

# CORPORATE GOVERNANCE REPORT

Langham Hospitality Investments, LHIL Manager Limited and Langham Hospitality Investments Limited are committed to maintaining and developing high standards of corporate governance practices that are designed to enhance corporate image, create value for our Unitholders, minimise risk in fraudulent practices and address potential conflict of interest issues. This combined Corporate Governance Report of the Trust and the Company set out a summary of the key processes, systems and measures that have been used in implementing this corporate governance framework being adopted by the Trust, Trustee-Manager and the Company for the year ended 31 December 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.

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- **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

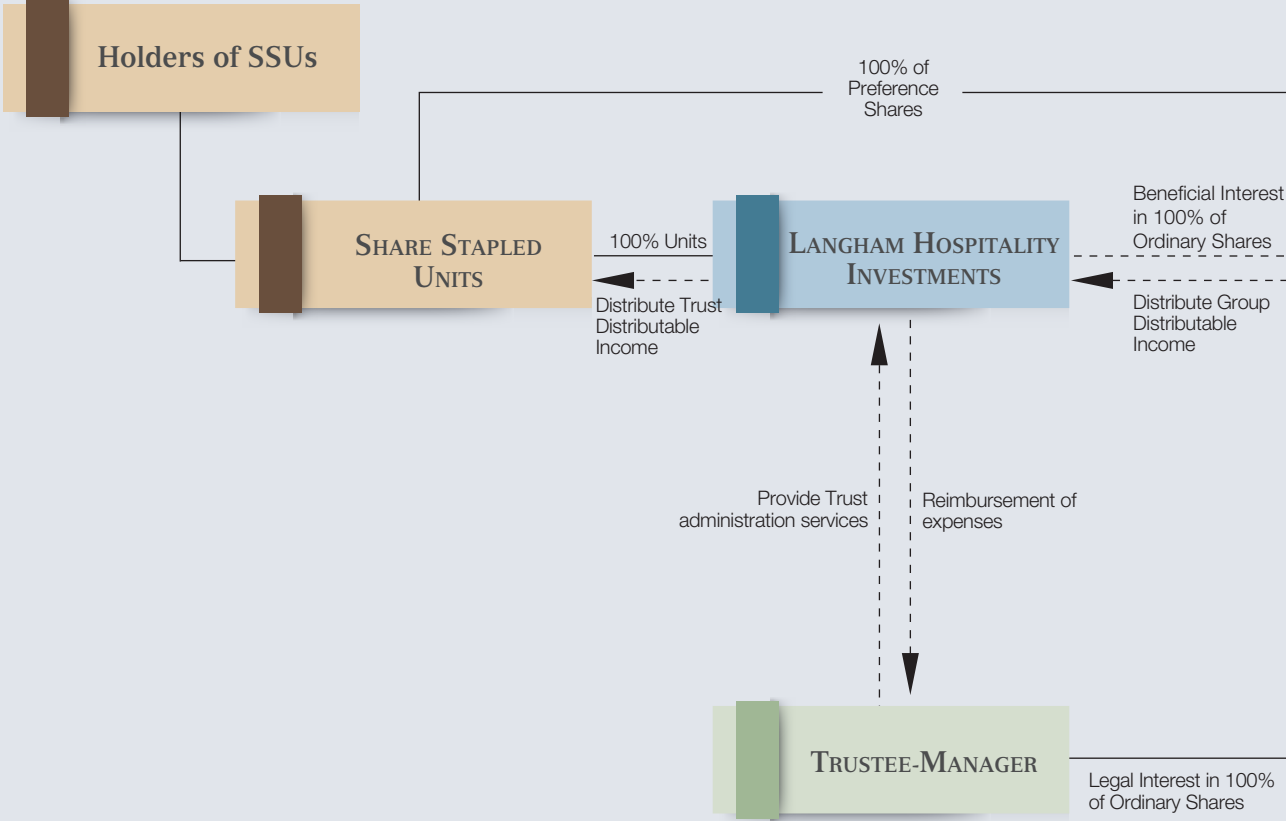
Share Stapled Units are jointly issued by the Trust and the Company and each Share Stapled Unit is comprised of the following three components which, subject to the provisions in the Trust Deed, can only be dealt with together and cannot be traded individually:

- (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.

