



THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司

To: All Finance/Business/Travel Editors

FOR IMMEDIATE RELEASE

3 August, 2023

**THE HONGKONG AND SHANGHAI HOTELS, LIMITED
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

HIGHLIGHTS

- Although the group's hotels division saw improvements across most of the markets we operate in, and the group's commercial properties division reported satisfactory revenue growth, our financial results are still not at the level we had considered to be normal prior to the Hong Kong protests in 2019 and COVID-19 from 2020-2022.
- Despite the strong rebound in business in the rest of the world, the majority of our earnings come from Hong Kong, where business has not yet fully recovered.
- We are delighted to report that the soft opening of The Peninsula Istanbul was held on 14 February 2023. The hotel, which we believe is already becoming an iconic location in Istanbul, is on an absolutely magnificent site on the banks of the Bosphorus with direct views of the old town, and has been very well received by guests.
- We plan to have a soft opening for The Peninsula London on 12 September 2023. We expect the hotel to be fully completed by the end of 2023 and most of the residential apartments will also be delivered by then.
- Overall, the group's consolidated revenue for the six months ended 30 June 2023 increased by 47% to HK\$2,445 million (2022: HK\$1,662 million) and the group's EBITDA before pre-opening and project expenses increased by 357% to HK\$498 million (2022: HK\$109 million).
- After accounting for the group's share of operating results of joint ventures, associates, depreciation, interest and tax, the group's underlying profit amounted to HK\$25 million compared to an underlying loss of HK\$254 million in 2022.
- As at 30 June 2023, the group's financial position remained stable, with net debt to total assets at an acceptable level of 28%.
- Given the group's liquidity position and taking into account the expected proceeds from the sales of The Peninsula Residences London, the Directors believe that the group will be able to meet the working capital requirements of its existing operations and the group's capital commitments in respect of its development projects in London and Istanbul.

HSH'S 2023 INTERIM RESULTS

Hong Kong, 3 August 2023

The Hongkong and Shanghai Hotels, Limited today announced its interim results for 2023. Commenting on the announcement, Managing Director and CEO Clement Kwok said:

“We are pleased to report a strong rebound in business in the first half of 2023 compared to the challenging situation in the same period in 2022, when many of our key markets were still under quarantine restrictions. In the hotels division, the opening up of Greater China was a swing factor in improving our operating results for this region, with The Peninsula Hong Kong, The Peninsula Shanghai and The Peninsula Beijing enjoying significantly improved business performance. The Peninsula Tokyo performed well and recorded historically high rates.

The momentum of the strong recovery that we experienced in the US in 2022 has lessened and our operating results in The Peninsula New York, The Peninsula Chicago and The Peninsula Beverly Hills were stable. Average rates were strong in New York. Manila and Bangkok are also seeing a reasonable recovery.

Our non-hotel properties and other businesses continued to be under pressure, but recorded improvements year-on-year. In Hong Kong, the city’s dynamic vibe is coming back and we are pleased to welcome visitors again. We are seeing some recovery in our residential leasing business. The Peak Complex and The Repulse Bay also had improved business performances year-on-year which helped the group’s overall recovery. The new Peak Tram has reported a strong business recovery and has been well received by patrons as one of Hong Kong’s most popular tourism attractions.

A key issue for us remains the labour shortage, particularly in the US, Japan and Europe, and this is preventing some of our rooms and restaurants operating at full capacity. Inflation and rising energy costs continue to be a concern.

Overall, we believe that our first half results were pleasing and reflect an emerging recovery from the difficult years of the pandemic.

We are delighted to report that the soft opening of The Peninsula Istanbul was held on 14 February 2023, initially with two buildings ready for guest stays and *The Lobby* open for business. Our Turk-Asian rooftop restaurant *GALLADA* opened on 7 July 2023. The hotel, which we believe is already becoming an iconic location in Istanbul, is on an absolutely magnificent site on the banks of the Bosphorus with direct views of the old town, and has been very well received by guests.

