Langham, Hong Kong and

Cordis Hong Kong increases of 215.7% and 164.8%, respectively. The Hospital Authority's buy-out for three months during the year helped Eaton HK's RevPAR climb 156.3%, while Tariff B hotels' RevPAR only rose 43.3%.

FINANCIAL REVIEW

Distributions

Total distributable income of the Trust Group for the financial year ended 31 December 2022 was HK\$190.517.000 (2021: HK\$98.522.000).

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

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

Net Assets Attributable to Holders of Share **Stapled Units**

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

Use of Proceeds from Rights Issue

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

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

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

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

Debt Profile

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

In order to mitigate the interest rate exposure, the Trust Group entered into several interest rate swap transactions with banks by swapping certain proportion of the outstanding bank borrowings from floating rates to fixed rates. During the year, one interest rate swap transaction of HK\$500.0 million was expired and the Trust Group entered into four interest rate swap transactions totalling HK\$2,300.0 million. Excluding two interest rate swap transactions totalling HK\$1,300.0 million with effective dates commencing after 31 December 2022, total notional amount of interest rate swap transactions amounted to HK\$3,700.0 million as at 31 December 2022 (2021: HK\$3,200.0 million). Hence, out of total outstanding bank loans (before accounting for the loan front-end fees) of HK\$6,317.0 million (2021: HK\$6,317.0 million), 58.6% (2021: 50.7%) were fixed at an average swap rate of 1.77% p.a. (2021: 1.31% p.a.).

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

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

Cash Position

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

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

Pledge of Assets

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

Commitments

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

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



Brett Stephen BUTCHER Chief Executive Officer

DIRECTORS

Dr. LO Ka Shui

Chairman and Non-executive Director

Dr. LO Ka Shui, aged 76, 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 its subsidiaries. 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, specialising in Internal Medicine and Cardiology. 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 63, 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 the Chief Executive Officer of the hotel asset management arm of Great Eagle Holdings Limited ("Great Eagle", being the controlling holder of share stapled units of the Trust and the Company), principally overseeing the management of all hotel assets of Great Eagle worldwide. Mr. Butcher is also the 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.

Professor CHAN Ka Keung, Ceajer

Independent Non-executive Director

Professor CHAN Ka Keung, Ceajer, aged 66, 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. He is an Independent Non-executive Director of Guotai Junan International Holdings Limited, China Overseas Land & Investment Limited, NWS Holdings Limited and Hong Kong Aerospace Technology Group Limited, all companies are listed on the Main Board of Stock Exchange. He is an Independent Non-executive Director of CMB International Capital Corporation Limited and 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 54, 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 and 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. 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.

Mr. LO Chun Him, Alexander

Non-executive Director

Mr. LO Chun Him, Alexander, aged 37, 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 34, has been a Non-executive Director of the Trustee-Manager and the Company since October 2020. He is currently the Senior Vice President – Finance 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 his current capacity, Mr. Lo is responsible for business planning, ensuring financial stewardship, and supporting asset management. He also oversees finance operations, legal and hospitality investments.

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.

Mr. WONG Kwai Lam

Independent Non-executive Director

Mr. WONG Kwai Lam, aged 73, 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 Subcommittee 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.

KEY EXECUTIVE

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 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.

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. Ms. Wong received a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration from the University of Wales and the University of Manchester jointly and a Bachelor Degree in Accountancy from City University of Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAIRMAN'S MESSAGE

2022 was a challenging yet momentous year for the Trust Group. We witnessed the world evolve from fighting a three-year pandemic to adapting to a "new normal" in which many parameters have changed. In spite of this uncertainty, the Trust Group achieved several important milestones: we completed energy audits of our properties, formulated Energy Saving Plan 2030 and embarked on an ambitious, forward-looking series of equipment upgrades.

For more than a decade, our hotels have been committed to enacting environmentally conscious, resource-conserving strategies and practices, and as a group, we are always proactively seeking to do more. To increase our sustainability commitment, in 2021, our parent group developed a new Climate Leadership Strategy. We began implementing and fine-tuning this strategy in 2022 through three key strategic focusesassets, people and capital. The strategy's ultimate objective is for us to become net-zero by 2045. The Langham Sustainability Steering Committee was also formed in 2022 to oversee all Environmental, Social and Governance ("ESG") related projects and ensure that our hotels' overarching sustainability direction and implementation plans align with our parent group's sustainability vision.

The Trust Group is eager to integrate sustainability into the core operations of our business. In 2022, we continued to move this process forward, formulating an energy-saving plan with the goal of reducing CO² emissions 46.2% by 2030. In 2022, all three of our hotels – The Langham, Hong Kong; Cordis, Hong Kong; and Eaton HK – completed energy audits and identified a list of energy-saving opportunities and recommendations. We also carried out a series of sustainability-focused enhancement initiatives that involved hardware upgrades, such as installing motion-sensing LED lights and replacing chillers for air conditioning systems; and team empowerment, which included strengthening our manpower structure and internal communication channels.

Looking forward, on top of our existing work, the Trust Group plans to focus on such areas as retrocommissioning and integrating climate change training into our onboarding programmes for new hires.

Our changing world demands concerted action to build a sustainable future. We are committed to supporting our hotels, their surrounding environments and communities, and the wider hospitality industry as we work together to create a sustainable future for the generations to come.

LO Ka Shui

Chairman and Non-Executive Director

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING APPROACH & BOUNDARY

This ESG Report (the "Report") is part of the 2022 Annual Report for the Trust and the Company, covers the period from 1 January 2022 to 31 December 2022. The Report is prepared in accordance with the ESG Reporting Guide (the "Guide") from Hong Kong Exchanges and Clearing Limited ("HKEX"), under Appendix 27 of the Main Board Listing Rules, and satisfies its "comply or explain" provisions. The Report follows the four Reporting Principles, namely: Materiality, Quantitative, Balance and Consistency as stipulated in the Guide.

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

period. It is based on our control and significant influence in considerations of revenue contribution, management ownership, operating status, and sustainability impacts.

SUSTAINABILITY APPROACH

The Trust Group, together with the Hotel Manager, are committed to being a sustainable group. Sustainability is embedded in our hotel operations by engaging our major stakeholders through CONNECT, our corporate social responsibility programme. This Report lays out our CONNECT activities and developments in four priority areas, namely: Environment, Community, Colleagues, and Governance.



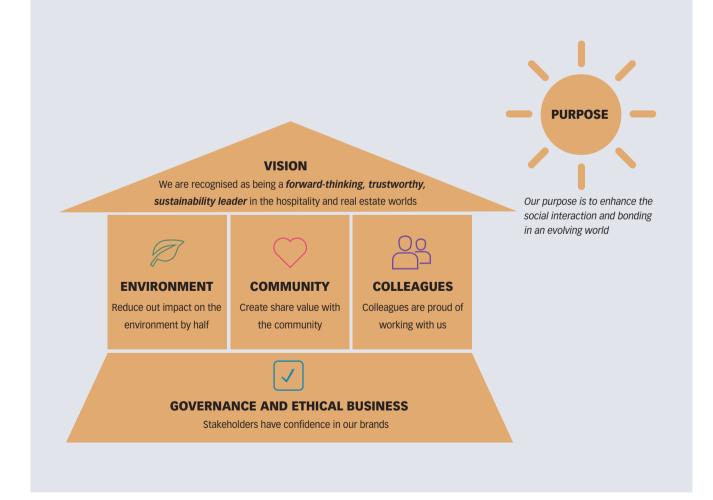
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board of Directors oversees broader sustainability trends and is responsible for leading the Trust Group's ESG strategy and direction. They delegate the day-to-day responsibility for all sustainability-related matters, including identifying, evaluating and managing ESG related risks as well as the ESG strategy implementation, to the Hotels and Hotel Manager, which regularly reports their progress to the Board.

Our stakeholders are increasingly aware of the recent rapid development of various sustainability and climate-related issues, and our colleagues are willing to challenge themselves in this evolving world. The Langham Sustainability Steering Committee was established in 2022 to oversee all ESG-related

projects and ensure that the Hotels' overarching sustainability direction and implementation plans align with the Trust Group's sustainability vision. All senior executives are invited to, and included in, the Steering Committee and regular meetings are scheduled to ensure relevant sustainability projects and implementation plans are well communicated and delivered all business units.

The below diagram highlights our 2030 sustainability vision and strategy. For details of the materiality assessment, the long-term sustainability strategy and goals, please refer to the parent group's ESG Reports. In the following sections, we will report on our progress in delivering our CONNECT vision and goals.



SUSTAINABILITY-LINKED LOAN

The Trust and the Company signed a four-year sustainability-linked loan facility totalling HK\$7.5 billion with 11 banks in Britain, China, Hong Kong, Japan and Singapore in 2019. The syndicated sustainability-linked loan is the first loan raised by a listed company in the Asian hospitality sector. We will be eligible for interest

rates reduction when specific sustainability objectives are met. On the contrary, the initial interest margin will be increased if we underperform. This sustainability-linked loan facility 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 the sustainability performance for 2021 and 2022.

	Baseline Performance	Effect on Initial Interest Margin		Our Performance (x)		
Sustainability Objectives	2018	Positive	Passive	Negative	2022 ^(b)	2021 ^(c)
Energy Consumption ^(a) (MJ per sq meter)	1,802	x < 1,773	1,773 ≤ X ≤ 2,050	x > 2,050	1,097	1,489
Waste Sent to Landfill ^(a) (Liters/Guest Night)	3.5	x < 3.25	$3.25 \le X \le 7.00$	x > 7.00	2.6	2.4
EarthCheck Achievement Level	The Langham, Hong Kong – Gold Cordis, Hong Kong – Gold	All Platinum	Either one cannot achieve Platinum	Either one does not have rating	All Platinum	All Platinum

- (a) Average performances 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 2023.
- (c) Figures extracted from the EarthCheck report released in September 2022.

ENVIRONMENTAL PROTECTION

The Hotel Manager has implemented a systematic approach to managing environmental issues at the Hotels through a partnership with EarthCheck. EarthCheck is the world's leading scientific benchmarking certification and advisory group for sustainable travel and tourism. EarthCheck standards align with global frameworks such as the UN Sustainable Development Goals (UNSDGs), the IPCC Guidelines for National Greenhouse Gas Inventories, International Organisation for Standardisation (ISO), Global Reporting Initiatives (GRI) and industry practices such as the Global Sustainable Tourism Criteria (GSTC). EarthCheck standards stipulated requirements 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

Embracing the EarthCheck requirements in the Hotels' operations, environmental policies were developed to identify the material issues related to our hotel operations. Each Hotel conducts an environmental risk assessment to investigate and assess all known and potential risks that may cause ecological and social harms. Independent third-party verification by EarthCheck ensures our compliance with the relevant legislation and that we continuously improve our environmental and social performances, including energy and water consumptions, carbon emissions, and waste management on an annual basis.

EarthCheck certification is a key performance indicator for the Hotels. Since 2020, all three Hotels have achieved EarthCheck Platinum Certification, as their sustainability efforts have been recognised for at least ten years. In addition, a major renovation of Eaton HK achieved the Gold Rating of LEED v4 Interior Design and Construction Hospitality Certification issued by the U. S. Green Building Council in 2019. Cordis, Hong Kong is accredited with an ISO 14001:2015 certification.

In addition, selected ESG data for the year ended 31 December 2022 shown in this Report have been independently verified by an external consultant, Hong Kong Quality Assurance Agency ("HKQAA"). The aim of this verification is to provide independent and reasonable assurance regarding the reliability of the data. The ESG data being verified are (1) energy consumption; (2) carbon emissions (Scopes 1 & 2); (3) number of fatalities; (4) lost time injury rate; (5) lost day rate; and (6) convicted cases of corruption.

The verification methodology 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 have also participated in various programmes and charters by the Environment Bureau and Environmental Protection Department of the HKSAR Government, including the following:

- Foodwise Charter
- **Energy Saving 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 the Trust Group in ensuring compliance with the laws and regulations that are relevant and material to the Trust Group in Hong Kong.

To ensure transparency and accountability, the Trust Group reports cases of legal non-compliance in our annual ESG Report. These include convicted criminal cases against the Trust Group 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 2022, 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 Trust Group.

Climate Change and Energy

The climate crisis is the biggest global challenge of our times. If an average global temperature increases by more than 2°C from pre-industrial levels, we will encounter catastrophic consequences for both human beings and nature. Scientists have warned us that we have already reached a 1°C increase leaving us with little time before reaching the tipping point. Therefore, the Hotel Manager is setting targets to minimise our direct and indirect carbon emissions, in line with the Paris Agreement to help our planet stay below the 1.5°C global warming limit.

The use of power in hotel operations makes up the largest contributions to our greenhouse gas emissions. The Hotel Manager has been focusing on maximising energy efficiency in hotel operations to minimise emission. From time to time, several energysaving opportunities have been identified through the optimisation of operational efficiency of plants and equipment, and upgrading systems when there is a major refurbishment. In 2022, a comprehensive energy audit was carried out in all the three Hotels, and a list of suggestions and energy management opportunities (EMOs) were identified to drive our energy-saving initiatives forward. For example, the comprehensive chiller plant upgrading and noise reduction works at The Langham, Hong Kong has commenced. This project aims to adopt the best applicable technology that ensures our guests' thermal comfort while providing the most energy-efficient air conditioning system for our hotel. A façade enhancement work was also conducted at The Langham, Hong Kong with waterproofing and thermal insulation added between the cladding system and the building structure. This will improve the energy efficiency of the entire hotel by reducing the need for heating and cooling due to improved insulation.

The Hotel Manager and the Hotels, together with the parent group's Property Management team, Development and Project Management team, and Sustainability team formed a cross-functional Energy Efficiency Taskforce. The Taskforce is dedicated to bringing our engineering leaders and sustainability professionals together to strengthen cooperation between business units and drive synergy and share best energy-saving practices for enhancing the Trust Group's overall building energy efficiency.



New Chiller Plant at The Langham, Hong Kong

The Trust Group also believes that our influence on our stakeholders, especially our guests and supply chains, can boost the climate action altogether. The Trust Group and the Hotel Manager are keen to work with different partners to help spread low-carbon dining messages and most importantly, turn these messages into action. In 2022, Eaton HK hosted a month-long public programme, Humble Roots, highlighting the value and spirit of city farming, which explored the inextricable connection between human, food and nature and reimagined this connection with land through art and culture.

Performance on Energy Consumption and GHG Emission

Total electricity consumption of the Hotels was 121,383 GJ in 2022, representing a 7.6% decrease compared to 2021. Total gas/fuel consumption of the Hotels in 2022 was 32,080 GJ, a decrease of 16.5% compared to 2021. Total greenhouse gas emission (Scope 1 and Scope 2) of the Hotels in 2022 was 15,249 tonnes CO²-eq, a decrease of 9% compared to 2021. The decrease in consumption was mainly due to the temporary closure of all F&B outlets in The Langham, Hong Kong and Cordis, Hong Kong for several months in 2022 when they were operating as Community Isolation Facility (CIF) hotels under the CIF Hotel Scheme and Designated Quarantine Hotels (DQHs) under the DQH scheme implemented by the HKSAR Government.