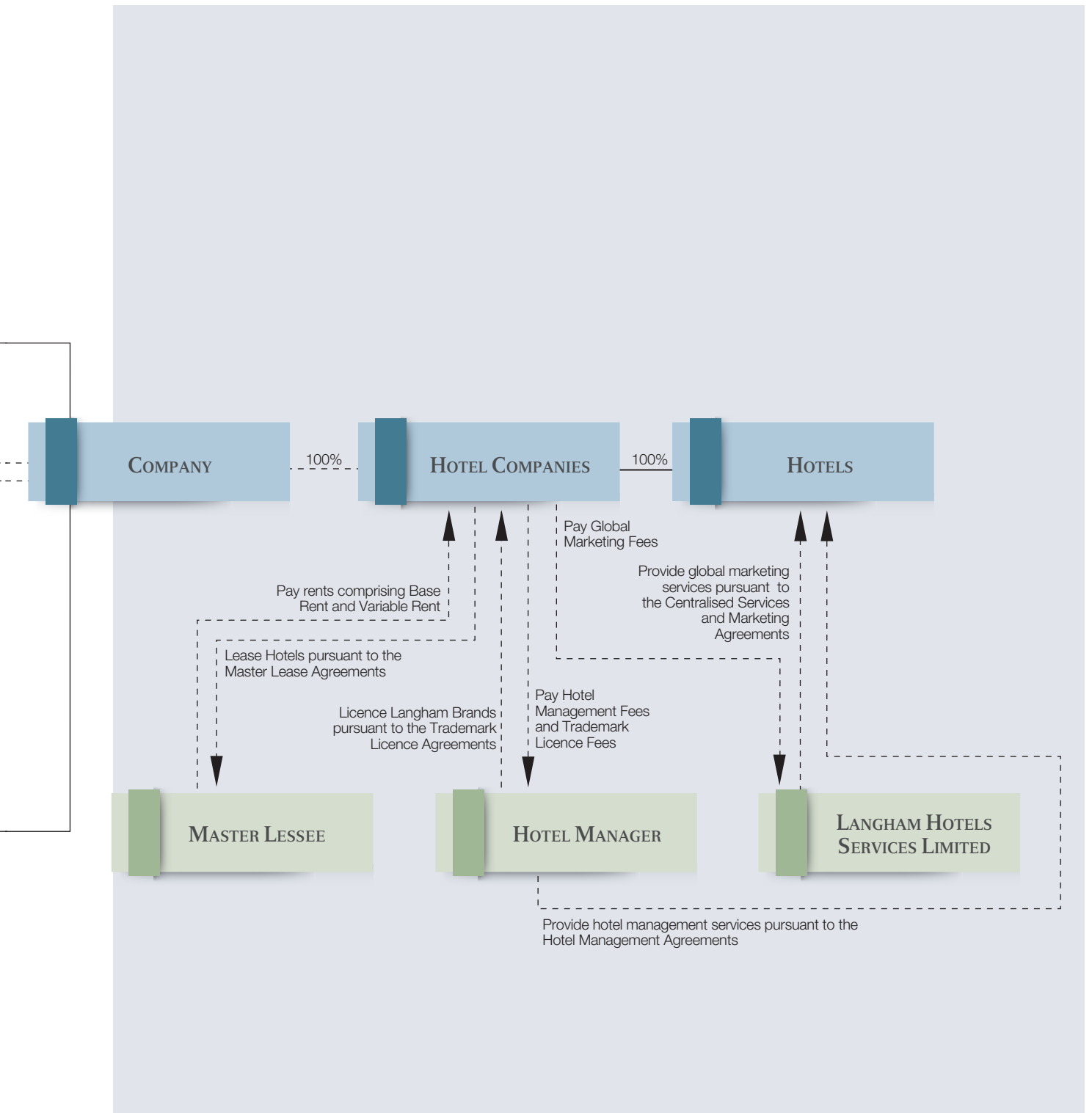
As the components of the Share Stapled Units, all of the units in the Trust, the Ordinary Shares and the Preference Shares of the Company in issue are listed on the Stock Exchange. However, for so long as the Share Stapled Units are listed on the Stock Exchange, trading on the Stock Exchange will only 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.

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



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## 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.