Tremendous efforts have been made by our HSH teams and the London project teams to complete The Peninsula London project and a number of guestroom floors, *The Lobby*, the Chinese restaurant and most of the back of house areas are now ready for occupation and operations, subject to final testing and commissioning. We have opened our booking channels for 12 September 2023 and plan to have a soft opening on that date. We expect the hotel to be fully completed by the end of 2023 and most of the residential apartments will also be delivered by then. Despite some further delays, we are expecting to hold the project cost at the revised budget of GBP1,020 million approved by the Board in October 2022, although this will be dependent on the final account settlements with the contractors and consultants.

Our financial results are still not at the level we had considered to be normal prior to the Hong Kong protests in 2019 and COVID-19 from 2020-2022. Despite the strong rebound in business in the rest of the world, the majority of our earnings come from Hong Kong, where business has not fully recovered. This factor, combined with the costs and resources required to prepare for the opening of our new hotels in London and Istanbul, as well as general inflation and an increase in financing charges, is reflected in our financial results for the first half of 2023.

With the recovery of our business in the US and Europe, we saw an increase in consolidated revenue of 47% to HK\$2.7 billion and an increase in consolidated EBITDA before pre-opening and project expenses of 357% to HK\$498 million. However, with the opening of The Peninsula Istanbul in February 2023 and The Peninsula London coming closer to completion in September 2023, the group's pre-opening and project expenses directly related to supporting the new projects amounted to HK\$155 million compared to HK\$46 million in the first half of 2022. Pre-opening and project expenses are unrelated to the group's operating hotels and properties and are non-recurring in nature. As such, these expenses have been excluded to arrive at the group's underlying profit which amounted to HK\$25 million compared to an underlying loss of HK\$254 million in the first half of 2022. Net profit attributable to shareholders of HK\$94 million included an unrealised gain in fair value of the group's investment properties of HK\$222 million.

During the first half of 2023, the operating net cash surplus generated by the group before interest and lease payments for the year amounted to HK\$478 million, representing an increase of 397% over 2022.

We maintain sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to finance our growth and development. Our net debt to total assets ratio is currently 28%, which we believe to be manageable considering the financial obligations of our new hotels, and taking into account the expected proceeds from the sales of The Peninsula Residences London. With the re-opening of the border between Hong Kong and the mainland, strong business in the US and Europe, and the gradual handover of our purchased London residences, it is expected that the group's gearing will reduce in the coming year.

Although various uncertainties remain in the near term, our long-term philosophies and values remain steadfast. Our vision is: *to develop, own and operate a small number of the highest quality property assets, some of which we believe are amongst the finest hotels in the world.* By taking a long-term view and by maintaining and enhancing the quality of our assets and operations, we seek to create significant value for our shareholders from the long-term appreciation in the capital value of our properties, as well as from the increasing operating yield as each property grows its income over time.

Business Performance

Our Group comprises three key divisions – hotels, commercial properties and clubs and services. These divisions are described in more detail in the following review.

Hotels Division

Hotels	Revenue	Variance Year-on-Year	
	HK\$m	HK\$	Local Currency
Consolidated hotels			
The Peninsula Hong Kong	472	+72%	+72%
The Peninsula Beijing	150	+71%	+84%
The Peninsula New York	333	+12%	+12%
The Peninsula Chicago	276	+15%	+15%
The Peninsula Tokyo	362	+111%	+129%
The Peninsula Bangkok	101	+152%	+153%
The Peninsula Manila	107	+89%	+97%
Non-consolidated hotels			
The Peninsula Shanghai	206	+82%	+98%
The Peninsula Beverly Hills	323	-3%	-3%
The Peninsula Paris	321	+31%	+30%
The Peninsula Istanbul	55	n/a	n/a

The Peninsula Hong Kong

The Peninsula Hong Kong			
Revenue	HK\$472m	+72%	
Occupancy		+24pp	
Average Room Rate		+76%	
RevPAR		+333%	

In the first half of 2023, **The Peninsula Hong Kong** experienced a strong recovery in terms of revenue, occupancy and average rates, compared to the first half of 2022 when the property was still negatively affected by quarantine restrictions. With the reopening of the borders with mainland China in March, business performance picked up, although the long-haul markets from US and Europe are recovering more slowly than expected due to limited capacity of flights, high cost of airfares and continued travel advisories.