Waste and Water

The Hotels have been implementing waste minimisation initiatives including recycling/reusing (paper, metal, plastics, cardboard, glass bottles, cooking oil, printer cartridges, wet amenities, soap, wine corks), food waste donation and composting, and other in-kind donations (furniture, fabric items, electronic equipment). Reducing the use of singleuse plastic product is one of the key objectives for the Hotels. In addition to Eaton HK, both The Langham, Hong Kong and Cordis, Hong Kong replaced plastic drinking water bottles with water in refillable glass bottles for the hotel guests. By filtering tap water through the patented technology by our partner, Nordag, and bottling the water in-house in dedicated glass bottles that can be used repeatedly, we have contributed to the end of disposable PET-bottles. The bottling system, installed in Cordis, Hong Kong, started a trial run in October 2021, and was fully implemented at the beginning of 2022.





Cordis, Hong Kong was the first hotel partner in The Nature Conservancy (TNC) Oyster Reef Restore Program. Instead of ending up in landfills, oyster shells from the hotel's restaurants are upcycled into substrates for new living reefs that serve as habitats for juvenile fishes and other marine life, amongst other benefits they bring. A trial run was arranged for Alibi in November 2020 and then extended to The Place, our buffet restaurant, on 1 August 2021. In 2022, the Hotel Manager recycled an average of 650kg of oyster shells per month on this program.



The Hotels continued our yearly tradition of building own sustainable Christmas trees from recycled and waste materials. This also helps to engage our colleagues and guests, while demonstrating in our commitment to sustainability. Cordis, Hong Kong handcrafted wooden reindeers and a Santa's sled made with recycled wood. These materials were collected from pruning the hotel's garden, quarantine hoarding, wine crates and packing belts, etc. Eaton HK reused some old wine boxes donated by its wine suppliers to build its tree. Students from Lee Shau Kee School of Creativity were invited to paint the tree. The Langham, Hong Kong has been going through different phases in 2022, from being used as a CIF hotel to becoming one of the DQHs, and then resuming normal operations. Used plastic bottles, glass bottles, as well as recycled shampoo and hair conditioner packaging were used to mark the transition of these phases of the hotel, and at the same time, enhance an awareness of sustainability.







Sustainable Christmas trees created by the Hotels

The Hotels are responsible for reducing their water footprint by installing water-efficient equipment and raising staff awareness about water conservation. We continue to actively seek energy— and water-saving initiatives to ensure ever more efficient operations.

Performance on Water Consumption and Waste Disposal

Total water consumption was 337,260 m³ in 2022, representing a 17.2% decrease compared to 2021. The decrease in consumption was mainly due to the temporary closure of all F&B outlets in The Langham, Hong Kong and Cordis, Hong Kong for several months in 2022 when they were operating as CIF hotels or DQHs. In 2022, the total waste disposed in landfills was 804 tonnes.

Engagement – Colleagues and Guests

The Hotels promote dishes with sustainable seafood and plant-based alternative ingredients to inviting our guests to join our sustainability journey. In partnership with Green Monday, the MICHELIN-starred Cantonese restaurants in the Hotels presented vegetarian menus created with OmniPork, offering diners a plant-based fine-dining experience.

Besides offering plant-based menus for our hotel guests, the Hotels also supported this dining trend by participating in different cooking competitions. In 2022, Cordis, Hong Kong MICHELIN-starred Ming Court's Chef Chung Pak Hei, Alex was awarded Green Monday's first official "Green Master Chef Cooking Competition" Second Runner Up and The Best Dish Presentation Award.

Alibi at Cordis, Hong Kong is one of the founding members of Food Made Good Hong Kong, a chapter of the UK's Sustainable Restaurant Association, dedicated to making every meal served out of home as sustainable as possible. In 2022, Alibi received a 3-Star Sustainability Rating by Food Made Good Hong Kong. Led by Chef James Oakley, the culinary team has been creating menus reflecting the responsible dining concept and featuring sustainable seafood and free-range meats for years, as well as making a higher proportion of vegetarian and vegan options for diners to consider. It has also joined forces with various NGOs to support local community and green projects.





Community

Serving the community is an integral part of our CONNECT culture to encourage social bonding internally and stimulate interaction with the local community. The Hotel Manager's Community Engagement Policy offers guidance on how to contribute to local communities, not merely through philanthropy, but also in other ways, including donations and visits, free or in-kind sponsorships, and employee volunteering. Art, Children, Environment, and Community are the key themes of our employee volunteering programmes. In 2022, the Hotels and the Hotel Manager continued the effort to support the communities by participating in various community service and engagement activities.

The following highlights some of the community engagement activities organised by the Hotels in 2022.

The Langham, Hong Kong participated in Christian Action's "Community Used Clothes Recycling" in January 2022 by collecting used clothes in good condition to donate to the needy in Hong Kong.

To support youth employment and development of the new generation development, The Langham, Hong Kong also partnered with a secondary school to offer a job shadowing programme to train two participating students in the catering and administration departments. They experienced practical and handson work and duties within the hotel operations. Eaton HK also held two Trainee Recruitment Parties, one in May and the other in July, instead of using traditional hiring methods, different types of interviewing processes, such as grouping, gaming, and team building activities, etc. have been conducted.

Colleagues at Cordis, Hong Kong, and their friends and family members, participated in the Ocean Park Conservation Foundation, Hong Kong's flag-selling day. Through this meaningful activity, our colleagues helped fundraise for various marine conservation projects, including the local Marine Life Stranding Response Team, local conservation research, as well as public and community education in Hong Kong.



As part of the United Nations High Commissioner for Refugees (UNHCR) 15th Charity Refugee Film Festival, Eaton HK presented two film nights where it screened films and short videos ranging from personal stories of refugee children and youths to in-depth documentaries covering pressing global issues. The public were invited to participate and all proceeds were donated to UNHCR. In addition, Eaton HK also partnered with Christian Action Centre for Refugees to host the Father-Child Refugee Playback Theatre, an interactive drama based on the story of a refugee family, raising awareness for this group of marginalised and invisible minority group living in the Hong Kong community.



Performance on Community Investment

In 2022, our colleagues delivered over 915 hours of support to charitable and other social initiatives. The Hotel Manager and the Hotels have received accreditation for the past decade and are recognised as Caring Companies by the Hong Kong Council of Social Service.

COLLEAGUES

The Hotel Manager and the Hotels are committed to fostering an engaging and respectful work environment for colleagues that will help unleash their full potential and inspire them to become our true ambassadors. Our commitment is supported by the following systems that set out the guiding principles, review our performance, promote a culture of open dialogue, foster talent and guide colleagues in the right direction to advance their careers.

- Human Resources policies stipulate a global framework for an ethical workforce and colleague engagement;
- Training programmes enable our colleagues to deliver their job and embrace the Trust Group's culture;
- A workplace health and safety management system ensures the safety of our colleagues;
- Internal communication channels connect our colleagues at different levels and across functions to strengthen teamwork;
- Performance appraisals review performance of individual colleagues and set clear goals aligned with the Hotel's objectives;
- A Key Performance Indicators ("KPI") system monitors the effectiveness of our systems in achieving our commitments.

Child labour and forced labour across the Hotels' operations and supply chain are strictly prohibited. The Human Resources Division monitors the employment practices and investigate if there is any violation in the operations. The Hotel Manager is recognised by the Employees Retraining Board (ERB) as a Super Manpower Developer, which means an organisation that has demonstrated outstanding performance in manpower training and development for ten consecutive years.

Since 2021, the Hotels have participated in the Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme organised by the Labour and Welfare Bureau to promote the employment of persons with disabilities. Cordis, Hong Kong held an Unconscious Bias training to promote the culture of diversity, equity and inclusion, and to equip colleagues with the relevant skills to handle different workplace scenarios.

In 2022, The Langham, Hong Kong partnered with the Equal Opportunities Commission for an antidiscrimination seminar for our staff, which aimed to raise awareness on diversity and promote a respectful and acceptancy culture within the hotel operations. The Langham, Hong Kong also received the MPF Good Employer Award, recognising its efforts to enhance retirement protection for its employees under the law.

As at 31 December 2022, the number of employees of the Hotels was 1,148. The overall turnover rate in 2022 was 32% (28% male and 37% female) with employees under 29 is the demographic group with the highest turnover rate at 54% (35% for 30-39 years old, 27% for 40-49, and 18% for 50 years old or above). The following charts show the composition of employees at the Hotels as at 31 December 2022:



Colleague Wellness

The health, safety and wellness of our colleagues remain a top priority. The Hotels maintain the health and safety systems with policies, committees, training and incidents reporting. These systems are overseen by the senior management, human resources directors and security departments. The effectiveness of the systems is monitored in conjunction with the KPI system so that the Hotels' improvement teams can analyse the data, find the root cause of any problem, implement improvement action plans and follow up on the results.

Health and wellness were a priority for all of us during the COVID-19 pandemic. The Hotel Manager required every colleague to have a body temperature check upon entry to the workplace and rearranged the staff canteen's seating to keep everyone dining at a safe distance. Also, the Hotel Manager provided sufficient supplies of the needed personal protective equipment such as surgical masks, rapid test kits and hand sanitisers. The Hotel Manager also arranged flexible working arrangements including working from home and working flexi-time to minimise the risk of travelling during peak hours.

In 2022, the Hotels organised the Colleague Wellness Month, as part of the global awareness programme initiated by the Hotel Manager, to increase colleagues' awareness of their wellbeing and healthy lifestyles. A series of wellness promotion activities were organised such as massage sessions, sound bath meditation, vegetarian and healthy food week, and stretching exercises, etc., to help our colleagues to maintain a balanced and positive mind.



Stretching exercises on Fun Day



Head-to-shoulder massage sessions for colleagues

Performance on Colleagues' Health and Safety

In 2022, health and safety-related KPIs improved, compared to the previous year due to a decrease in sprain, struck and contusion cases. The Hotels proactively reinforced colleagues' awareness of these topics during safety briefings and reviewed the overall training and awareness programme. There was no fatality reported in 2022. The Hotels will continue to monitor the performance and enhance staff awareness of workplace health and safety.

KPI	2021	2022
Lost Time Injury Frequency Rate (LTIFR) ¹	34	22
Incident Rate ²	9.8	7.0

- 1. LTIFR is the number of reported lost-time accidents for every 1 million working hours.
- 2. Incident rate is the number of reported accidents per 100 employees.

Employee Learning and Development

The Hotel Manager is committed to creating a conductive environment for colleagues to achieve their career aspirations and, at the same time, nurture a team of competent and motivated colleagues. The fundamental learning and development system comprises the First60 Certification programme, Langham Curriculum Certification (LCC), Advanced Programme for executives (APEX) and Langham Leadership Trainee Program (LLTP). These programmes enable the colleagues to gain new skills and experiences that will help them to advance in their current and future jobs.

In 2022, Eaton HK has held two sessions of two-day Train-the-trainers programme for departmental trainers to learn the relevant skills for conducting on-the-job coaching to their team members.

Aligning with two of the Hotel Manager's core values – "One Team One Dream" and "Connect from the Heart", Cordis, Hong Kong focused on exploring the colleagues' competencies and best practices through individual facilitation sessions. These sessions aim to unlock and develop the colleagues' full potentials by applying a humanistic approach. Follow-up training sessions were held, including resilience development, team building, collaboration between different generations, and embracing care, co-leadership, and a happy working environment.



Train-the-trainers programme at Eaton HK



Performance on Employee Learning and Development

The Hotels achieved an average of 36 training hours per colleague in 2022. The average training hours for the Executive Committee and Head of Department was 14, and the average training hours for Managers, Supervisors and General Colleagues was 37 in 2022. There was an increase in the training hours per employee compared to the previous year due to the enhanced training programme and more new hires in the Hotels.

GOVERNANCE AND ETHICAL BUSINESS

Governance in the Hotel Manager's CONNECT programme is concerned with how the Hotel Manager runs the business and does the "right thing". The Hotel Manager is accountable and act responsibly at all times on behalf of our stakeholders – from our guests, partners, suppliers and colleagues, to governments, regulators and the local community. The Hotel Manager values the trust of our stakeholders in pursuit of expanding our business and operations sustainably. To maintain the trust, the Hotel Manager ensures that we always conduct our business ethically and responsibly.



Ethical Standards

The Hotel Manager pledges to adhere to good corporate governance and business integrity in our business activities. The Board occasionally monitors and reviews the Trust Group's corporate governance practices according to the regulatory requirements and the need to underpin our engrained value of integrity and accountability. The Trust Group has clearly articulated the principles in the Code of Conduct (the "Code"), which explains the basic standards of behaviour expected of colleagues in line with their official duties. The Code guides the acceptance, soliciting or offer of advantages, declaration of conflicts of interest, fraud and bribery, gambling, fair dealing, and handling of confidential information.

All new colleagues receive the Code during induction training at the First60 Certification programme. Depending on each colleague's job responsibilities, they will also receive regular communications, refresher training and team briefings on various aspects of the compliance programme. All colleagues are also aware that they have a duty to report any breaches of the Code.

The Code outlines the Trust Group's expectations for colleagues regarding conflicts of interest and whistle-blowing procedures. Any colleagues who have engaged or considered engaging in activities that might have conflict with the Trust Group's interests are required to make a full disclosure. During the year 2022, no non-compliance or fines were reported.

For more information on the Trust Group's corporate governance performance, please refer to the separate Corporate Governance Report contained in this Annual Report.

Data Protection

In 2022, the Hotel Manager worked with external consultancy firms to update the Data Protection Standards to align with the latest development on applicable privacy and security laws, including the China Personal Information Protection Law (PIPL). The Hotel Manager continued the engagement of external independent data protection advisors to guide and monitor compliance.

Refresher training on Data Protection Standards were completed. Phishing exercises were performed from time to time to raise the information security awareness of all colleagues. The Hotel Manager

will continue the upgrade of the cybersecurity solution suite to address the ongoing increases to cybersecurity risks which are anticipated to continue into 2023 and beyond.

Responsible Supply Chain

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

Service Quality Standard

The Hotels and the Hotel Manager believe a good vision is the critical success factor everyone can focus on. When this one thing happens, everything else will take care of itself – our colleagues will be engaged; our guests will be delighted and return and our business will be sustainable.

In 2022, the Hotel Manager delivered its Vision, "Building Great Memories". The underlining belief of the Vision is that it is all about people, be it our owner, our investors, our guests or our colleagues. It creates a positive experience for everyone. The five values below are the foundation and desired culture that serves as our behavioural compass, helping us to nurture the company culture, guiding us in decision-making process, and ultimately enabling us to achieve our Vision:

- CONNECT FROM THE HEART: We take initiative to connect emotionally. Our Heart is where every good thought started and it all starts from us!
- DO THE RIGHT THING: We uphold our commitments, integrity, fairness and self-discipline. We are committed to do the right thing and do it well, turn our good thoughts into actions and with a balanced approach.
- ONE TEAM ONE DREAM: We work together hand in hand. Support each other and be successful together.

- TAKE CARE OF THE WORLD AROUND US: We act sustainably and inclusively and be kind to the environment and local communities.
- BETTER EVERYDAY: We strive for continuous improvement and pursue excellence to create a better future.

Measurement (Key Performance Indicators): Celebrate Success

The Hotel Manager derives indicators from business needs and strategies and celebrates when these are achieved. In 2022, the Hotel Manager launched the Celebrate Success Indicator ("CSI") System, enabling evaluation of the performances of the Hotel Manager, Hotels and each individual department at multiple levels. The CSI system aligns the Hotel Manager's goals, Hotels' goals, and departmental goals in one direction at the same time allowing us to conduct fact-based analysis for continuous improvement.