# CORPORATE GOVERNANCE REPORT

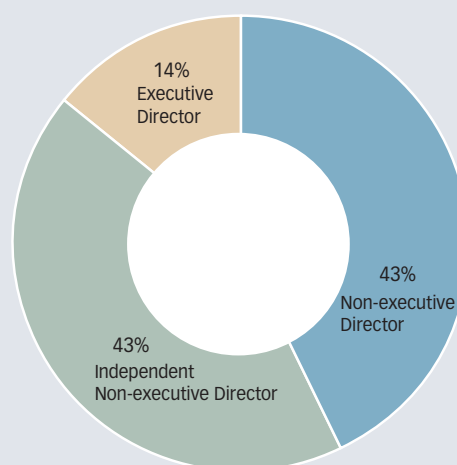
## BOARD OF DIRECTORS

### 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.

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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.

	<b>Expertise</b>	<b>Responsibilities</b>
<b><i>Non-executive Directors</i></b>		
LO Ka Shui ( <i>Chairman</i> )	Property and hotel development and investment both in Hong Kong and overseas	Overseeing the operations and affairs of the 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
<b><i>Executive Director</i></b>		
Brett Stephen BUTCHER ( <i>Chief Executive Officer</i> )	Hotel business experience in both hotel operations and sales and marketing in Asia, the Pacific and North America	Responsible for all day-to-day management decisions and for leading the development and implementing the long and short term strategy and plans; identifying potential risks and opportunities of the Group and implementing appropriate policies; developing procedures designed to ensure compliance with the overall risk management policies; acting as a direct liaison between the Board and management and communicating to the Board on behalf of management

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

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

## Board Responsibilities

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

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



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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 be 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.

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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.

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## **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:

### **1. 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 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.

### **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.

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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.

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## CORPORATE GOVERNANCE MEASURES TO ADDRESS POTENTIAL CONFLICTS OF INTEREST

Apart from the parent-subsidary relationship, the Trust Group maintains close business ties with the Great Eagle Group, which are governed by various formal agreements being entered into between the two groups as summarised in the chart on pages 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:
  - (i) any conflicted Directors must abstain from voting and will not be counted in the quorum of the relevant Board meeting in the event of any conflict issues;
  - (ii) pursuant to Article 90 of the articles of association of the Trustee-Manager, a Director of the Trustee-Manager must give priority to the interest of all the Unitholders as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Unitholders as a whole and that of the Trustee-Manager;

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



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## 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.

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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
<b>Disclosure of financial information</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• reviewed the unaudited financial statements of the Trust and the Company and the unaudited financial statements of the Trustee-Manager for the period ended 30 June 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:               <ol style="list-style-type: none"> <li>(1) the review on the fair value of the three investment properties of the Trust Group;</li> <li>(2) the potential oversight by management in financial reporting process;</li> <li>(3) the assessment of going concern basis in connection with the net current liabilities status of the Trust Group and the Group; and</li> <li>(4) the review on the fair value of derivate financial instruments – interest rate swaps.</li> </ol> </li> </ul>
<b>Risk management and internal control</b>	<ul style="list-style-type: none"> <li>• reviewed the significant findings and recommendations from the internal auditor</li> <li>• reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager</li> </ul>
<b>Reports from external auditor</b>	<ul style="list-style-type: none"> <li>• considered the reports from Deloitte Touche Tohmatsu on interim review of the financial information and annual audit of the financial statements of the Trust and the Company and of the Trustee-Manager</li> </ul>
<b>Re-appointment of external auditor</b>	<ul style="list-style-type: none"> <li>• reviewed and considered the re-appointment of Deloitte Touche Tohmatsu as the external auditor and approved its remuneration</li> </ul>



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Primary areas of duties	Summary of major work done of the Audit Committee in 2022
<b>Connected Transactions</b>	<ul style="list-style-type: none"> <li>reviewed and monitored connected transactions through half-yearly reports submitted by management to ensure compliance with the terms of the waivers granted by the Stock Exchange and all other applicable rules and regulations</li> </ul>
<b>Legal and Regulatory Compliance</b>	<ul style="list-style-type: none"> <li>reviewed the legal and regulatory, and governance and compliance issues including but not limited to compliance with the Listing Rules, the Trust Deed, the SFO and the Corporate Governance Code for the year ended 31 December 2021 and the six months ended 30 June 2022 and disclosures in the Corporate Governance Report</li> </ul>
<b>Great Eagle ROFR Deed</b>	<ul style="list-style-type: none"> <li>reviewed and adopted the corporate governance measures in respect of the operation of the Great Eagle ROFR Deed</li> <li>reviewed the implementation and compliance of the Great Eagle ROFR Deed</li> <li>during the year 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.</li> </ul>