Food and beverage revenue was stable, with all outlets performing well. In March 2023 we announced a collaborative venture with Hong Kong's iconic Star Ferry, offering afternoon tea and sunset cocktail cruises, as well as a collaboration for wedding packages, which were very well received by guests.

To drive food and beverage revenue, we once again partnered with *Le French May* to host exclusive concerts and dinners.

The Peninsula Office Tower was 86% occupied in the first half of 2023, and the immediate outlook is stable. The Peninsula Arcade occupancy was 90% and retail business is seeing a strong pickup and queues outside luxury retail outlets, following the reopening of the mainland Chinese border.

We continued to support the local community and charities by partnering with Impact HK to support the homeless and needy in Hong Kong.

The Peninsula Shanghai

The Peninsula Shanghai		
Revenue	RMB184m	+98%
Occupancy		+38pp
Average Room Rate		+12%
RevPAR		+244%

The Peninsula Shanghai had a weak start to 2023, although the situation turned around following the lifting of the stringent COVID-19 restrictions across the city at Chinese New Year. We were No. 2 for RevPAR in the city and reported strong year-on-year increase in occupancy, rates and RevPAR, albeit taking into consideration the hotel was subject to a mandatory lockdown from April to June 2022.

The majority of guests remain from the domestic market but overseas business travel is coming back slowly, particularly at the C-suite level and in the luxury brand sector, and we are delighted to have some very high level overseas delegations booked for summer 2023. Food and beverage revenue was stable and wedding and events started to come back.

The Peninsula Arcade was 83% occupied during the first half. While the ground floor tenancy remains strong, we are currently in negotiation with number of potential tenants in the basement level.

We worked with the local community to sponsor 70 underprivileged children to attend a Peter Rabbit-themed theatre event, coinciding with The Peninsula's global Peter Rabbit-themed marketing campaign.

The group owns a 50% interest in The Peninsula Shanghai Complex which comprises a hotel, a shopping arcade and a residential tower of 39 apartments. As at 30 June 2023, a total of 32 apartment units have been sold.

The Peninsula Beijing

The Peninsula Beijing		
Revenue	RMB134m	+84%
Occupancy		+39pp
Average Room Rate		+3%
RevPAR		+293%

The Peninsula Beijing experienced a strong first half of the year compared to the same period last year when the city’s economy was suffering from stringent COVID-19 restrictions. From March 2023 onwards, the recovery was swift. However, partly due to geopolitical concerns, there were still very few international leisure travellers to Beijing in the first half, although business travel from overseas is resuming. This is also partly due to the lack of a full return to normal flight capacity in Beijing.

Food and beverage revenue was strong with good performance at *Huang Ting* and *The Lobby*, and banqueting picked up significantly year-on-year.

To promote local culture, the hotel team organised a variety of “intangible cultural heritage” workshops with local artisans, and in May and June 2023 we collaborated with local pioneer artist David Yuan to host a “DavMoon” art exhibition and themed afternoon tea which was very popular with guests.

The Peninsula Arcade was 99% occupied and business in the retail outlets was good. We worked closely with our retail tenants to drive traffic to their outlets, and we are delighted that some of our anchor tenants have significantly expanded their space and we welcomed some temporary stores which helped to drive revenue.

The Peninsula Tokyo

The Peninsula Tokyo		
Revenue	JPY6.28b	+129%
Occupancy		+16pp
Average Room Rate		+148%
RevPAR		+251%

The Peninsula Tokyo recorded a very strong year in the first half of 2023 with rates, occupancy and RevPAR exceeding our expectations due to a return of international business from US, UK and Hong Kong. During the height of *sakura* season in April, we achieved the highest monthly revenue since the hotel opened.

Domestic business improved steadily in the first half of the year, with the government officially downgrading COVID-19 to same level as influenza in May. Food and beverage performed well, with a double-digit increase in average checks in our outlets, boosted by private events, and general banquets experiencing strong demand, driven by top-tier luxury brands hosting multi-day events. At *Peter: The Bar* we launched a new Guest Bartender Series with top Japanese mixologists offering innovative cocktails. We also introduced a new “Art in Resonance” experience featuring Spanish-American artist Domingo Zapata and Dutch-born contemporary artist Peter Riezebos, who also organised art workshops for children in the local community.

Our commercial arcade was 100% occupied and we introduced a new beauty salon tenant.