To ensure the right focus is given to the key areas, the Hotels' CSIs and departmental CSIs should support the Trust Group's business goals. Key perspectives include Owners/Investors (Finance Related), Guests (Customer Related), Colleagues (Colleagues Related), The World (Sustainability Related), and Innovation (Technology and Process Related).

ESG Reporting Guide Content Index

Aspect	KPI	Content	Report Page/Comment
A. Environmental			
A1 Emissions	A1	General disclosure	37 In 2022, 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	$$37$$ Emissions of $\mathrm{NO}_{\mathrm{x'}}\mathrm{SO}_{\mathrm{x}}$ and other pollutants are considered not significant in our operations.
	A1.2	Greenhouse gas emissions in total and intensity	38
	A1.3	Total hazardous waste produced and intensity	38 We do not consider the Trust Group to be a major producer of hazardous waste.
	A1.4	Total non-hazardous waste produced and intensity	40
	A1.5	Description of measures to mitigate emissions and results achieved	35
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	38
A2 Use of resources	A2	General disclosure	35
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	38
	A2.2	Water consumption in total and intensity	40
	A2.3	Description of energy use efficiency initiatives and results achieved	37
	A2.4	Description of whether there is any issue in sourcing water that is fit fo purpose, water efficiency initiatives and results achieved	r 38 In 2022, 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	35
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	35
A4 Climate Change	A4	General disclosure	37
	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.	37

Aspect	KPI	Content	Report Page/Comment
B1 Employment B1		General disclosure	44 In 2022, 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	44
	B1.2	Employee turnover rate by gender, age group and geographical region	44
B2 Health and safety	B2	General disclosure	46 In 2022, 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	47
	B2.2	Lost days due to work injury	47
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	48
B3 Development and training	В3	General disclosure	47
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	48
	B3.2	The average training hours completed per employee by gender and employee category.	48
B4 Labour standard	B4	General disclosure	In 2022, there was no new reportable cases of non-compliance with such laws or regulation: which have a significant impact on the Trust Group.
	B4.1	Description of measures to review employment practices to avoid child and forced labour	44, 48
	B4.2	Description of steps taken to eliminate such practices when discovered	44, 48 In 2022, we did not discover any such practices in our operations.
B5 Supply chain management	B5	General disclosure	49
	B5.1	Number of suppliers by geographical region.	About 1,000 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	49

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.	49
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	49
B6 Product responsibility	B6	General disclosure	48 In 2022, there was no new reportable cases of non-compliance with such laws or regulations which have a significant impact on the Trust Group.
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	In 2022, 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 2022, 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.	48
	B6.4	Description of quality assurance process and recall procedures	49
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	48
B7 Anti-corruption	B7	General disclosure	48 In 2022, 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 2022, 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	48
	B7.3	Description of anti-corruption training provided to directors and staff.	48
B8 Community investmen	t B8	General disclosure	42
	B8.1	Focus areas of contribution	42
	B8.2	Resources contributed to the focus area	42

^{*} Relevant data is not available in 2022. The Hotel Manager is actively improving the data management system and will disclose the relevant information in due course.

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 2022.

The major activities during the year 2022 and subsequent change up to the date of this report are set out below:

Change of Principal Place of Business in Hong Kong

The Company's principal place of business in Hong Kong has been changed to Suite 2702, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong with effect from 15 February 2022. Formal announcement in relation thereto was published.

Amendments to the Constitutional Documents

The Trustee-Manager Board and the Company Board persistently review the policies and constitutional documents of the Trust Group to drive for continuous improvements. In light of the recent amendments made to the Listing Rules, the Trustee-Manager Board and the Company Board obtained the approval of the Holders of Share Stapled Units at the extraordinary general meeting (the "EGM") of the Trust and the Company held on 12 May 2022 to update the Trust Deed and the Company's Articles (collectively, the "Constitutional Documents") in order to bring them up to date and in line with the Listing Rules and allow all general meetings of the Company and the Trust to be held as physical meetings or as hybrid meetings or electronic meetings. Details of the amendments are set out in the circular to the Holders of Share Stapled Units dated 14 April 2022. Updated versions of the Constitutional Documents are available for download from our corporate website and the HKEXnews website.

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 12 May 2022. 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.

STRUCTURE OF THE TRUST GROUP

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.

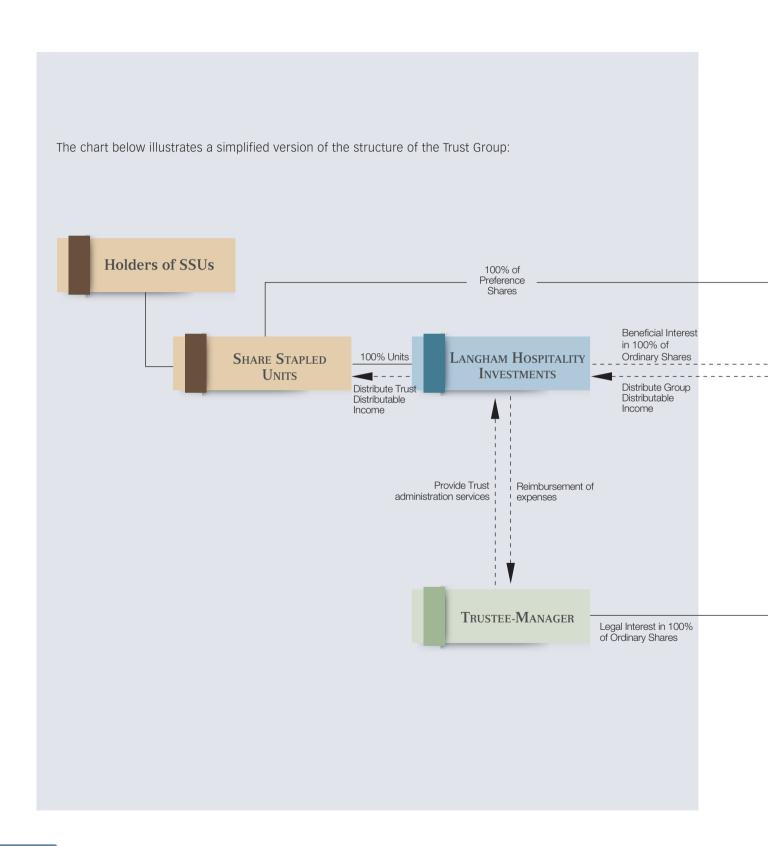
The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability. It is the holding company of the hospitality business carried on by the Group and currently owns and controls the Hotels indirectly through its subsidiaries.

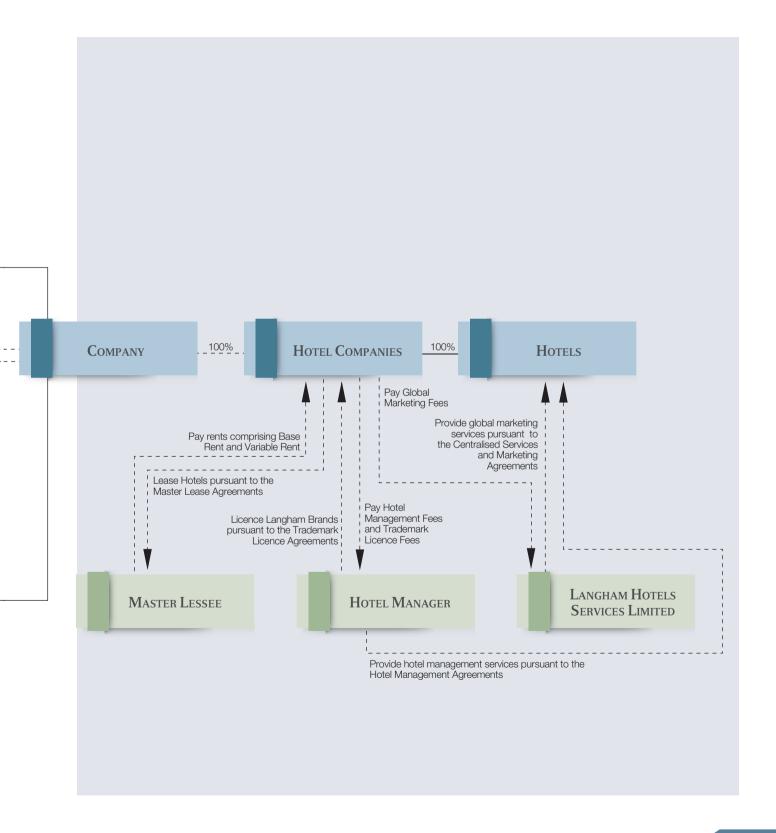
Capital Structure of the Trust and the Company

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 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
- 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

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 the recommended best practices as set out in the Corporate Governance Code. The requirement to establish a Nomination Committee is not relevant to 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 not relevant to the Trustee-Manager as its Directors are not entitled to any remuneration payable by the Trust or the Trustee-Manager, and the Trustee-Manager does not have any employee.

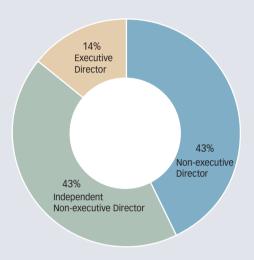
BOARD OF DIRECTORS

Corporate Strategy

The objective of the Company and the Trust as a fixed single investment trust is to focus principally on distributions to Holder of Share Stapled Units. It is also the Group's objective to provide 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 strategy, acquisition growth strategy, and capital and risk management strategy. The Group supervises proactively the Master Lessee and the Hotel Manager in order to seek to maintain and improve the quality and the value of the Hotels and achieve organic growth. Furthermore, the Group identifies and pursues hospitality asset acquisition opportunities with focuses on total return requirements, geographical locations, strong fundamentals, organic growth and asset enhancement potential. The Group may also acquire hospitality assets from the Great Eagle Group pursuant to the terms of the Great Eagle ROFR Deed. To maintain a strong financial position and an appropriate gearing ratio, the Group may use a combination of bank loans, bonds and other types of debt and equity instruments to fund future acquisitions and asset enhancements. Through implementing various investment and strategies, the Group is committed to enhancing Unitholders' value and delivering long-term return for its stakeholders.

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 Trustee-Manager Board and the Company Board currently comprise three Non-executive Directors, namely, Dr. Lo Ka Shui (Chairman), Mr. Lo Chun Him, Alexander and Mr. Lo Chun Lai, Andrew; one Executive Director, namely Mr. Brett Stephen Butcher (Chief Executive Officer); and three Independent Non-executive Directors, namely, Professor Chan Ka Keung, Ceajer, Professor Lin Syaru, Shirley and Mr. Wong Kwai Lam respectively.

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 27 to 30.

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

	Evnortico	Docnancibilities
	Expertise	Responsibilities
Non-executive Directors		
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 Board's effectiveness and the relationships among the Board, management and stakeholders; 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; 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
Executive Director		
Brett Stephen BUTCHER (Chief Executive Officer)	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 Board and management and communicating to the Board on behalf of management

	Expertise	Responsibilities		
Independent Non-executive Directors				
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.

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 key executives 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 applicable to the Trustee-Manager Board. The schedule is reviewed periodically to ensure that the arrangements remain appropriate to the Group's needs.

Provided below is a summary of the key reserved matters which should be discharged by the full Board:

- Approval of long-term objectives and corporate strategy
- Extension of business activities into new business of material nature
- Decision of ceasing to operate all or any material part of the business
- Approval of the annual and interim reports and results announcements of the Trust and the Company
- Declaration of distributions to the Trust

- Approval of any significant changes in accounting policies or practices
- Approval of substantial acquisitions or disposals
- Approval of non-exempt connected transactions
- Approval of major capital expenditures
- Approval of terms of reference of the Company's Board Committees
- Approval of significant changes in governance policies
- Review of corporate governance arrangements
- Appointment of membership of the Company's Board Committees
- Appointment or removal of the Company Secretary

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.

The Nomination Committee of the Company is responsible 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.

Two of the Independent Non-executive Directors, namely Professor Lin Syaru, Shirley and Mr. Wong Kwai Lam have served on the Board for more than nine years. Notwithstanding their length of service, the Board is of the view that they demonstrate complete independence in character and judgement both in their designated roles and as Board members and believes that they continue to bring independent views of the Trust Group's affairs to the Board and their in-depth knowledge of the Trust Group's business and their extensive experience and expertise continue to provide invaluable contribution to the Board. During the financial year ended 31 December 2022, they have participated in all Board meetings to give impartial advice and exercise independent judgement and served on various Board Committees but have never engaged in any executive management. In addition to the compliance with the independence requirements as set out in Rule 3.13 of the Listing Rules, the long service INEDs are required to declare they do not have any interest in a business apart from the Trust Group's business, which competes or is likely to compete either directly or indirectly, with the Trust Group's business to ensure that the objectivity and integrity of Board for decision making will not be weakened.

Taking into account of the above and having considered the benefit against the ability of Professor Lin Syaru, Shirley and Mr. Wong Kwai Lam to stay independent and the necessity of board refreshment and succession planning, the Board consider both directors remain independent and are eligible for re-election upon retirement from office.

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 to oversee the operations and affairs of the Board's effectiveness and the relationships among the Board, management and stakeholders. He is accountable to the Board 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 Board and management and communicating to the Board 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. Brett Stephen Butcher, Mr. Lo Chun Lai, Andrew and Professor Lin Syaru, Shirley 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 2022, information packages were provided to the Directors 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 2022.

Mechanisms to ensure Independent Views from Directors

To ensure independent views and input from any Director of the Trustee-Manager and the Company are available to the Boards, the following mechanisms are established by the Trust Group, and Board Committees follow the same processes as the Board:

Independence Assessment

Each of the Independent Non-executive Directors has provided a written annual confirmation of independence to the Trustee-Manager and the Company on their compliance with the independence requirements as 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.

2. Composition of Board

Currently, 86% of the Board members are Nonexecutive 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.

3. Board Proceedings and Decision Making

The dates of the regular Board and Board Committee Meetings of any 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.

To safeguard the interests of the Trust Group and the Unitholders, all Directors are required to declare their direct/indirect interests, if any, in any business proposals to be considered at the meetings and, where appropriate, they are required to abstain from voting on any Board resolution concerned.

Independent Non-executive Directors should attend all regular meetings of the Board and Board Committees on which they serve. They should also attend general meetings of the Trust and the Company to acquire understanding of the views of Unitholders.

4. Remuneration of Independent Non-executive Directors

Independent Non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committees and no equity-based or incentive based compensation program is granted to Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

5. Access to Professional Advice and Up-to-date Information

The Company Secretary provided induction pack and orientation program for all new recruits to the Board. Such program would familiarise the newly appointed Director with the nature of the business, the corporation's strategy, the internal control and corporate governance practices and policies, and directors' duties and responsibilities. Subsequent information packages are regularly provided to the Directors to keep them abreast of their responsibilities and infuse them with new knowledge relevant to the Trust Group's current business and operating environment.

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 advisers at the expense of the Trust Group, in which the Company Secretary is responsible to make all necessary arrangement.

6. Independent Views and Inputs Treasured and Valued

During the Board and Board Committee meetings, the Independent Non-executive Directors are encouraged to express freely their independent views and inputs in an open and candid manner. The Chairman also encourages questions and challenges from Directors, in particular Independent Non-executive Directors and their comments and concerns 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 are circulated to all Directors for their comment and confirmation. The final version also be received by the Directors for records. Minutes of all Board and Board Committee Meetings are available for Directors' inspection.

The implementation and effectiveness of the above mechanisms have been reviewed by the Boards on an annual basis and the Boards believe these measures would allow Directors to contribute effectively and independent views and input are available to the Boards and Board Committees.