# CORPORATE GOVERNANCE REPORT

## 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**

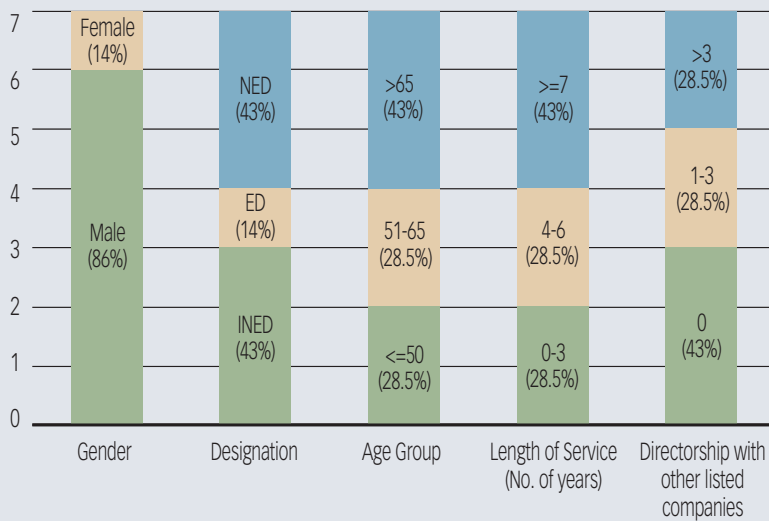
The Nomination Committee adopted the Board Diversity Policy in 2019. The Company believes that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments to the Board shall be on merit, in the context of the 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.

# CORPORATE GOVERNANCE REPORT

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

# CORPORATE GOVERNANCE REPORT

- ***Nomination Policy***

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

The Nomination Committee shall consider any and all candidates recommended as nominees for Directors to the Nomination Committee by any Directors of the Company or Unitholders in accordance with the Company's Articles and the Trust Deed. The Nomination Committee may also undertake its own search process

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

# CORPORATE GOVERNANCE REPORT

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:

<b>Primary areas of duties</b>	<b>Summary of major work done of the Nomination Committee in 2022</b>
<b>Board composition</b>	<ul style="list-style-type: none"><li>• reviewed the size, structure and composition of the Company Board by taking into account the diversity of skills, knowledge and experience of the Board members</li><li>• reviewed Directors' time commitment to the affairs of the Trust and the Company through, inter alia, their meeting attendance and other listed companies' directorships</li></ul>
<b>Independence of Independent Non-executive Directors</b>	<ul style="list-style-type: none"><li>• assessed independence of all the Independent Non-executive Directors</li></ul>
<b>Appointment or re-appointment of Directors</b>	<ul style="list-style-type: none"><li>• reviewed and approved the nomination of 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</li></ul>

The requirement to establish a Nomination Committee is not relevant to the Trustee-Manager as the Trust Deed requires that the Directors of the Trustee-Manager shall at all times comprise the same individuals who serve as Directors of the Company.

# CORPORATE GOVERNANCE REPORT

## Remuneration Committee

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
<b>Remuneration packages of Executive Director and senior management</b>	<ul style="list-style-type: none"><li>approved the salary review and discretionary bonus distribution for the year 2022 and other remuneration packages of the Executive Director and senior management of the Company</li></ul>
<b>Remuneration of Directors</b>	<ul style="list-style-type: none"><li>reviewed the market trend of the remuneration package generally offered to non-executive directors and independent non-executive directors of comparable companies listed in Hong Kong</li><li>reviewed the remuneration package offered to Non-executive Directors and Independent Non-executive Directors of the Company and recommended that no adjustment should be made for the year 2022</li></ul>

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

# CORPORATE GOVERNANCE REPORT

## REMUNERATION OF DIRECTORS

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

### Remuneration Framework

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

As discussed above, Directors of the Trustee-Manager are not entitled to any remuneration payable by the Trust nor the Trustee-Manager. The Directors' fees entitled to be received by each Director of the Company and the members of the respective Board Committees of the Company for the year 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