We are confident that the outlook for the rest of the year will continue to be positive.

The Peninsula Bangkok

The Peninsula Bangkok		
Revenue	THB442m	+153%
Occupancy		+29pp
Average Room Rate		+57%
RevPAR		+291%

The Peninsula Bangkok experienced good growth in the first half compared to the same period last year although business has not rebounded to the extent we had expected from certain key markets such as Japan and China.

Although competition in the luxury hotel market remains intense in Bangkok due to the large supply, we were pleased to report a good increase in RevPAR. All our restaurants are now in operation which was a challenge at the beginning of the year due to labour shortages.

The Peninsula Bangkok, as an “urban resort” hotel, places a significant focus on health and wellness. We also continued with our art programme, under the group’s “Art in Resonance” initiative, working with local artists and supporting the art community in Bangkok. We offered complimentary cultural tours on a weekly basis which comprised multicultural visits to Thai temples, shrines and mosques.

The Peninsula Manila

The Peninsula Manila		
Revenue	PHP752m	+97%
Occupancy		+21pp
Average Room Rate		+30%
RevPAR		+103%

The Peninsula Manila experienced a satisfactory performance in the first half compared to the previous year, which had been affected by stringent government travel restrictions in 2022. Occupancy, average rates and RevPAR all increased significantly.

Suite business was good and our new *The Gallery Club Lounge* proved popular. Food and beverage performance was robust, with *The Lobby*, *Spices* and *Escolta* all performing well and weddings business was strong. Our fine dining restaurant Old Manila was closed during 2022 but has reopened in early 2023 with a new chef and is receiving positive reviews from guests.

International travel to the Philippines is robust and guests returned from our traditional key markets of US, UK, Australia, Singapore, Japan and South Korea, with diplomatic and corporate business particularly strong.

The Peninsula New York

The Peninsula New York		
Revenue	US\$43m	+12%
Occupancy		+5pp
Average Room Rate		+3%
RevPAR		+12%

The Peninsula New York experienced a reasonably robust first half and although the strong recovery experienced last year has slowed down, we achieved average daily rates that were higher than our expectations. We have had excellent business from the corporate sector and we are optimistic for the second half for this to continue with several large conferences being held in the city in the autumn.

Our Spa performance also exceeded expectations although finding sufficient staff and therapists to operate at full capacity remains a challenge.

Food and beverage revenue was satisfactory, with our innovative Turkish-themed evenings and summer DJ nights at our rooftop bar *Salon de Ning* performing well and *Clement* restaurant open for breakfast, lunch, and a newly launched brunch that was well received by guests.

In the first half, The Peninsula New York was proud to feature artworks by James (Jim) Lambie, a Scottish contemporary artist.

We are planning a significant refurbishment of *The Lobby* and reception area, guestrooms, public areas and popular rooftop bar of this property in early 2024.

The Peninsula Chicago

The Peninsula Chicago		
Revenue	US\$35m	+15%
Occupancy		+6pp
Average Room Rate		-3%
RevPAR		+8%

The Peninsula Chicago recorded a stable first half of 2023 compared to the previous year, although average rates declined slightly. At the same time, costs increased due to wage inflation and the ongoing energy crisis. Groups business is good, and several large-scale conferences and conventions were held in the city in the first half, although they were not yet held at full capacity.

The hotel's restaurants and dining outlets are now fully reopen, with only some limitations in dining hours. *Pierrot Gourmet* is popular following its renovation which was completed in 2022. Staffing shortages remain a major concern in Chicago with a high number of vacant positions. Recruitment is a top priority.

As part of our commitment to promoting local artists, in April 2023, we were proud to present a collection of works by Beth Rudin deWoody as part of our global Art in Resonance programme.

The Peninsula Beverly Hills

The Peninsula Beverly Hills		
Revenue	US\$41m	-3%
Occupancy		-7pp
Average Room Rate		+5%
RevPAR		-6%

The Peninsula Beverly Hills experienced a stable performance in the first half of 2023 with improved average rates year-on-year, although occupancy declined slightly. International business has not yet rebounded to pre-COVID-19 levels although business travel has returned to some extent. Los Angeles was affected by prolonged inclement weather in the first half of 2023, which negatively affected our rooftop and pool areas as well as weekend guests and drive-in visitors.