CORPORATE GOVERNANCE MEASURES TO ADDRESS POTENTIAL **CONFLICTS OF INTEREST**

Apart from the parent-subsidiary 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 54 to 55. 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 102 to 107.

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 Board believes 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.

- 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 Trust Group will 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 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:
 - (j) 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;

- (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 Nonexecutive 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:
 - 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.

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 Board. 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.

Audit Committee

The composition of each of the Audit Committees of the Trustee-Manager and of the Company comprises three Independent Non-executive Directors:

Chairman:

Mr. Wong Kwai Lam

Members:

Professor Chan Ka Keung, Ceajer Professor Lin Syaru, Shirley

None of the Audit Committee members is a former or existing partner of the external auditor of the Trustee-Manager and the Company.

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.

During the year ended 31 December 2022, the Audit Committee of the Trustee-Manager and the Company held two 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 2022	
Disclosure of financial information	 reviewed and approved the draft 2022 Interim Report and interim results announcement of the Trust and the Company for the period ended 30 June 2022 reviewed and approved the draft 2021 Annual Report and final results announcement of the Trust and the Company for the year ended 31 December 2021 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 2022, 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 2021, with particular regard to the significant audit risks and other audit issues including: (1) the review on the fair value of the three investment properties of the Trust Group; (2) the potential oversight by management in financial reporting process; (3) the assessment of going concern basis in connection with the net current liabilities status of the Trust Group and the Group; and 	
	(4) the review on the fair value of derivate financial instruments – interest rate swaps.	
Risk management and internal control	 reviewed the significant findings and recommendations from the internal auditor reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager 	
Reports from external auditor	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	
Re-appointment of external auditor	reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the external auditor and approved its remuneration	

Primary areas of duties	Summary of major work done of the Audit Committee in 2022
Connected Transactions	 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
Legal and Regulatory Compliance	 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 2021 and the six months ended 30 June 2022 and disclosures in the Corporate Governance Report
Great Eagle ROFR Deed	 reviewed and adopted the corporate governance measures in respect of the operation of the Great Eagle ROFR Deed reviewed the implementation and compliance of the Great Eagle ROFR Deed during the year 2022, 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. In 2022, Great Eagle has rebranded one of its properties located in Wanchai, Hong Kong, from Eaton Residences as a serviced apartment to Ying'nFlo as a hotel brand operating hospitality business. Pursuant to the terms of the Great Eagle ROFR Deed, the rebranding of Ying'nFlo does not fall into the requirements of ROFR as there is no change of ownership of Hotel Property (as defined therein) from the Great Eagle Group to the Trust Group.

Nomination Committee

The composition of the Nomination Committee of the Company currently comprises three Independent Non-executive Directors and one Non-executive Director:

Chairperson:

Professor Lin Syaru, Shirley*

Members:

Professor Chan Ka Keung, Ceajer* Dr. Lo Ka Shui# Mr. Wong Kwai Lam*

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

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.

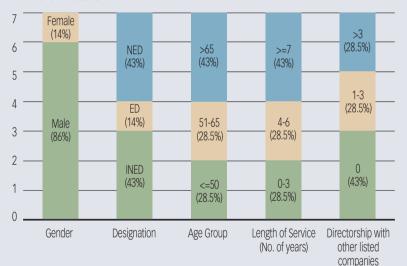
Board Diversity Policy

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 Board shall be on merit, in the context of the skills and experience the Board 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 Board's skill set and the number of Directors needed to discharge the duties of the Board and its 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 Board 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 Board to complement the Company's corporate strategy.

Currently, the Board has a diversity of perspectives appropriate to the requirements of the business of the Trust Group. The Board comprises a range of expertise including hotel development and investment, financial investments, 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 Board is made up of different age groups and both genders. The Board considers that its current board composition is diversified with appropriate balanced professional background, skill, experience, gender and age. The following chart shows the diversity profile of the Board as at 31 December 2022:

Number of Directors



Remarks:

ED - Executive Director

NED - Non-executive Director

INED - Independent Non-executive Director

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.

During the year ended 31 December 2022, 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 2022
Board composition	 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
	 reviewed Directors' time commitment to the affairs of the Trust and the Company through, inter alia, their meeting attendance and other listed companies' directorships
Independence of Independent Non-executive Directors	assessed independence of all the Independent Non-executive Directors
Appointment or re-appointment of Directors	 reviewed and approved the nomination of Dr. Lo Ka Shui, Mr. Lo Chun Him, Alexander and Mr. Wong Kwai Lam, all being the retiring Directors for re-election at the 2022 AGM

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.

Remuneration Committee

The composition of the Remuneration Committee of the Company comprises three Independent Non-executive Directors and one Non-executive Director:

Chairman:

Professor Chan Ka Keung, Ceajer*

Members:

Dr. Lo Ka Shui* Professor Lin Syaru, Shirley* Mr. Wong Kwai Lam*

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

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.

During the year ended 31 December 2022, 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 2022** approved the salary review and discretionary bonus distribution for Remuneration packages of • **Executive Director and** the year 2022 and other remuneration packages of the Executive senior management Director and senior management of the Company Remuneration of Directors • 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 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 2022

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 employees.

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

Basic compensation	 includes basic salary, retirement benefits and other allowances 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
Bonus and incentives	 vital to align the interest of the executives with that of Unitholders 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

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 2022 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.

Director's Fee and Board Committee Remuneration

Сар	pacity	Annual Fee (HK\$)
Воа	rd of Directors	
•	Executive Director Non-executive Director Independent Non-executive Director Chairman	50,000 170,000 220,000 270,000
Aud	lit Committee	
•	Chairman Committee Member	100,000 50,000
Ren	nuneration Committee	
:	Chairman Committee Member	50,000 25,000
Non	mination Committee	
•	Chairman Committee Member	30,000 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 2022.

During the year under review, each of the Trustee-Manager and the Company held four Board meetings. In view of the ongoing COVID-19 pandemic, Board and Board Committee meetings of the Trustee-Manager and the Company were held either by means of telephone conference or video conference during the year. The attendance of individual Directors at all the Board and Board Committee meetings and general meetings held during the year ended 31 December 2022 is set out below:

Number of Meeting(s) Attended/Eligible to Attend in 2022

Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	2022 AGM	EGM
Non-executive Directors						
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
Attendance Rate	100%	-	100%	100%	100%	100%
Executive Directors						
Brett Stephen BUTCHER (Chief Executive Officer) Attendance Rate	4/4 100 %	-	-	-	1/1 100 %	1/1 100 %
Independent Non-executive Directors	100%				100 /0	100 //
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
Attendance Rate	100%	100%	100%	100%	100%	100%
Overall Attendance Rate	100%	100%	100%	100%	100%	100%

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

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
- structured internal audit function to perform (e) 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 2022.

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 2022 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 2022.

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 112 to 116 and pages 182 to 184 respectively of this Annual Report.

Auditor's Remuneration

During the year ended 31 December 2022, 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:

	For the year ended 31 December 2022	
Services rendered	Trust Group Trustee-Mai HK\$'000 HK	
Audit services	1,414	20
Non-audit services		
Interim review fee	386	-
Other review fees including continuing connected transactions review, etc	98	2
Total:	1,898	22

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\$1,414,000 and HK\$20,000 respectively and do not include the fees in respect of non-audit services.

INVESTOR RELATIONS

Constitutional Documents

At the EGM of the Trust and the Company held on 12 May 2022, the Trust Deed and the Company's Articles were amended by the approval of the Holders of Share Stapled Units. Updated versions of the Trust Deed and the Company's Articles 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 Board 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) 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.

During the year 2022, the Board 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 Board is of the view that the Unitholder Communication Policy is effective.

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. In light of the continuous development of COVID-19, the Trust and the Company implemented a number of precautionary measures for the 2022 AGM and the EGM, including distant seat arrangement and restricting the number of Unitholders at the meeting venue.

The 2022 AGM of the Trust and the Company was held on 12 May 2022 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 2021, the audited Financial Statements of the Trustee-Manager for the year ended 31 December 2021, together with their respective Reports of the Directors and the Independent Auditor.

- Declared a final distribution of HK2.7 cents per Share Stapled Unit for the year ended 31 December 2021.
- Re-elected Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander as Non-executive Directors and Mr. Wong Kwai Lam 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").

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 ⁽¹⁾
2017	25/4/2017 to 18/4/2018	20,287,099	0.976
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

Note:

(1) 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 12 May 2022 at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong at which the amendments to the Trust Deed and the Company's Articles were approved.

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.

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.

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 Board 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:
 - the Trust Group's actual and expected cash flow positions and financial performance;
 - projected capital expenditure, future expansion plans and growth opportunities;
 - 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 Board deems appropriate.

The Board 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 Board may at its sole discretion declare the payment of distributions to Unitholders as it deems appropriate.

The distribution policy and the declaration and/or payment of distributions under this policy are subject to the Board's 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 Board will continually review the distribution policy and reserves the right in its 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.

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 Board 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 2022. 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 2022 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 2022.

DIRECTORS' AND OFFICERS' INSURANCE

During the year ended 31 December 2022, 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.

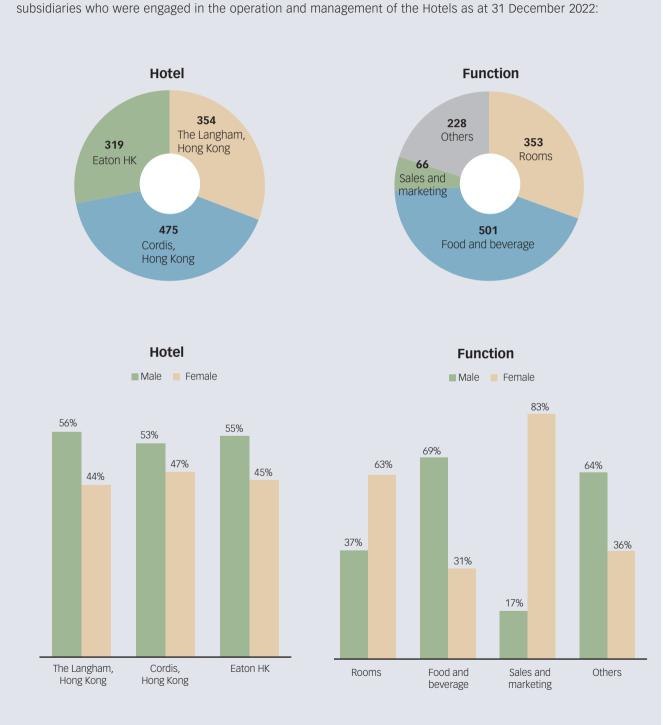
PUBLIC FLOAT

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.

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 2021, there is an increase of 81 headcounts as at 31 December 2022.

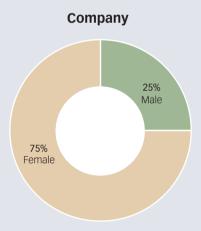
The following charts show the breakdown and composition of the employees of the Hotel Manager and its subsidiaries who were engaged in the operation and management of the Hotels as at 31 December 2022:



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:



HIGH STANDARDS OF CORPORATE GOVERNANCE

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 Board regularly evaluates and looks for improvements in the governance approach to respond to changes, and to ensure that it is relevant and aligned with best practices. Good corporate governance practice is key to the long-term success of the Trust and the Company in an ever-evolving business landscape. The Board believes 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.

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 2022.

The Trustee-Manager Board also presents its audited financial statements of the Trustee-Manager for the year ended 31 December 2022.

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 2022 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 26 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 it 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.

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. The Variable Rent payable under the Master Lease Agreements is expected to constitute the majority of the Trust Group's total revenue and will vary according to the level of Gross Operating Profit before deduction of the Global Marketing Fee of each Hotel. The basis for calculating the amount of Variable Rent payable only applied until 31 December 2019. Thereafter the Variable Rent is calculated on a basis determined by an independent professional property valuer that is appointed by the Company.

In 2019, the Company appointed an independent professional property valuer, Vigers (the Valuer), acting as an expert and not as an arbitrator, 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 1 January 2020 to 31 December 2023.

Based on the Valuer's Rental Review, in accordance with the provisions in the Master Lease Agreements, it was determined that the market rental package for the Hotels for the period 1 January 2020 to 31 December 2023 is comprised of (i) a Base Rent being fixed at HK\$225 million per annum under the Master Lease Agreements, and (ii) a Variable Rent of 70% of the Hotels' aggregate Gross Operating Profit before deduction of Global Marketing Fees payable by each of the Hotel Companies on an annual basis. The market rental package of the Hotels for the period 1 January 2020 to 31 December 2023 is the same as that of the last period ended 31 December 2019. Under the Master Lease Agreements, a further rental review will be performed for the period starting 1 January 2024 until the remaining term of the Master Lease Agreements.

The Master Lease Agreements will terminate in the event the Valuer determines that the Variable Rent payable under the Master Lease Agreements for the period from 1 January 2024 for the duration of the remaining term of the Master Lease Agreements, shall be calculated on the basis of less than 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies, and approval of independent Holders of Share Stapled Units is not obtained when the Company re-complies with the relevant Listing Rules requirements in respect of the Master Lease Agreements. Termination or nonrenewal of a Master Lease Agreement may have material adverse effects on our business, operations, financial condition and prospects as it would result in us ceasing to enjoy the guaranteed minimum revenue payable as Base Rent under the Master Lease Agreement and therefore increase our exposure to the Hotels' actual financial performance. There can be no guarantee that we could enter into alternative leasing arrangements on similar terms as the Master Lease Agreements or at all, or 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. It may also be difficult to enter into alternative leasing arrangements on similar terms to the Master Lease Agreements if the Master Lessee is not also the Hotel Manager.

In addition, we may be required to pay damages to the Master Lessee for the termination of a Master Lease Agreement.

There can be no assurance that the Variable Rent will be consistent from year to year. Variable Rent fluctuations depend on the actual performance of the Hotels. The Trust Group's ability to comply with the interest cover covenant under the loan agreements will be adversely affected in the absence of Variable Rent. 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.

Hotel Operations

A substantial portion of the Trust Group's revenue is derived from Variable Rent which is exposed to the underlying performance of the Hotels. Since hotel guests are short-term occupants of hotel rooms, they are generally not committed to contracts of mediumterm or long-term rental payment. Consequently, a hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to factors including seasonality, social stability, politics, natural hazards, viral epidemics and economic conditions as well as the nature of hotel business.

In this respect, the Trust Group regularly assesses changes in the economic environment and is alert to market needs and competitors' responses. The management closely monitors the Hotels' performance and booking pace, and also promptly reviews and develops different marketing strategies in response to sudden events or unexpected situations such as social unrest, viral epidemics and geopolitical tensions in various parts of the world, which may impede overall recovery.

Prolonged COVID-19 Pandemic

The continuation of the COVID-19 pandemic and the emergence of the Omicron variant continued to present unprecedented challenges to the global economy throughout 2022. In Hong Kong, the hospitality industry, which greatly depends on the tourism sector, was constantly plagued by strict pandemic restrictions. Repeated fluctuations in the number of confirmed cases meant that there was a great deal of uncertainty over the pace of recovery for the hospitality industry, slowing down the speed at which the Hong Kong Government relaxed restriction measures. The Trust Group proactively repositioned its hospitality service operating modes in order to stabilise the Hotels' occupancy and average room rate and to cope with any challenges. In all, it has strived to maintain stability of the Trust Group's operations in Hong Kong.