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

# CORPORATE GOVERNANCE REPORT

## 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
<b>Non-executive Directors</b>						
LO Ka Shui ( <i>Chairman</i> )	4/4	–	1/1	1/1	1/1	1/1
LO Chun Him, Alexander	4/4	–	–	–	1/1	1/1
LO Chun Lai, Andrew	4/4	–	–	–	1/1	1/1
<b>Attendance Rate</b>	<b>100%</b>	<b>–</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Executive Directors</b>						
Brett Stephen BUTCHER ( <i>Chief Executive Officer</i> )	4/4	–	–	–	1/1	1/1
<b>Attendance Rate</b>	<b>100%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100%</b>	<b>100%</b>
<b>Independent Non-executive Directors</b>						
CHAN Ka Keung, Ceajer	4/4	2/2	1/1	1/1	1/1	1/1
LIN Syaru, Shirley	4/4	2/2	1/1	1/1	1/1	1/1
WONG Kwai Lam	4/4	2/2	1/1	1/1	1/1	1/1
<b>Attendance Rate</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Overall Attendance Rate</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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



# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

# CORPORATE GOVERNANCE REPORT

## EXTERNAL AUDITORS

### Auditor's responsibilities for the financial statements

The statement by the Auditor about its reporting responsibilities for the Trust Group and the Trustee-Manager are set out in the Independent Auditor's Report on pages 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:

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

Note: The total amounts of Auditor's Remuneration as disclosed in note 13 to the consolidated financial statements of the Trust and the Company and note 4 to the financial statements of the Trustee-Manager are HK\$1,414,000 and HK\$20,000 respectively and do not include the fees in respect of non-audit services.

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

### Constitutional Documents

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

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

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

During the year 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.

# CORPORATE GOVERNANCE REPORT

## General Meetings

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

# CORPORATE GOVERNANCE REPORT

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

<b>Year of AGM</b>	<b>Mandate Validity Period</b>	<b>Number of Issued Share Stapled Units under Granted Mandate</b>	<b>% of Utilised Mandate<sup>(1)</sup></b>
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.

# CORPORATE GOVERNANCE REPORT

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

## ***Proceedings of General Meetings***

- Notice of general meetings together with other relevant corporate communications in printed form (or the notification letters for receiving the said corporate communications by electronic means through our corporate website, as the case may be) will be despatched to Holders of Share Stapled Units (i) no less than 21 days prior to the AGM and general meeting where a special resolution is proposed for consideration and (ii) no less than 14 days for all other general meetings.
- The Chairman of the Trustee-Manager Board and the Company Board as well as the chairmen of each of the Board Committees or, in their absence, their duly appointed delegates or other members of the respective Committees are available to answer questions at the general meetings.
- The chairman of the independent board committee or, in his/her absence, his/her duly appointed delegates or other member(s) of the committee will be available to answer questions at any general meetings at which approval for a connected transaction or approval from independent Holders of Share Stapled Units for any other transaction is sought.
- The external auditor will attend the AGM to answer questions relating to the audit.
- To safeguard the interests and rights of the Holders of Share Stapled Units, separate resolutions are proposed at the general meetings on each substantial issue, including the election/re-election of each individual Director.
- Holders of Share Stapled Units will be provided opportunities to ask questions for each of the proposed resolutions at general meetings.
- All votes of the Holders of Share Stapled Units at general meetings will be taken by poll. The procedures for conducting a poll will be clearly explained at the meeting.
- Poll results will be made available by way of an announcement, which will be published on our corporate website and the HKEXnews website on the same day after the general meeting.

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## DISTRIBUTION POLICY

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

- (a) Any declaration and payment of distributions shall be determined at the sole discretion of the 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:
  - 1. the Trust Group's actual and expected cash flow positions and financial performance;
  - 2. projected capital expenditure, future expansion plans and growth opportunities;
  - 3. the Trust Group's debts to equity ratio, return on equity and the relevant financial covenants;
  - 4. general economic conditions, business cycle of the Trust Group's core business;
  - 5. general expectation of Unitholders and investors of the Trust Group; and
  - 6. any other factors that the 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.