This property has traditionally received a significant amount of business from the film and entertainment industries, and unfortunately the Writers' Strike has affected many major events and conferences due to production of movies being on hold, and the industry is becoming more budget conscious, which inevitably impacts our business. This slowdown has been offset by some extent by new business from the high-end fashion industry, with high profile luxury brands opening new stores in the area.

We received very high suite demand due to the Superbowl and the Milken Conference returning to Los Angeles. Food and beverage performed well in the first half. Banqueting and catering demand was strong.

In January we initiated an ultra-exclusive "pop-up" of a famous high-end restaurant from the Amalfi Coast in Italy. This initiative operated as an ultra-exclusive offering with very limited places, and this was highly successful, helping to generate significant revenue. We also implemented some innovative new attractions such as a champagne trolley which was very popular with guests.

The Peninsula Paris

The Peninsula Paris		
Revenue	EUR38m	+30%
Occupancy		+0pp
Average Room Rate		+33%
RevPAR		+34%

The Peninsula Paris experienced a good recovery in the first half, achieving the best half-yearly revenue since the hotel opened in 2014. High level business delegations, MICE visitors, and leisure travellers from US and Middle East are flocking to Paris in high numbers.

The US market was particularly robust, and we also welcomed many domestic French visitors. There was a high demand for suites, leading to the highest occupancy since the hotel opened in 2014 and record-breaking average rates.

We held several high-profile events which attracted local celebrities and VIPs, including the glamorous reopening party of *Le Rooftop*, which achieved prominent local media coverage, and some events related to Paris Fashion Week.

The Peninsula Istanbul

The Peninsula Istanbul		
Revenue	EUR7m	n/a
Occupancy		+25pp
Average Room Rate		n/a
RevPAR		n/a

The Peninsula Istanbul had its soft opening on 14 February 2023 and the hotel has already received significant positive media coverage and received an accolade of “100 Best New Hotels in the World” from *Travel + Leisure*’s 2023 It List. As of 30 June we had opened 135 guestrooms and we expect the full inventory of 177 to be completed by end of July.

The Peninsula Istanbul forms part of the wider Galataport Istanbul which has been developed by our partners Doğuş and Bilgili, and is a mega urban regeneration project, which reattributed 1.2 kilometers of the Bosphorus waterfront back to the city by building the world’s first underground terminal, redefining Istanbul’s historic part into a buzzing gastronomy arts and culture and shopping neighbourhood. The entire Galataport Istanbul had been subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul was granted a corresponding 30-year fixed term lease. In January 2023, our partners have secured an extension of the operating right by 19 years to 49 years from February 2014, and a corresponding extension was granted by our partners to The Peninsula Istanbul upon payment of the apportioned premium for the extension.

The Peninsula Istanbul comprises 177 guestrooms, a large ballroom with sweeping views of the Bosphorus, indoor and outdoor swimming pools, a Spa and a magnificent garden terrace area on the waterfront.

Following the opening of the hotel, food and beverage performance has been good, particularly in *The Lobby* and banqueting, as the hotel offers one of the largest al fresco ballrooms in the city. Our rooftop restaurant *GALLADA* opened on 7 July 2023 and has received positive reviews. The outdoor swimming pool opened in early July, while the indoor pool and Spa have been operational since the soft opening. Room rates are strong and we expect this positive trend will continue for the rest of the year.

Türkiye is facing a period of high inflation, coupled with a significant devaluation of its currency. Accordingly, we have financing plans in place to manage and cover hotel operating costs which are largely denominated in lira, and our lease obligation which is denominated in euro.

We were very sad to learn the devastating news about the earthquake just before our soft opening and we decided to place all celebrations on hold as a mark of respect. We have implemented a global fundraising campaign, *Hope for Türkiye*, whereby a portion of our room rates are contributed to the rescue efforts and in due course we will announce our plans for a project to help rebuild and support the affected local communities.