Despite a steady improvement in the COVID-19 situation, the pandemic will continue to contribute to a prolonged global economic crisis or recession, and to disrupt the Trust Group's business operations. This will pose material adverse effects on the Trust Group's financial condition, operations and growth prospects. It is anticipated that even after full resumption of normal travel, it will still take a long time for tourists to come back to Hong Kong in large numbers and for the economy to fully recover.

Currently there is no clarity as to how long Hong Kong's hospitality sector, the domestic economy or the global economy will continue to be impacted by the effects of the COVID-19 pandemic or as to how severe those impacts will be. It is expected that economic growth and consumer confidence will take a significant time to recover.

The Trust Group will continue to keep closely monitoring developments and focus on diligently tackling all upcoming challenges.

Hong Kong's Hospitality Industry

The Hong Kong hospitality industry has been, and will continue to be, significantly impacted by fluctuations on the number of potential customers travelling to Hong Kong and is closely linked to the development of tourist activity here. Their desire 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. 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.

The attractiveness of Hong Kong to corporations and firms and their employees and associated business-related travel are influenced by economic conditions, the political and economic stabilities of Hong Kong and China, Hong Kong's regulatory, legal, tax and financial framework, Hong Kong's environment, levels of pollution, transport, infrastructure and other amenities. 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 Trust Group's revenue from Variable Rent relies heavily and mainly on the inflow of tourists to Hong Kong. The performance of the Hotels was negatively impacted by the fifth wave of the COVID-19 pandemic.

In response, the Trust Group launched numerous promotional staycation packages with innovative ideas to capture demand and increasing its share in the staycation market. The Langham, Hong Kong and Cordis, Hong Kong participated as Community Isolation Facilities ("CIF") or quarantine hotels ("Q-Hotels") under the CIF Scheme for several months in 2022 in order to utilise idle hotel rooms. In the near future, the Trust Group will continue to adopt its Active Asset Management Strategy to continue to boost the Hotels' business volume and results.

After the Government gradually lifted various pandemic-related inbound control measures, Hong Kong recorded a dramatic increase in the number of visitor arrivals. According to statistics provided by the Hong Kong Tourism Board, the number of visitors to the city rose to 600,000 in 2022. The Hotels will actively launch more promotions to attract overseas tourists while continuing to maintain their marketing focus on the domestic market.

Over the past three years, the pandemic has caused severe disruption to the hospitality business and it is expected that recovery will take some time. In addition, labour scarcity in the sector and the possibility of rising operating expenses may have an impact on the Hotels' profitability. The Trust Group will work diligently in this highly challenging environment to deliver overall improved operating results.

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 severs 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.

Environmental and Climate

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. To further increase our commitment, the Trust Group devised a new Climate Leadership Strategy with an aim to transform the Trust Group into an adaptive and collaborative team that thrives amid the acceleration of climate change

impacts. Our Sustainability and Environmental Policies commit to minimize significant impacts on nature and the environment, identify and mitigate climate-related issues and continuously improve the environmental performance of our operations. Significant environmental impacts of the Trust Group's business include energy and water consumption and carbon emissions. Various mitigation measures including energy and water saving projects, waste reduction measures and employee education initiatives were implemented to minimise our impacts to the environment and to ensure sustainable assets and operations in order to work towards our 2045 net-zero roadmap. 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 32 to 51 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.

Hotels' Valuation

The Hotels are classified as investment properties of the Trust Group in the financial statement. The Trust Group is required by Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants, to reassess the fair value of its investment properties at each reporting date for which it issues financial statements. The amount of revaluation adjustments will be subject to market fluctuations. 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 loanto-value covenant, and may also lead to an adverse market perception of the performance of its business, even though such losses are not realised.

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

Fair value gains (or losses) will not change the cash position of the Trust Group as long as the relevant investment properties are held by it and therefore do not increase or decrease its liquidity in spite of the increased or decreased profit. Therefore, fair value gains would not generate a flow of funds from which distributions could be paid.

Material downward valuation adjustments could materially and adversely affect the Trust Group's financial condition, financing requirements and prospects.

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 Hotels may occasionally need to undergo renovation work to maintain their appeal and may also require ad hoc maintenance or repairs in respect of faults or problems or because of new planning laws or regulations. Such repairs, redevelopment or renovation of the Hotels may have a material effect on our ability to attract hotel guests and customers for our catering business and restaurants and in some circumstances may require the partial closure of a hotel or the restaurants or other facilities within that hotel. As a result, during the period of any such repairs, redevelopment or renovation, the Trust Group may experience a reduction in the occupancy rate and/or RevPAR of the Hotels and/or the number of customers using our restaurants and catering facilities.

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.

Stability of Distributions

The Great Eagle Group had agreed, under the Distribution Entitlement Waiver Deed, to waive its entitlement to receive any distributions payable in respect of certain numbers of Share Stapled Units for the period ended 31 December 2017. The Distribution Waiver elevated the distribution of Share Stapled Units in respect of which distributions have not been waived to a level that is higher than would otherwise be the case based solely on the Trust Distributable Income. The Distribution Entitlement Waiver Deed expired at the end of 2017. Pursuant to the Hotel Management Agreements and the Trademark Licence Agreements, the fees payable thereunder 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. 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.

We had sought the approval from the independent Holders of Share Stapled Units to grant a specific mandate relating to the issue of Share Stapled Units as payment of the Manager Fees under the Hotel Management Agreements and the Trademark Licence Agreements on 12 May 2021. Unless otherwise requested by the Hotel Manager in writing in accordance with the provisions of the Hotel Management Agreements and Trademark Licence Agreements, fees payable thereafter for the three years ending 31 December 2023 shall be settled by way of the issue of Share Stapled Units.

The Active Asset Management Strategy as mentioned above, has been adopted with the aim of further enhancing the financial performance of the Trust Group.

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.

Distribution per Share Stapled Unit

The Trustee-Manager Board and the Company Board have recommended the payment of a final distribution of HK2.9 cents per Share Stapled Unit for the year ended 31 December 2022 to Holders of Share Stapled Units whose names appear on the Share Staples Units Register on 23 May 2023. Subject to the approval of the Holders of Share Stapled Units at the forthcoming 2023 AGM, the payment of the final distribution will be made on 6 June 2023.

FINANCIAL SUMMARY

A summary of the results and of the assets and/or liabilities of the Trust Group is set out on page 193 of this Annual Report.

MOVEMENTS IN RESERVES

Details of the movements in the reserves of the Trust Group during the year ended 31 December 2022 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 2022 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 2022 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 2022 are set out in the Schedule of Investment Properties on page 192 of this Annual Report.

ISSUED SHARE STAPLED UNITS

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

Date	Particulars	No. of Share Stapled Units
31 December 2021	Total number of issued Share Stapled Units	3,240,973,711
2 March 2022	Issue of new Share Stapled Units at the price of HK\$0.879 pe Share Stapled Unit as payment of the Hotel Management Fees and Licence Fees (collectively the "Hotel Manager's Fees") to the Hotel Manager of approximately HK\$13,051,000 for the second half of 2021) · · · · · · · · · · · · · · · · · · ·
26 August 2022	Issue of new Share Stapled Units at the price of HK\$0.932 pe Share Stapled Unit as payment of the Hotel Manager's Feet to Hotel Manager of approximately HK\$16,462,000 for the firs half of 2022	5
31 December 2022	Total number of Issued Share Stapled Units	3,273,483,079

BUY-BACK, SALE OR REDEMPTION OF SHARE STAPLED UNITS

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

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

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 2022 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. Brett Stephen Butcher, Mr. Lo Chun Lai, Andrew and Professor Lin Syaru, Shirley shall retire from office at the 2023 AGM and, being eligible, offer themselves for re-election.

DIRECTORS', KEY EXECUTIVE AND COMPANY SECRETARY'S BIOGRAPHIES

The biographical details of the Directors of the Trustee-Manager and the Company, and key executive and company secretary of the Company are set out on pages 27 to 31 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 2022, 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.

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

As at 31 December 2022, 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 ⁽²⁾	Total
Lo Ka Shui	Beneficial Owner Interests of Controlled	Personal Interests	31,584,000	0.96)
	Corporations Settlor and a Member of the Advisory Committee and Management Committee	Corporate Interests	2,284,577,001 ⁽¹⁾	69.79)))
	of a Charitable Trust	Trust Interests	90,010,250	2.75) 73.50
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 2,284,577,001 Share Stapled Units comprise the following:
 - (i) 2,281,487,001 Share Stapled Units respectively held by LHIL Assets Holdings Limited as to 2,141,348,501 Share Stapled Units (65.41%), Fine Noble Limited as to 87,894,750 Share Stapled Units (2.69%) and Great Eagle Nichemusic Limited as to 8,947,500 Share Stapled Units (0.27%) and The Great Eagle Company, Limited as to 43,296,250 Share Stapled Units (1.32%), 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 98; 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 3,273,483,079 Share Stapled Units of the Trust and the Company in issue as at 31 December 2022.

Long Positions in Shares and Underlying Shares of Associated Corporations

Great Eagle

As at 31 December 2022, Great Eagle owned 69.70% 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 2022 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital ⁽⁶⁾		Total
Lo Ka Shui	Beneficial Owner Interests of Controlled Corporations Discretionary Beneficiary of a Discretionary Trust Founder of a	Personal Interests Corporate Interests Discretionary Trust Interests	64,930,835 ⁽¹⁾ 95,918,364 ⁽²⁾ 254,664,393	8.68 12.83 34.06))))	44.00
Brett Stephen Butcher	Beneficial Owner Beneficial Owner and Jointly with Spouse	Personal Interests Joint Interests	65,866,676 757,000 ⁽³⁾ 31,433	0.10 0.00)))	0.10
Lo Chun Him, Alexander Lo Chun Lai, Andrew	Beneficial Owner	Personal Interests Personal Interests	1,203,488 ⁽⁴⁾ 652,000 ⁽⁵⁾	0.16		0.16

Notes:

- (1) Among these interests, 3,378,000 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, 705,000 were share options.
- (4) Among these interests, 1,075,000 were share options.
- (5) Among these interests, 152,000 were share options.
- (6) This percentage has been compiled based on 747,723,345 shares of Great Eagle in issue as at 31 December 2022.

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 2022, Great Eagle owned 68.28% 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 2022 are disclosed as follows:

Name of Director	Capacity	Nature of Interests	Number of Units/ Underlying Units Held	Percentage of Issued Units ⁽²⁾		Total
Lo Ka Shui	Beneficial Owner Interests of Controlled	Personal Interests	3,592,007	0.06)	
	Corporations Settlor and a Member of the Advisory Committee and Management Committee	Corporate Interests	4,082,056,964 ⁽¹⁾	68.33)))	
	of a Charitable Trust	Trust Interests	10,061,000	0.17)	68.56

Notes:

- (1) These 4,082,056,964 units comprise the following:
 - (i) 4,078,798,354 units (68.28%) 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 98; 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 5,973,675,590 units of Champion REIT in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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.

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. In 2022, Great Eagle has rebranded one of its properties located in Wanchai, Hong Kong, from Eaton

Residences to Ying'nFlo as a hotel brand operating hospitality business which targets at securing management contracts in the Mainland.

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

As for daily operation, the Executive Director and Chief Executive Officer of the Trustee-Manager and the Company is primarily responsible for the overall dayto-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

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.

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 the Chief Executive Officer of the hotel asset management arm of Great Eagle and the 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 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.

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 31 December 2022 (HK\$'000)
1.	Master Lease Agreements ^(a) – Base Rent – Variable Rent ^(b)	225,000 148,856
2.	Hotel Management Agreements (a)(b)(c) – Base fee – Incentive fee	14,558 8,884
3.	Centralised Services and Marketing Agreements ^{(a)(b)} – Reimbursement of Cost ^(d) – Global Marketing Fee – Reservation fees ^(d)	8,330 10,704 4,439
4.	Trademark Licence Agreements (a)(b)(c)	9,706

Notes:

- Obtained waiver from the requirements of making announcement and/or obtaining independent Holders of Share Stapled (a) Units' approval.
- Obtained waiver from the requirement to set a monetary cap. (b)
- Obtained approval from independent Holders of Share Stapled Units to settle the fees payable for the three financial years (C) ending 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.

Master Lease Agreements – three separate 1. 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 two retail 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 all responsibilities as "owner" under the Hotel Management Agreements and bears all operating expenses in respect of the Hotels (other than payment of the Hotel Management Fees, the License Fee, the Global Marketing Fee, etc), and delegates the management and operations obligations to the Hotel Manager of the respective Hotels on 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 million per annum (pro rata for any period of less than one year) and a variable rent for the whole term. Until 31 December 2019, the variable rent was 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.

The basis for calculating the amount of Variable Rent payable only applied until 31 December 2019 and thereafter the Variable Rent will be calculated on a basis to be determined by an independent property valuer, to be appointed by the Company. In 2019, the Company appointed an independent property valuer, Vigers, acting as an expert and not as an arbitrator, 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 2020 to 31 December 2023.

Based on the Rental Review of the Valuer in accordance with the provisions in the Master Lease Agreements, the Valuer determines that the market rental package for the Hotels for the period from 1 January 2020 to 31 December 2023 is comprised of (i) a Base Rent being fixed at HK\$225 million per annum under the Master Lease Agreements, and (ii) a Variable Rent being 70% to the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fees payable by each of the Hotel Companies on an annual basis as determined by Vigers. The market rental package of the Hotels for the period from 1 January 2020 to 31 December 2023 is the same as the one of the last period ended 31 December 2019. Under the Master Lease Agreements, a further rental review will be performed for the period from 1 January 2024 for the remaining term of the Master Lease Agreements. In the event that the independent property valuer determines that the Variable Rent payable under the Master Lease Agreements for such periods shall be calculated on the basis of less than 70% of the Hotels' aggregate Gross Operating Profit before deduction of the Global Marketing Fee payable, the Company shall re-comply with the reporting announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of Master Lease Agreements.

An annual cap in respect of the base rent payable by the Master Lessee to the Lessors under the Master Lease Agreements is HK\$225 million. The cap for the variable rent under the Master Lease Agreements is determined by reference to the formulae for determining the variable rent.

2. **Hotel Management Agreements** – three separate hotel management agreements each dated 10 May 2013 entered into among 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 whollyowned 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 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 relevant Listing Rules requirements 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% 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 entered into among 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 reservations services and certain hotel specific services of 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 requirements 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 relevant Listing Rules requirements at the relevant time. Each of the Centralised Services and Marketing Agreements shall be co-terminous 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.
- Global Marketing Fee: a fixed percentage of 2% 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 materialized reservation, depending on means through which 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.

Trademark Licence Agreements – three separate trademark licence agreements each dated 10 May 2013 entered into among each Hotel Company, the Hotel Manager as the Licensor, the Master Lessee, the Trustee-Manager and the Company.

> Pursuant to the Trademark Licence Agreements, the Licensor has agreed to grant non-exclusive and nontransferable 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 relevant Listing Rules requirements 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 relevant Listing Rules requirements 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% of the total revenue of the relevant Hotel.

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

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 Management Agreements and the Trademark Licence 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 Management Agreements and the Trademark Licence 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 whollyowned 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.

An ordinary resolution to grant a specific mandate relating to the issue of Share Stapled Units as payment of the Manager Fees under the Hotel Management Agreements and the Trademark Licence Agreements for the three financial years ending 31 December 2023 was approved by independent Holders of Share Stapled Units. For details of the special mandate, please refer to the circular to the Holders of Share Stapled Units dated 12 March 2021. Unless otherwise requested by the Hotel Manager in writing pursuant to the Hotel Management Agreements and Trademark Licence Agreements, the fees payable therefrom for the three financial years ending 31 December 2023 shall be settled by way of the issue of Share Stapled Units.