# CORPORATE GOVERNANCE REPORT

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

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

Having made specific enquiries, all members of the 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**

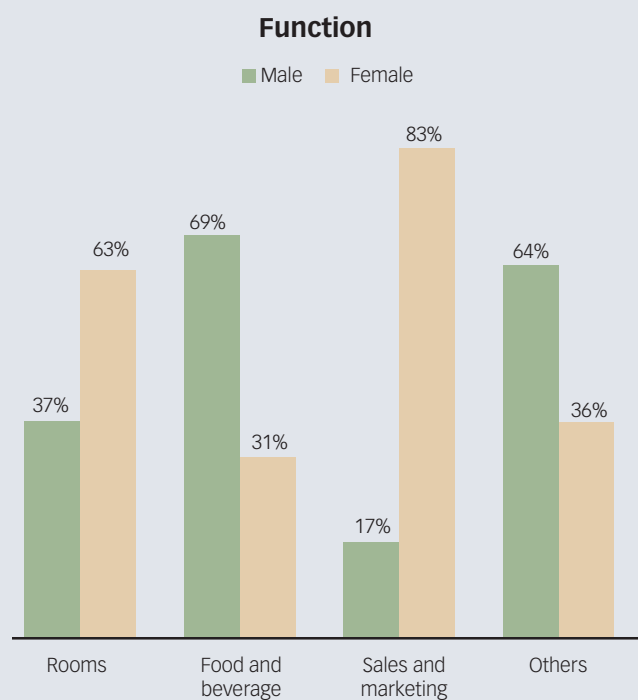
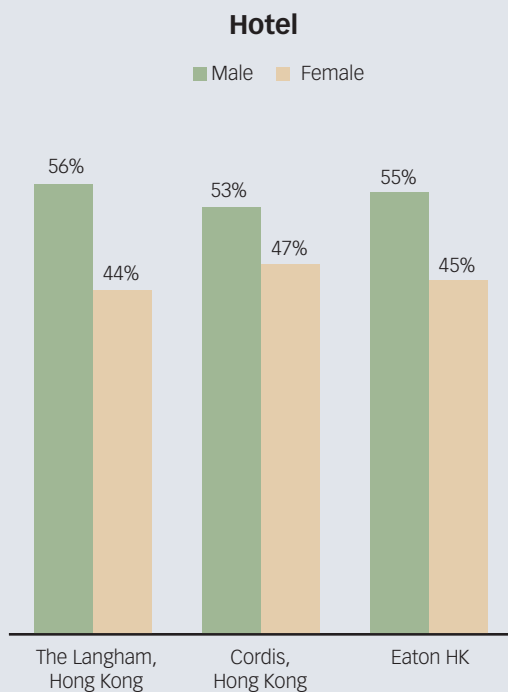
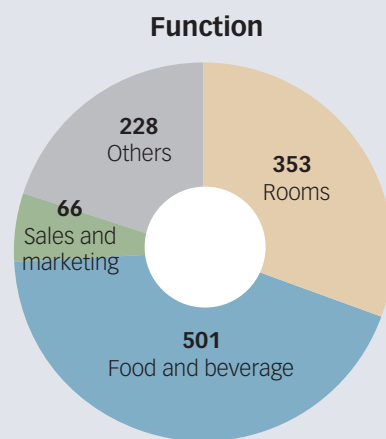
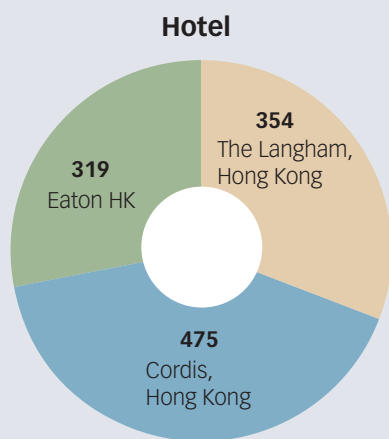
So far as the Trustee-Manager Board and the Company Board are aware of, as at the date of this report, the Trust and the Company had maintained a sufficient public float with more than 25% of the issued and outstanding Share Stapled Units being held by the public.

## **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.

# CORPORATE GOVERNANCE REPORT

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:

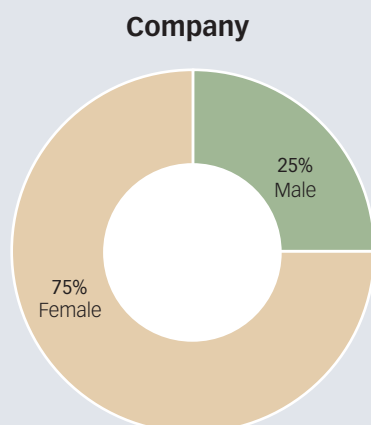


# CORPORATE GOVERNANCE REPORT

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

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

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



## 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.