Commercial Properties Division

Commercial Properties	Revenue	Variance	Year-on-Year
	HK\$m	HK\$	Local Currency
The Repulse Bay Complex	266	+3%	+3%
The Peak Tower	53	+245%	+245%
St. John's Building	24	-2%	-2%
The Landmark	21	+6%	+9%
21 avenue Kléber	12	+15%	+15%
The Peninsula Shanghai Apartments	4	-10%	-4%

Our largest commercial property, **The Repulse Bay Complex**, enjoyed a positive first half compared to the previous year, with strong banqueting revenue following the easing of restrictions. Residential revenue and occupancy improved at 101 Repulse Bay and de Ricou following a slight refurbishment of 30 apartments, and we are pleased to see demand returning from expatriates who are returning or moving to Hong Kong. We are cautiously optimistic about the second half of 2023, with positive leasing renewals for the summer and our long-term outlook is positive.

The Repulse Bay, with its beautiful ocean views, is one of Hong Kong's most popular venues for weddings, and our weddings business in the first half was particularly strong.

The Repulse Bay Shopping Arcade, which offers a diverse range of lifestyle amenities and services, reported stable occupancy and revenue. We are planning a strategic review of the arcade in order to offer unique and enhanced facilities to guests.

The Peak Tower experienced a satisfactory first half after the borders reopened and visitors started returning to Hong Kong, as well as benefiting from the reopening of The Peak Tram in August 2022. Revenue and occupancy at the Peak Tower improved with fewer rental concessions. We continue to implement a variety of promotions and business strategies to entice more visitors to the Peak, and visitors to Sky Terrace 428 improved to a more normal level. We are undertaking a strategic review of the retail and dining offering at the Peak Tower and we have plans to renovate the property in the coming one to two years.

St John's Building is located above the lower terminus of the Peak Tram and offers an excellent location for office space. Revenue decreased slightly and occupancy dropped slightly to 90% during the first half of 2023.

The Landmark, a 16-storey residential and office property, is located on a prime riverfront site in the central business district of Ho Chi Minh City, Vietnam. Business performance was positive in the first half. Revenue and occupancy for the offices improved year-on-year, and residential revenue and occupancy also improved compared to the previous year.

21 avenue Kléber offers a prime location immediately adjacent to The Peninsula Paris on Avenue Kléber, just steps from the Arc de Triomphe. The office and retail spaces are currently fully occupied. Rental revenue improved slightly compared to the previous year.

Clubs and Services Division

Clubs and Services	Revenue	Variance	
	HK\$m	HK\$	Local Currency
The Peak Tram	85	+2,576%	+2,576%
Quail Lodge & Golf Club	58	-9%	-9%
Peninsula Clubs & Consultancy Services	2	+67%	+67%
Peninsula Merchandising	38	-10%	-10%
Tai Pan Laundry	27	+105%	+105%

The Peak Tram is one of Hong Kong's most popular tourist attractions and has been in operation since 1888. The new sixth generation Peak Tram was launched in August 2022 following a major upgrade to the lower and upper termini, and larger refurbished tramcars which can carry 210 passengers compared to 120 previously. The new Peak Tram was very well received by Hong Kong locals and visitors, and since the mainland borders reopened, business has been robust, with record patronage achieved during the Golden Week holidays in May.

Quail Lodge & Golf Club reported a stable half year with revenue, average rates and RevPAR declining slightly year-on-year. Inclement weather in California affected the usually strong drive-in market and banqueting was weaker compared to the same period last year. Golf membership was strong.

We hosted *The Quail Motorcycle Gathering* in May, and we are preparing to host *The Quail, A Motorsports Gathering* in August 2023 which is considered one of the world's leading concours events for motoring *aficionados* and brings significant sponsorship revenue. The "Peninsula Classics Best of the Best Award" will also be held at Quail in August 2023.

Peninsula Clubs & Consultancy Services (PCCS) manages The Hong Kong Club, The Hong Kong Bankers Club and The Refinery in Hong Kong. PCCS reported a slight improvement in revenue compared to the same period last year, when the clubs in Hong Kong were all impacted by the effects of the pandemic in Hong Kong.

Revenue at **Peninsula Merchandising** decreased slightly compared to the previous year, mainly due to the timing of mooncake sales, which will be reflected in the second half of this year.