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

Management Agreements and the Trademark Licence Agreements, during the period from the Listing Date until 31 December 2017.

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 ending 31 December 2022.

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 2022. 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 2022 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 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "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. A copy of the auditor's letter has been provided by the Trustee-Manager and the Company to the Stock Exchange.

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.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, 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.

INTERESTS OF SUBSTANTIAL HOLDERS' OF SHARE STAPLED UNITS

As at 31 December 2022, 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 ⁽³⁾
Great Eagle Holdings Limited	2,281,487,001(1)	69.70
LHIL Assets Holdings Limited	2,141,348,501	65.41
HSBC International Trustee Limited	2,228,707,160(2)	68.08

Notes:

- (1) These 2,281,487,001 Share Stapled Units were indirectly held by Great Eagle through its wholly-owned subsidiaries in the following manner:
 - the same parcel of Share Stapled Units held by LHIL Assets Holdings Limited as disclosed in the above table; (i)
 - (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
 - 43,296,250 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 14 September 2020) 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 2022.
- This percentage has been compiled based on 3,273,483,079 Share Stapled Units of the Trust and the Company in issue as at (3)31 December 2022.

Save as disclosed above, as at 31 December 2022, no person (other than Directors of the Trustee-Manager and the Company whose interests are set out on page 97) 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.

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 2022, the combined value of the Trust Group's contracts with its five largest suppliers, which were not of a capital nature, was about 68.6% of the total value of supplies purchased. Purchase from the largest supplier was 45.0%. Among these five largest suppliers, three of them are wholly-owned subsidiaries of Great Eagle, a substantial Unitholder which indirectly owned 69.70% interest in the Trust and the Company as at 31 December 2022.

Total rental income under the adoption of HKFRS15 of the Trust Group for the year ended 31 December 2022 amounted to HK\$332,106,000, 99.4% 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 11 May 2023.

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.

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 2022, 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 52 to 86 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 27 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 32 to 51 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, 20 February 2023

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Deloitte.



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 117 to 181 (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 2022, 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 significant accounting policies.

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 2022, 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.

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 2022, the Trust Group and the Group's investment properties, comprising The Langham, Hong Kong, Cordis, Hong Kong and Eaton HK, amounted to HK\$14,685 million and represented 98% of the Trust Group and the Group's total assets. Increase in fair value of investment properties of approximately HK\$218 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 professional 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.

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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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.

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 20 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TRUST AND OF THE COMPANY

For the year ended 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	6	332,106	224,352
Property related expenses		(18,353)	(20,737
Net property income		313,753	203,615
Other income	8	3,581	1,863
Increase (decrease) in fair value of investment properties	18	218,416	(475,383
Change in fair value of derivative financial instruments		83,085	61,970
Administrative and other expenses		(12,590)	(13,763
Finance costs	9	(145,111)	(115,520
Profit (loss) before tax		461,134	(337,218
Income tax expense	10	(41,573)	(9,344
Profit (loss) and total comprehensive income (expense) for the year attributable to holders			
of Share Stapled Units	13	419,561	(346,562
Earnings (loss) per Share Stapled Unit			
Basic and diluted	16	HK13 cents	(HK11 cents

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

At 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets Property, plant and equipment Investment properties Deposits	17 18 19	2,040 14,685,000 5,277	1,611 14,407,000 5,009
		14,692,317	14,413,620
Current assets Debtors, deposits and prepayments Derivative financial instruments Tax recoverable Bank balances	19 20	13,022 72,143 - 245,149	19,676 - 98 179,182
		330,314	198,956
Current liabilities Creditors, deposits and accruals Derivative financial instrument Secured bank loans due within one year Lease liabilities due within one year Tax payable	21 20 22 23	45,651 - 6,306,416 1,067 44,423	38,766 5,641 327,000 1,648 44,390
		6,397,557	417,445
Net current liabilities		(6,067,243)	(218,489
Total assets less current liabilities		8,625,074	14,195,131
Non-current liabilities Derivative financial instruments Secured bank loans due after one year Lease liabilities due after one year Deferred tax liabilities	20 22 23 24	14,306 - 875 448,940	19,607 5,968,166 41 407,531
		464,121	6,395,345
NET ASSETS		8,160,953	7,799,786
Capital and reserves Issued capital/units Reserves	25	3,273 8,157,680	3,241 7,796,545
TOTAL EQUITY		8,160,953	7,799,786

The consolidated financial statements on pages 117 to 181 and the statement of financial position and reserves of the Company on pages 164 and 165 were approved and authorised for issue by the Board of Directors on 20 February 2023 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 OF THE COMPANY

For the year ended 31 December 2022

	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 2021 Loss and total comprehensive	3,225	8,353,041	(11,562,543)	1,155	12,598,157	(1,263,438)	8,129,597
expense for the year Recognition of equity-settled	_	-	_	-	-	(346,562)	(346,562)
share based payments Issue of Share Stapled Units	-	-	-	24	-	_	24
(note 25)	16	16,711	-	-	-	-	16,727
At 31 December 2021	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

Notes:

- Under the Cayman Islands Companies Act, the share premium of the Company is available for distribution. (a)
- Pursuant to a group reorganisation in May 2013, certain businesses were transferred to the Groups (as defined in note 2). (b) 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.
- 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 OF THE COMPANY

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Operating activities		
Profit (loss) before tax	461.134	(337,218
Adjustments for:	401,104	(007,210
Hotel management fees and licence fee payable in		
form of Share Stapled Units	33.148	20,550
Change in fair value of derivative financial instruments	(83,085)	(61,970
(Increase) decrease in fair value of investment properties	(218,416)	475,383
Interest expense	132,809	103,450
Interest income	(2,890)	(628
Depreciation on property, plant and equipment	1,208	1,873
Loan front-end fee amortisation	11,250	11,250
Recognition of share-based payments	-	24
Gain on disposal of property, plant and equipment	(84)	_
Operating cash flows before movements in working capital	335,074	212,714
Decrease (increase) in debtors, deposits and prepayments	7,842	(12,911
Decrease in creditors, deposits and accruals	(34)	(7,399
Cash generated from operations	342,882	192,404
Interest paid	(126,272)	(105,437
Hong Kong Profits Tax (paid) refunded	(33)	2,830
Net cash from operating activities	216,577	89,797

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

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Investing activities		
Investing activities Additions of investment properties	(63,047)	(67,862
Additions of property, plant and equipment	(138)	(07,002
Interest received	1,702	603
Withdrawal of restricted bank balance	_	41,000
Net cash used in investing activities	(61,483)	(26,259
Financing activities		
Repayment of bank loans	-	(100,000
Distribution paid	(87,907)	-
Repayment of lease liabilities	(1,162)	(1,866
Interest paid for leases	(58)	(103
Cash used in financing activities	(89,127)	(101,969
Net increase (decrease) in cash and cash equivalents	65,967	(38,431
Cash and cash equivalents at the beginning of the year	179,182	217,613
Cash and cash equivalents at the end of the year,		
represented by bank balances	245,149	179,182

For the year ended 31 December 2022

1. **GENERAL INFORMATION**

Langham Hospitality Investments (the "Trust") is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the "Trust Deed"), entered into between LHIL Manager Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the Trust) and Langham Hospitality Investments Limited (the "Company"). The Company is a company incorporated in the Cayman Islands with limited liability. The share stapled units ("Share Stapled Units") structure comprises: (a) a unit in the Trust; (b) a beneficial interest in a specifically identified ordinary share in the Company which is linked to the unit in the Trust and held by the Trustee-Manager as legal owner in its capacity as trusteemanager 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 2022 comprise the consolidated financial statements of the Trust, the Company and its subsidiaries (collectively referred to as the "Trust Group"). The Company's consolidated financial statements for the year ended 31 December 2022 comprise the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

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

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

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

For the year ended 31 December 2022

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to HKFRSs in issue but not vet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) Amendments to HKFRS 10

and HKAS 28

Amendments to HKFRS 16 Amendments to HKAS 1

Amendments to HKAS 1 Amendments to HKAS 1 and HKFRS Practice Statement 2

Amendments to HKAS 8

Amendments to HKAS 12

Insurance Contracts¹

Sale or Contribution of Assets between an Investor and its

Associate or Joint Venture²

Lease Liability in a Sale and Leaseback³

Classification of Liabilities as Current or Non-current

and related amendments to Hong Kong Interpretation 5 (2020)3

Non-current Liabilities with Covenants³ Disclosure of Accounting Policies¹

Definition of Accounting Estimates¹

Deferred Tax related to Assets and Liabilities arising from

a Single Transaction¹

- Effective for annual periods beginning on or after 1 January 2023
- Effective for annual periods beginning on or after a date to be determined
- Effective for annual periods beginning on or after 1 January 2024

Except as described below, the Trustee-Manager and the Directors anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

For the year ended 31 December 2022

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

New and amendments to HKFRSs in issue but not yet effective (continued) Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or noncurrent, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date: and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 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.

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.

For the year ended 31 December 2022

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

New and amendments to HKFRSs in issue but not vet effective (continued) Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" (continued)

The application of the amendments is not expected to have significant impact on the financial position or performance of the Groups but may affect the disclosures of the Groups' significant accounting policies. The impacts of application, if any, will be disclosed in the Groups' future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

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 – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Groups' consolidated financial statements.

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

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\$6,690,000,000 after considering the existing relationships with the banks; the compliance of financial covenants records; and the investment properties of the Groups to be pledged.

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

For the year ended 31 December 2022

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

Basis of preparation of consolidated financial statements (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Groups take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for sharebased payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases" ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 guoted 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 Significant accounting policies 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.

For the year ended 31 December 2022

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

Significant accounting policies (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.

Revenue from contracts with customers

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or 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 good or service.

For the year ended 31 December 2022

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

4.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Principal versus agent

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

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

The Groups are agents if the Groups' performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Groups do not control the specified good or service provided by another party before that good or 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 goods or services to be provided by the other party.

Property, plant and equipment

Property, plant and equipment including furniture and fixtures in the supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

For the year ended 31 December 2022

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

Significant accounting policies (continued) 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.

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;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Groups; and
- an estimate of costs to be incurred by the Groups in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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.

For the year ended 31 December 2022

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

Significant accounting policies (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;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Groups under residual value guarantees;
- the exercise price of a purchase option if the Groups are reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Groups exercising an option to terminate the lease.

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

The Groups remeasure lease liabilities (and makes a corresponding adjustment to the related rightof-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

For the year ended 31 December 2022

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

Significant accounting policies (continued) Leases (continued)

The Groups as lessee (continued)

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 standalone 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.

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 nonlease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

For the year ended 31 December 2022

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

Significant accounting policies (continued) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Groups' estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Groups revise their estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered the service entitling them to the contributions.

For the year ended 31 December 2022

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

Significant accounting policies (continued) Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the service. All short-term employee benefits are recognised as an expenses unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised in respect for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit (loss) 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Groups are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

For the year ended 31 December 2022

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

Significant accounting policies (continued) Taxation (continued)

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities. the Groups apply HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

For the year ended 31 December 2022

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

Significant accounting policies (continued) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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 the year ended 31 December 2022

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

Significant accounting policies (continued) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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.

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.

For the year ended 31 December 2022

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

Significant accounting policies (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") (continued)

(j) Significant increase in credit risk

> In assessing whether the credit risk has increased significantly since initial recognition, the Groups compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Groups consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

> In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Groups presume that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Groups have reasonable and supportable information that demonstrates otherwise.

For the year ended 31 December 2022

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

Significant accounting policies (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") (continued)

Definition of default

For internal credit risk management, the Groups consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Groups, in full (without taking into account any collaterals held by the Groups).

Irrespective of the above, the Groups consider that default has occurred when a financial asset is more than 90 days past due unless the Groups have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets (iii)

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; (a)
- a breach of contract, such as a default or past due event; (b)
- the lender(s) of the borrower, for economic or contractual reasons relating to the (C) borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy (iv)

The Groups write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Groups' recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

For the year ended 31 December 2022

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

Significant accounting policies (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") (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forwardlooking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Groups in accordance with the contract and the cash flows that the Groups expect to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Groups recognise an impairment gain or loss in profit or loss for all financial instruments and other items by adjusting their carrying amount, with the exception of receivable from Master Lessee and lease receivable where the corresponding adjustment is recognised through a loss allowance account, if any.

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.

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.

For the year ended 31 December 2022

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

Significant accounting policies (continued) Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Groups apply the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

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.

For the year ended 31 December 2022

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION **5**. 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.

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\$14,685,000,000 (2021: HK\$14,407,000,000) 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.

For the year ended 31 December 2022

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

Key sources of estimation uncertainty (continued)

Fair values of investment properties (continued)

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 taking into consideration the impact of Covid-19. 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.

6. **REVENUE**

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

Note: Included in rental income from Master Lessee, service fees income of HK\$43,852,000 (2021: HK\$24,386,000) has been netted with the same amount of the corresponding service fees expenses. Details are set out in note 35(a).

For the year ended 31 December 2022

SEGMENT INFORMATION 7.

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

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

Segment revenue and results

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

2022

	The Langham, Hong Kong HK\$'000	Cordis, Hong Kong HK\$'000	Eaton HK HK\$'000	Segment total HK\$'000	Reconciliation HK\$'000 (Note)	Consolidated HK\$'000
Segment revenue	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 Increase in fair value of investment properties Change in fair value of derivative financial instruments Administrative and other expenses Finance costs						3,581 218,416 83,085 (12,590) (145,111)
Profit before tax Income tax expense						461,134 (41,573)
Profit for the year attributable to holders of Share Stapled Units						419,561

For the year ended 31 December 2022

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

2021

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

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

Segment assets and liabilities

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

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

Geographical information

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

Information about major customers

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

For the year ended 31 December 2022

8. **OTHER INCOME**

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

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

9. **FINANCE COSTS**

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

For the year ended 31 December 2022

10. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current tax:		
Hong Kong Profits Tax:		
Current year	183	149
Overprovision in prior years	(19)	(99)
	164	50
Deferred tax (note 24):		
Current year	41,424	9,247
(Over)underprovision in prior years	(15)	47
	41,409	9,294
	41,573	9,344

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 (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK\$'000	2021 HK\$'000
Profit (loss) before tax	461,134	(337,218)
Tax at Hong Kong Profits Tax rate of 16.5% Tax effect of expenses not deductible for tax purposes Tax effect of income not taxable for tax purposes Overprovision in prior years Others	76,087 6,643 (50,666) (34) 9,543	(55,641) 90,686 (25,649) (52)
Tax charge for the year	41,573	9,344

For the year ended 31 December 2022

11. TOTAL DISTRIBUTABLE INCOME

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

	2022 HK\$'000	2021 HK\$'000
Profit (loss) for the year attributable to holders of Share		
Stapled Units	419,561	(346,562)
Adjustments:		
Depreciation	1,208	1,873
Deferred tax	41,409	9,294
Loan front-end fee amortisation	11,250	11,250
Hotel management fees and licence fee payable in form of		
Share Stapled Units (notes 31 and 35(d))	33,148	20,550
(Increase) decrease in fair value of investment properties	(218,416)	475,383
Change in fair value of derivative financial instruments	(83,085)	(61,970)
Reserve for furniture, fixtures and equipment	(14,558)	(11,296)
Total distributable income	190,517	98,522

For the year ended 31 December 2022

12. DISTRIBUTION STATEMENT

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

Notes:

The interim distribution in 2022 and 2021 were based on total distributable income for the six months ended 30 June 2022 and 2021, respectively.