Revenue in The Peninsula Boutique at The Peninsula Hong Kong has increased materially, and at Hong Kong International Airport, the boutique reopened in December 2022 following the resumption of travel across the border, having been closed since March 2020, and we are pleased with the business performance to date. We reported continued growth in our boutique stores in Japan as well as our online businesses, and corporate sales and travel retail remained robust.

The Peninsula Boutique is renowned for its signature Mooncakes and initial forecasts for the forthcoming season are positive. The division is progressing well, with the expansion in several markets, including in the Chinese Mainland and are directly operating retail boutiques and online sales channels and we have plans to open further boutiques later this year. Sales in our boutiques in Japan continued to grow and additional boutiques are planned to further expand in this market.

Additional product launches including The Peninsula hotel amenities and other new luxury product lines, as well as *Peter Rabbit*-themed products, have been popular and appealed to loyal Peninsula guests and helped to introduce our brand in new markets

Tai Pan Laundry revenue increased compared to the same period last year, driven by improved business from hotels, clubs and gyms and diversified business services.

Projects under development

The Peninsula London

In July 2013, HSH entered into agreements with Grosvenor whereby as 50/50 leaseholders, HSH and Grosvenor would develop a prime site in Belgravia, London into a mixed-use building comprising The Peninsula London Hotel and Residences. The leasehold of 150 years commenced in February 2012. In 2016, the leasehold was further restructured as a result of which HSH became the 100% leaseholder, with Grosvenor remaining as the freeholder.

The property is in a high-profile location at the gateway to Belgravia, overlooking Hyde Park Corner, the Wellington Arch, Green Park and the gardens of Buckingham Palace. We are developing a 190-room Peninsula hotel, with 25 luxury Peninsula-branded residential apartments for sale integrated into the development.

Since the original agreements were signed in 2013, the project has encountered many challenges and changes. The process of design and obtaining local authorities' approvals took several years, following which construction of the project commenced in 2017. In 2018, an opportunity was taken to enhance the design and increase the useable area of the hotel by adding two additional basements to the project, which had the effect of creating additional revenue-generating spaces such as the junior ballroom and leased food and beverage outlets.

The project has been materially affected since 2020 by delays caused by the COVID-19 pandemic which resulted in labour shortages and site closures, as well as significant design and project coordination issues arising in key areas of the hotel. Throughout these challenges, the HSH projects team has worked closely with the London development manager, the construction management company, the consultants and the trade contractors to address and resolve problems as quickly and effectively as possible. However, the delays have also caused additional cost overruns and we announced in October 2022 that the revised project budget of The Peninsula London has been increased to GBP1,020 million (including both hotel and residential apartments).

The team has been working hard to complete the testing and commissioning works for the soft opening which is expected to be held on 12 September 2023. We will introduce guestrooms, *The Lobby*, the Chinese restaurant *Canton Blue*, as well as the Spa and swimming pools. Event spaces and ballrooms will be completed towards the end of the year.

We are satisfied to report that the prices at which we have transacted the sales of residential apartments to date have met our original expectations, and over two-thirds of the residences have been sold.

The Peninsula Yangon

The company entered into a shareholders' agreement with Yoma Strategic Investments Ltd. and First Myanmar Investment Public Company Limited in January 2014 to acquire a 70% majority interest for a proposed hotel development on the site of the former headquarters of the Myanmar Railway Company in central Yangon, Myanmar.

We agreed with our partners to temporarily suspend work on The Peninsula Yangon project as of June 2021 and we will continue to evaluate the situation in Myanmar.

Our People

The first half of 2023 has been a period of significant activities for the People and Culture department with a range of reactivated programmes. Notably, the Global Cross-Exposure employee development programme has been particularly successful, with participation rates already reaching 80% of pre-COVID-19 figures.

Employee communication and engagement remain a key focus for the employee journey. As part of the continuing efforts with our WorkPlace 2025 initiative to modernise our workplace and the way we work, enhancements have been made to the employee communications strategy and channels used to reach colleagues globally. A new employee portal, MyHSH Hub, has also been developed, initially launched at Head Office and soon to be extended to other operations, serving as a centralised platform for all company information, news and social engagements.

The WOW (Wisdom On Wellness) initiative, which focuses on promoting and supporting the physical and mental wellness of our employees, will be launching a series of WOW global team activities throughout the year that will focus on different aspects of wellness, including the body, mind, spirit and soul.