The final distribution in 2022 and 2021 were based on total distributable income for the year ended 31 December 2022 and 2021, respectively.

For the year ended 31 December 2022

12. **DISTRIBUTION STATEMENT (CONTINUED)**

Notes: (continued)

(b) Interim distribution

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

In order to reserve more funds for operations and conservative capital management, including allowing more leeway for meeting the financial covenants, 50% of the total distribution income was recommended to distribute in respect of the financial year ended 31 December 2022.

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

Final distribution (d)

> Final distribution per Share Stapled Unit of HK2.9 cents (2021: HK2.7 cents) in respect of the financial year ended 31 December 2022 was calculated based on distributable income available for final distribution period of HK\$95,259,000 and 3,273,483,079 Share Stapled Units as at 31 December 2022 (2021: HK\$88,670,000 and 3,240,973,711 Share Stapled Units). Final distribution will be paid to holders of Share Stapled Unit on 6 June 2023.

> In consideration of 14,846,574 Share Stapled Units issued as payment of hotel management fees and licence fee for the six months ended 31 December 2021 on 2 March 2022, the number of Share Stapled Units entitled for final distribution in 2021 had been adjusted to be 3,255,820,285. Total distribution of HK\$87,907,000 in respect of 2021 final distribution period was paid on 7 June 2022.

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

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

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

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

For the year ended 31 December 2022

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2021: seven) directors and the chief executive were as follows:

			2022			2021
-	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
Executive Director and						
Chief Executive						
Mr. Brett Stephen BUTCHER	50	1,999	200	18	2,267	2,191
Non-executive Directors						
Dr. LO Ka Shui	315	-	-	-	315	315
Mr. LO Chun Him Alexander	170	-	-	-	170	170
Mr. LO Chun Lai, Andrew	170	-	-	-	170	170
Independent Non-executive Directors						
Professor LIN Syaru, Shirley	325	-	-	-	325	325
Mr. WONG Kwai Lam	365	-	-	-	365	365
Professor CHAN Ka Keung, Ceajer	340	-	-	-	340	340
	1,735	1,999	200	18	3,952	3,876

Notes:

- (a) 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 (b) 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.

For the year ended 31 December 2022

15. FIVE HIGHEST PAID INDIVIDUALS

The three (2021: 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 two (2021: two) highest paid employees are neither director nor chief executive of the Company. The emoluments of the remaining two (2021: two) individuals are as follow:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits Discretionary bonuses Retirement benefits scheme contributions	1,507 186 43	1,298 220 42
	1,736	1,560
	2022 Number of employees	2021 Number of employees
Bands:		
Nil – HK\$1,000,000 HK\$1,000,001 – HK\$1,500,000	1 1	2 –

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.

For the year ended 31 December 2022

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

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

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

For the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Leased properties HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
COST			
At 1 January 2021 and 31 December 2021	5,329	73	5,402
Additions	2,651	138	2,789
Disposal	(3,952)	(4)	(3,956)
At 31 December 2022	4,028	207	4,235
DEPRECIATION			
At 1 January 2021	1,872	46	1,918
Depreciation	1,866	7	1,873
At 31 December 2021	3,738	53	3,791
Depreciation	1,165	43	1,208
Disposal	(2,800)	(4)	(2,804)
At 31 December 2022	2,103	92	2,195
CARRYING VALUES			
At 31 December 2022	1,925	115	2,040
At 31 December 2021	1,591	20	1,611

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 10% – 20% per annum

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

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18. INVESTMENT PROPERTIES

	2022 HK\$'000	2021 HK\$'000
FAIR VALUE At the beginning of the year Additions Increase (decrease) in fair value recognised in profit or loss	14,407,000 59,584 218,416	14,802,000 80,383 (475,383)
At the end of the year	14,685,000	14,407,000

The fair value of the Groups' investment properties of HK\$14,685,000,000 as at 31 December 2022 (2021: HK\$14,407,000,000) 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 2022 and 2021.

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, taking into consideration of the impact of Covid-19. 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.

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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 8.75% (2021: 8.50%) and average daily rates, which ranged from HK\$842 to HK\$1,596 (2021: HK\$729 to HK\$1,468) 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 (2021: 50 basis points) increase/decrease in discount rate holding all other variables constant.

	2022		2021	
	50 basis points	50 basis points	50 basis points	50 basis points
	increase HK\$'000	decrease HK\$'000	increase HK\$'000	decrease HK\$'000
The Langham, Hong Kong Cordis, Hong Kong Eaton HK	(200,000) (260,000) (130,000)	210,000 280,000 140,000	(210,000) (260,000) (130,000)	220,000 260,000 130,000
	(590,000)	630,000	(600,000)	610,000

Details of the Groups' investment properties and information about the fair value hierarchy as at 31 December 2022 and 2021 are as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2022 HK\$'000
The Langham, Hong Kong Cordis, Hong Kong	- -	_	4,950,000 6,320,000	4,950,000 6,320,000
Eaton HK	-	-	3,415,000	3,415,000
	-	-	14,685,000	14,685,000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2021 HK\$'000
The Langham, Hong Kong	_	_	4,920,000	4,920,000
Cordis, Hong Kong	_	_	6,240,000	6,240,000
Eaton HK		_	3,247,000	3,247,000
	_	_	14,407,000	14,407,000

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.

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DEBTORS, DEPOSITS AND PREPAYMENTS 19.

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

Receivable from Master Lessee and lease receivable 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:

	2022 HK\$'000	2021 HK\$'000
Within 3 months	9,281	17,121

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

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

For the year ended 31 December 2022

DERIVATIVE FINANCIAL INSTRUMENTS 20.

As at 31 December 2022 and 2021, all of the derivative financial instruments are interest rate swaps. The Groups entered into interest rate swap contracts with 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 the year.

Major terms of the interest rate swaps are as follows:

Total notional amount	Maturity	Floating interest rate	Fixed interest rate	Interest period
2022 HK\$5,000,000,000 (Note)	May 2023–December 2025	Hong Kong Interbank Offered Rate ("HIBOR")	0.830%-3.995%	Monthly
2021 HK\$3,200,000,000	June 2022-December 2023	HIBOR	0.830%-2.545%	Monthly

Note: Including two (2021: nil) interest rate swaps with notional amount totaling of HK\$1,300,000,000 (2021: nil) of which have effective dates after the reporting date.

21. CREDITORS, DEPOSITS AND ACCRUALS

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

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CREDITORS, DEPOSITS AND ACCRUALS (CONTINUED) 21.

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

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

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

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

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

SECURED BANK LOANS 22.

	2022 HK\$'000	2021 HK\$'000
Secured term loans Secured revolving loans Loan front-end fee	5,990,000 327,000 (10,584)	5,990,000 327,000 (21,834)
Less: Amount due within one year shown under current liabilities	6,306,416	6,295,166
Amount due after one year shown under non-current liabilities	(6,306,416)	5,968,166

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22. SECURED BANK LOANS (CONTINUED)

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

	2022 HK\$'000	2021 HK\$'000
Within one year More than one year but not exceeding two years	6,306,416 -	327,000 5,968,166
	6,306,416	6,295,166

As at 31 December 2022, the Groups have a banking facility amounted to HK\$6,690,000,000 (2021: HK\$6,690,000,000), including term loans facility amounted to HK\$5,990,000,000 (2021: HK\$5,990,000,000) and revolving loans facility amounted to HK\$700,000,000 (2021: HK\$700,000,000). The bank facility will be expired in December 2023.

Secured term loans of HK\$5,990,000,000 (2021: HK\$5,990,000,000) are variable-rate borrowings, bearing interest at HIBOR plus 0.80% (2021: HIBOR plus 0.88%) per annum and are repayable in one lump sum on maturity date which will fall due in 2023 (2021: 2023). Secured revolving loans of HK\$327,000,000 (2021: HK\$327,000,000) are variable-rate borrowings, bearing interest at HIBOR plus 0.80% (2021: HIBOR plus 0.88%) per annum and are revolving on a monthly basis, of which the related bank facility will expire in December 2023. All bank loans are secured by the Groups' investment properties.

23. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Within one year More than one year but not exceeding two years More than two years but not exceeding three years	1,067 808 67	1,648 41 -
Less: Amount due for settlement within one year show under current liabilities	1,942 (1,067)	1,689 (1,648)
Amount due for settlement after one year show under non-current liabilities	875	41

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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	Fair value of derivative financial instruments HK\$'000	Total HK\$'000
At 1 January 2021	432,887	(34,650)	-	398,237
Charge (credit) to profit or loss	20,859	(11,612)	-	9,247
(Over)underprovision in prior year	(80)	127	-	47
At 31 December 2021	453,666	(46,135) 3,741 258	-	407,531
Charge to profit or loss	28,140		9,543	41,424
(Over)underprovision in prior year	(273)		-	(15)
At 31 December 2022	481,533	(42,136)	9,543	448,940

At the end of the reporting period, the Groups have unutilised tax losses of HK\$255,369,000 (2021: HK\$279,605,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$255,369,000 (2021: HK\$279,605,000) of such losses.

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ISSUED CAPITAL/UNITS 25.

	Number of shares/units	Nominal value HK\$
Authorised: Ordinary shares of HK\$0.0005 each At 1 January 2021, 31 December 2021 and 2022	5,000,000,000	2,500,000
Preference shares of HK\$0.0005 each At 1 January 2021, 31 December 2021 and 2022	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 movement of the number of Share Stapled Units is the same as that of the ordinary shares and preference shares as shown below.

	Number of shares	Nominal value HK\$
Ordinary shares of HK\$0.0005 each (note a)		
At 1 January 2021	3,225,166,738	1,612,583
Issue of ordinary shares as payment of hotel management fees and licence fee (note b) Issue of ordinary shares as payment of hotel management fees	7,323,494	3,662
and licence fee (note b)	8,483,479	4,242
At 31 December 2021	3,240,973,711	1,620,487
Issue of ordinary shares as payment of hotel management fees and licence fee (note b) Issue of ordinary shares as payment of hotel management fees	14,846,574	7,423
and licence fee (note b)	17,662,794	8,832
At 31 December 2022	3,273,483,079	1,636,742

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25. ISSUED CAPITAL/UNITS (CONTINUED)

	Number of shares	Nominal value HK\$
Preference shares of HK\$0.0005 each (note d) At 1 January 2021	3,225,166,738	1,612,583
Issue of preference shares as payment of hotel management fees and licence fee (note b) Issue of preference shares as payment of hotel management	7,323,494	3,662
fees and licence fee (note b)	8,483,479	4,242
At 31 December 2021	3,240,973,711	1,620,487
Issue of preference shares as payment of hotel management fees and licence fee (note b) Issue of preference shares as payment of hotel management	14,846,574	7,423
fees and licence fee (note b)	17,662,794	8,832
At 31 December 2022	3,273,483,079	1,636,742
	2022 HK\$'000	2021 HK\$'000
Issued capital/unit as shown in the consolidated financial statements	3,273	3,241

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ISSUED CAPITAL/UNITS (CONTINUED) 25.

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.
- Details of Share Stapled Units issued for both years as payment of hotel management fees and licence fee are as (b) follows (notes 31 and 35(d)):

Issue date	Relevant period	Issue price HK\$	Aggregate issue price HK\$'000	Number of shares
24 February 2021	1 July 2020 to 31 December 2020	1.2600	9,228	7,323,494
1 September 2021	1 January 2021 to 30 June 2021	0.8840	7,499	8,483,479
2 March 2022	1 July 2021 to 31 December 2021	0.8790	13,051	14,846,574
26 August 2022	1 January 2022 to 30 June 2022	0.9320	16,462	17,662,794

The preference shares issued are components of the Share Stapled Units and have no rights to dividends, distributions (C) 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.

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26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Investment in subsidiaries (Note) Amounts due from subsidiaries	8,158,397	- 7,794,863
	8,158,397	7,794,863
Current assets		
Prepayments Bank balances	431 1,811	431 4,186
	2,242	4,617
Current liability Accruals and other payable	1,214	1,288
Net current assets	1,028	3,329
Non-current liability Amount due to a subsidiary	3,425	2,590
NET ASSETS	8,156,000	7,795,602
Capital and reserves Issued capital Reserves	3,273 8,152,727	3,241 7,792,361
TOTAL EQUITY	8,156,000	7,795,602

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

	Share premium	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 Loss and total comprehensive expense for the year Issue of ordinary and preference shares (note 25)	8,353,041 - 16,711	(230,296) (347,095) –	8,122,745 (347,095) 16,711
At 31 December 2021 Profit and total comprehensive income for the year Distribution paid	8,369,752 - (87,907)	(577,391) 418,792 –	7,792,361 418,792 (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

Note: As at 31 December 2022, investment in subsidiaries amounted to HK\$16 (2021: 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 associates 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.

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28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Derivative financial instruments Interest rate swaps	72,143	-
Financial assets at amortised cost Other receivables Bank balances	1,316 245,149	91 179,182
	246,465	179,273
	318,608	179,273
Financial liabilities		
Derivative financial instruments Interest rate swaps	14,306	25,248
Financial liabilities at amortised cost Trade creditors Construction fee payables Other payables Secured bank loans	17,446 9,355 14,850 6,306,416	13,587 12,550 6,505 6,295,166
	6,348,067	6,327,808
	6,362,373	6,353,056

For the year ended 31 December 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (b)

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 (currency risk and interest rate risk), credit risk and impairment assessment, liquidity risk and risk arising from the interest rate benchmark reform. 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

Currency risk

The Groups have foreign currency bank balances, which expose the Groups to foreign currency risk.

The carrying amounts of the Groups' foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2022 HK\$'000	2021 HK\$'000
Renminbi	2	2
United States dollar	14	14

The Groups manage the foreign currency risk by closely monitoring the movement of the foreign currency rate.

Interest rate risk (ii)

The Group 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/receivefloating 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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Groups' risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

For the year ended 31 December 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued) Market risk (continued)

(ii) Interest rate risk (continued)

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 (2021: 50 basis points) increase or decrease in pay-fixed/receive-floating interest rate swaps and secure 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 (2021: 50 basis points) higher or lower and all other variables were held constant, the Groups' profit for the year (2021: loss for the year) would decrease/increase (2021: increase/decrease) by HK\$668,000 (2021: HK\$76,199,000). 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.

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 2022 and 2021, 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.

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28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued) Credit risk and impairment assessment (continued)

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 counterparties are banks 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 2022 and 2021, no loss allowance provision for the amounts was recognised.

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 nonderivative 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 2022 HK\$'000
Non-derivative financial							
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 Secured bank loans	N/A	14,850	-	-	-	14,850	14,850
– 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

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FINANCIAL INSTRUMENTS (CONTINUED) 28.

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	amount at 31 December 2021 HK\$'000
Non-derivative financial liabilities							
Trade creditors	N/A	13,587	-	-	-	13,587	13,587
Construction fee payables	N/A	9,614	1,149	1,787	-	12,550	12,550
Other payables	N/A	6,505	-	-	-	6,505	6,505
Secured bank loans							
– variable rate	0.94	341,077	42,230	6,042,912	-	6,426,219	6,295,166
		370,783	43,379	6,044,699	_	6,458,861	6,327,808
Lease liabilities	3.85	492	1,190	41	-	1,723	1,689
		371,275	44,569	6,044,740	-	6,460,584	6,329,497

Carrying

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 to 2 years HK\$'000	2 to 5 years HK\$'000	Total Undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
2022 Derivatives net settlement Interest rate swaps	20,873	56,486	(5,134)	(10,368)	61,857	57,837
2021 Derivatives net settlement Interest rate swaps	(8,192)	(17,495)	(1,081)	-	(26,768)	(25,248)

For the year ended 31 December 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued) Interest rate benchmark reform

As listed in notes 20 and 22, several of the Groups' HIBOR derivative financial instruments and bank loans may be subject to the interest rate benchmark reform. The transition is subjected to the negotiation between the Groups and the relevant counterparties.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

The Groups are closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators, risks arising from the interest rate benchmark reform and the progress in completing the transition to alternative benchmark.

(c) Fair values

The fair values of the financial asset and financial liability 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
As at 31 December 2022 Derivative financial instruments Asset		70.442		70.442
Interest rate swaps	_	72,143		72,143
Liability Interest rate swaps	-	14,306	-	14,306

For the year ended 31 December 2022

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements of financial instruments (continued)

Tail value measurements of mar	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2021 Derivative financial instruments Liability Interest rate swaps	-	25,248	-	25,248

There were no transfers between Levels 1 and 2 in the current year.

The following table gives information about how the fair value of the financial asset (liability) are determined (in particular, the valuation techniques and inputs used).

Financial assets (liabilities)		ue as at ember 2021 HK\$'000	Fair value hierarchy	Valuation technique and key inputs
Interest rate swaps classified as non-current	(14,306)	(19,607)	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	(5,641)	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.

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 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 2022, the gross amount of financial assets and financial liabilities that are subject to enforceable master netting arrangements are HK\$72,143,000 (2021: nil) and HK\$14,306,000 (2021: HK\$25,248,000). No deposit was placed with the counterparties.

For the year ended 31 December 2022

PLEDGE OF ASSETS 29.

As at 31 December 2022 and 2021, 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.

RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM 30. FINANCING ACTIVITIES

The table below details changes in the Groups' liabilities and related assets 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 2021	3,555	8,357	6,383,916	87,218	_	6,483,046
Net cash flows	(1,969)	(105,437)	(100,000)	_	_	(207,406)
Interest expense	103	103,347	_	_	_	103,450
Other changes						
Front-end fees amortisation	-	-	11,250	-	_	11,250
Fair value adjustments	-	-	-	(61,970)	-	(61,970)
At 31 December 2021	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 Other changes	58	132,751	-	-	-	132,809
Front-end fees 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

For the year ended 31 December 2022

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 2022 of HK\$33,148,000 (2021: HK\$20,550,000) (note 35(d)), of which HK\$16,462,000 (2021: HK\$7,499,000) was settled by Share Stapled Units. The remaining balance of HK\$16.686.000 (2021: HK\$13.051.000) will also be settled by Share Stapled Units subsequent to the end of the reporting period.

During the year, the Groups entered into new lease agreements for the use of leased properties for 2 to 3 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK\$2,651,000 (2021: nil) and HK\$2,651,000 (2021: nil) respectively.

32. COMMITMENTS

At 31 December 2022, the Groups had authorised capital expenditures for investment properties which were not provided for in these consolidated financial statements amounting to HK\$17,052,000 (2021: HK\$40,642,000) of which HK\$13,610,000 (2021: HK\$30,364,000) were contracted for.

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

OPERATING LEASE COMMITMENTS 33.

The Groups as lessor

Minimum lease payments receivable on leases are as follows:

	2022 HK\$'000	2021 HK\$'000
With Master Lessee		
Within one year	225,000	225,000
In the second year	_	225,000
	225,000	450,000
With other tenant		
Within one year	1,363	1,858
In the second year	224	1,508
In the third year	-	246
	1,587	3,612

For the year ended 31 December 2022

OPERATING LEASE COMMITMENTS (CONTINUED) 33.

The Groups as lessor (Continued)

Leases 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. For the master lease agreements (note 35(a)), the leases 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 fees. 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 will be negotiated with reference to market rental to be determined by independent professional property valuer. It was determined in 2019 that fixed annual based rent of Second Period will remain the same as the First Period and variable rent of Second Period will be calculated as the same basis as that of the First Period. The above minimum lease payments only include fixed annual base rent of the Second Period as the variable rent of the Second Period cannot be determined as of the date of approval of the consolidated financial statements

In addition, for the Third Period, the rentals will be determined by the independent professional property valuer prior to the commencement of the respective periods, which may be subject to approval of unitholders of the Trust and the Company and 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 2022 charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK\$82.000 (2021: HK\$73,000).

CONNECTED AND RELATED PARTY DISCLOSURES 35.

Other than as disclosed in notes 12, 19, 21, 31 and 33, 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.

For the year ended 31 December 2022

35. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

	Notes	2022 HK\$'000	2021 HK\$'000
Rental income Master Lessee	(a)	373,856	246,756
Management fee income Langham Hotels International Limited GE Hospitality Asset Management Limited	(b) (c)	493 -	_ 1,157
Hotel management fees and licence fee Langham Hotels International Limited	(d)	33,148	20,550
Global marketing fee Langham Hotels Services Limited	(e)	10,704	3,836
Property management services fee Keysen Property Management Services Limited	(f)	2,251	1,866
Addition of right-of-use asset/ addition of lease liabilities Moon Yik Company, Limited	(g)	1,520	-
Management fee and air conditioning charge Moon Yik Company, Limited	(g)	114	206
Gain on disposal of right-of-use asset Moon Yik Company, Limited	(g)	84	_
Interest expense on lease liabilities Moon Yik Company, Limited	(g)	47	83
Lease agency fee The Great Eagle Estate Agents Limited	(h)	67	98
Administrative support service fee The Great Eagle Company, Limited	(i)	960	960
Procurement services fee Champion Global Services Limited	(j)	_	39
Project management services fee The Great Eagle Development and Project Management Limited	(k)	738	2,919
Design and construction contracting services fee Keysen Engineering Company, Limited	(1)	47	455

For the year ended 31 December 2022

CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED) 35.

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\$43,852,000 (2021: HK\$24,386,000). Annual base rent of HK\$225 million was charged for the year ended 31 December 2022. 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:

	2022 HK\$'000	2021 HK\$'000
Hotels' aggregate gross operating profit before deduction of global marketing fee	212,652	31,080
70% thereon, variable rent (before netting with services fees) Base rent Add:	148,856 225,000	21,756 225,000
Rental income from retail shops in Eaton HK	2,102	1,982
Groups' segment revenue Less:	375,958	248,738
Service fees - Hotel management fees (i.e. base fee and incentive fee) - Licence fee - Global marketing fee	(23,442) (9,706) (10,704)	(13,019) (7,531) (3,836)
Property taxes, rates and insurance Other deductions	(17,585) (768)	(19,885) (852)
Groups' segment profit	313,753	203,615

The management fee income was charge to Langham Hotels International Limited for its share of administration (b) expenses.

The management fee income was charged to GE Hospitality Asset Management Limited for its share of administration (C) expenses.

For the year ended 31 December 2022

CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED) 35.

Notes: (continued)

(d) 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, the licence fee and global marketing 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).

	2022 HK\$'000	2021 HK\$'000
(A) Total revenue of relevant hotels (B) Adjusted relevant hotels' gross operating profit	970,573 177,684	753,065 34,458
(i) Base fee (A x 1.5%) (ii) Licence fee (A x 1%) (iii) Incentive fee (B x 5%)	14,558 9,706 8,884	11,296 7,531 1,723
Total fees	33,148	20,550

- Global marketing fee was payable on a fixed percentage of 2% of the total room revenue of the relevant hotels (i.e. (e) HK\$535,186,000 (2021: HK\$191,837,000)) 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.
- (f) The 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.
- Rental payments were made to Moon Yik Company, Limited for leasing office premises. During the year ended (g) 31 December 2022, the Group's early terminated the lease agreement for leasing an office premise at Suite 3001, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong and entered into a new lease agreement for leasing an office premise at Suite 2702, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from 15 February 2022. It resulted in a gain on disposal of right-of-use asset of HK\$84,000 recognised in profit or loss for the year ended 31 December 2022 (2021: nil). Addition of the new right-of-use asset and lease liabilities of HK\$1,520,000 (2021: nil) and HK\$1,520,000 (2021: nil), respectively, are recognised for the year ended 31 December 2022. Interest expenses on lease liabilities were recognised in both years. As at 31 December 2022, lease liabilities to Moon Yik Company, Limited was approximately HK\$1,091,000 (2021: HK\$1,404,000). The management fee and air conditioning charge were payable to Moon Yik Company, Limited for the expenses related to office premises.

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

For the year ended 31 December 2022

CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED) 35.

Notes: (continued)

- (h) 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).
- (i) 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.
- (j) 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.
- Project management services fee at a rate of 3% of the actual amount of the construction cost for renovation of the (k) Hotels as certified by project quantity surveyor or other consultants.
- 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.

The remuneration of Directors and chief executive officer during the year was as follows:

	2022 HK\$'000	
Short-term benefits Post-employment benefits	3,934 18	3,858 18
	3,952	3,876

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 OF THE COMPANY

For the year ended 31 December 2022

36. PARTICULARS OF THE SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2022 and 2021 are set out below:

Direct subsidiaries		nd paid up are capital	Principal activities	Percentage equity share by the C	capital held
– incorporated in the British Virgin Islands:					
LHIL Properties Limited LHIL Treasury Holdings Limited		e of US\$1 e of US\$1	Investment holding Investment holding	100% 100%	100% 100%
Direct subsidiary	Share cap Number of shares	Dital issued Issued and paid up share capital HK\$	Principal activities	Percentage equity share by the C 2022	capital held
– incorporated and operating in Hong Kong:					
LHIL Company Limited	1	1	Provision for administrative services	100%	100%
Indirect subsidiaries		nd paid up are capital	Principal activities	Percentage equity share by the C 2022	capital held
– incorporated in the British Virgin Islands:					
Braveforce Investments Limited LHIL Finance Holdings Limited LHIL (EHK) Limited LHIL (LHK) Limited LHIL (Cordis) Limited Rowan Enterprises Limited	1 share 1 share 1 share 1 share	e of US\$1 e of US\$1 e of US\$1 e of US\$1 e of US\$1 e of US\$1	Investment holding Investment holding Investment holding Investment holding Investment holding Investment holding	100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100%

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

For the year ended 31 December 2022

PARTICULARS OF THE SUBSIDIARIES (CONTINUED) 36.

	Share cap	ital issued			
Indirect subsidiaries	Number of shares	Issued and paid up share capital US\$	Principal activities	equity share	e of issued capital held company
– incorporated in Liberia:					
Baxter Investment Limited Glendive Investment Limited	500 500	500 500	Investment holding Investment holding	100% 100%	100% 100%
– 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 2022 and 2021 or at any time during the year.

INDEPENDENT AUDITOR'S REPORT OF LHIL MANAGER LIMITED

Deloitte.

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 185 to 191 which comprise the statement of financial position as at 31 December 2022, 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 significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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 ("HKSAs") 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 HKSAs 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 HKSAs, 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 20 February 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LHIL MANAGER LIMITED

For the year ended 31 December 2022

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

STATEMENT OF FINANCIAL POSITION OF LHIL MANAGER LIMITED

At 31 December 2022

	NOTE	2022 HK\$	2021 HK\$
Current asset Cash on hand		1	1
NET ASSET		1	1
Capital Share capital	6	1	1
TOTAL EQUITY		1	1

The financial statements on pages 185 to 191 were approved and authorised for issue by the Board of Directors on 20 February 2023 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 2022

	Share capital HK\$
At 1 January 2021, 31 December 2021 and 31 December 2022	1

For the year ended 31 December 2022

1. **GENERAL**

LHIL Manager Limited (the "Company") is a limited liability company incorporated in Hong Kong. The Company's parent company is LHIL Management Limited, a limited liability company incorporated in the British Virgin Islands. The directors of the Company (the "Directors") consider the Company's ultimate holding company to be Great Eagle Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The 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, 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 intercompany current account, thus the statement of cash flows is not presented.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

For the year ended 31 December 2022

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) Amendments to HKFRS 10 and HKAS 28

Amendments to HKFRS 16 Amendments to HKAS 1

Amendments to HKAS 1 Amendments to HKAS 1 and HKFRS Practice Statement 2 Amendments to HKAS 8 Amendments to HKAS 12

Insurance Contracts¹

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²

Lease Liability in a Sale and Leaseback³

Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5

Non-current Liabilities with Covenants³ Disclosure of Accounting Policies¹

Definition of Accounting Estimates¹ Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹

- Effective for annual periods beginning on or after 1 January 2023
- Effective for annual periods beginning on or after a date to be determined
- Effective for annual periods beginning on or after 1 January 2024

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

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

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

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

For the year ended 31 December 2022

BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT 3. ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies are set out below.

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.

For the year ended 31 December 2022

4. PROFIT OR LOSS BEFORE TAX

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

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 2021, 31 December 2021 and 2022	1	1

CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES 7.

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.

For the year ended 31 December 2022

FINANCIAL INSTRUMENT 8.

Category of financial instrument

	2022 HK\$	2021 HK\$
Financial asset Financial asset at amortised cost 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				
	2018	2019	2020	2021	2022
	HK'000	HK'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Revenue	615,500	483,883	208,256	224,352	332,106
Profit/(Loss) before tax	970,401	(2,586,238)	(2,826,678)	(337,218)	461,134
Income taxes expense	(74,761)	(48,473)	(6,129)	(9,344)	(41,573
Profit/(Loss) for the year					
attributable to Holders of					
shares of the Company/					
Share Stapled Units	895,640	(2,634,711)	(2,832,807)	(346,562)	419,561
	2018	2019	2020	2021	2022
	HK'000	HK'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Total assets	20,366,205	17,612,046	15,079,578	14,612,576	15,022,631
Total liabilities	(7,407,589)	(7,622,259)	(6,949,981)	(6,812,790)	(6,861,678
Net assets	12,958,616	9,989,787	8,129,597	7,799,786	8,160,953

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" or "Board 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 14 "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 69.70% of the issued Share Stapled Units as at 31 December 2022

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 10 "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)"	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:
	(a) a unit in the Trust;
	(b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit in the Trust and held by the Trustee-Manager; and
	(c) a specifically identified preference share of the Company stapled to the unit in the Trust
"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

This annual report is available in both English and Chinese versions and has been published on our corporate website at www.langhamhospitality.com and the HKEXnews website at www.hkexnews.hk.

Where (i) Holders of Share Stapled Units who have chosen to receive or are deemed to have consented to receiving this annual report by electronic means wish to receive printed form of this annual report; or (ii) Holders of Share Stapled Units who have received or chosen to receive printed form wish to receive another language version of this annual report; or (iii) Holders of Share Stapled Units who wish to change their choice of means of receipt or language of our future corporate communications (including but not limited to directors' report, annual accounts, independent auditor's report, interim report, notice of meeting and circular), they may at any time send their request by reasonable notice in writing by post or by email to Langham.ecom@langhamhospitality.com or by completing and returning the Request Form to the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited by using the mailing label on the Request Form (postage prepaid if delivered within Hong Kong). The Request Form is being sent to Holders of Share Stapled Units together with the printed form of this annual report or written notification (as the case may be).

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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