We strongly believe that listening to our employees is crucial to fostering a positive and engaged workforce. In September 2023, we will launch a global employee experience survey in-house through Qualtrics which we have integrated with eHR Suite to gather feedback and insights from our employees.

We are committed to providing fair and competitive compensation to our employees, continuously striving to enhance our offerings. In August 2022, The Peninsula London was accredited as a Living Wage Employer in preparation for our London recruitment and attraction efforts.

The Peninsula London, scheduled to soft open in September, has already recruited 70% of its pre-opening headcount. To further support recruitment efforts, we have introduced Peninsula Talent Days, our bespoke and personalised recruitment events that identifies the capabilities of aspiring candidates to deliver upon the company's values and Core Principles.

New hires at Head Office and The Peninsula Hong Kong are introduced to an enhanced onboarding experience through an interactive digital platform integrated with eHR Suite, familiarising them with the company and culture before commencing work. This will be extended to the other operations in Hong Kong, The Peninsula Tokyo and The Peninsula Istanbul in 2023.

Looking ahead, the People and Culture team will continue to focus on talent development and the employee experience, prioritising the care of our employees and the strength of the company culture to attract and retain our talent.

As of 30 June 2023, there were 7,109 full time employees in the group.

Sustainable Luxury

We believe we have the opportunity to offer our guests sustainable choices without compromising on the high quality of our products and services. During the year we continued the implementation of our sustainability strategy, *Sustainable Luxury Vision 2030 (Vision 2030)*, which incorporates corporate responsibility and sustainability into our wider business strategy. This strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention. We seek to address key issues we are facing in our business and in society through *Vision 2030* by focusing on our three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by 10 key commitments.

As the world transitions to a low carbon future, we seek to focus on decarbonising our operations through engineering solutions and transition to renewable energy. We have our first on-site solar farm at Quail Lodge & Golf Club, which generates most of the energy use for the resort. Our new hotel developments in Istanbul and London secured a contract to source 100% zero-emission electricity from our local providers. We continue to conduct feasibility studies in our properties to identify our next renewable project, and develop infrastructure to support a more sustainable lifestyle for our guests, such as installing more electric vehicle charging stations at our hotels and offer complimentary charging services for our guests. The journey to net zero is not an easy one and cannot be achieved alone. As such, we have joined the Climate Action Focus Group, organised by World Travel and Tourism Council (WTTC), to help develop decarbonisation action plans for the tourism and hotel industry.

Unusual climate events occurred in some parts of the world where we have hotels, we are becoming increasingly concerned about the risks posed by climate change and sea level rises to our ecosystems, businesses and human health. As a group we are exploring how to mitigate our own impact on the environment and deepen our understanding of how these risks may impact our group's long-term strategy and planning upon having a more holistic picture of the climate-related risks we face.

Outlook

The outlook for our various businesses is generally favourable, particularly in Greater China. In Hong Kong, we are hopeful that the long-haul market will start to return in the second half, although geopolitical tensions remain a concern in terms of welcoming leisure visitors from the US to Greater China. We expect to see continued growth in business at the Peak Tower and we are confident that the new Peak Tram is a very attractive experience for visitors. Although residential occupancy is still recovering, we are seeing demand returning for the residential apartments at the Repulse Bay from both the local and the expatriate markets.

In the hotels division, we are cautiously optimistic; however, The Peninsula Hong Kong is still well below its normal levels due to the slow recovery of the long-haul market. Beijing and Shanghai have a strong outlook with good business expected from the domestic market, and we believe Japan will continue to do well. We expect to see continued strong growth in Paris, which is a highly attractive destination for the Middle East and American markets and we are expecting the second half to be robust.

In the US, the second half is traditionally high season in New York and we expect rates to remain high, while in Chicago and Beverly Hills, the outlook is stable.

The new Peninsula Istanbul is a truly spectacular hotel and I believe this will grow from strength to strength when we have full inventory later this year. We expect that the soon-to-be-opened Peninsula London will further enhance our brand presence in Europe when it opens in September 2023.

On the commercial property side, we will continue to invest in our existing assets and uplift our offering to visitors and residents. We have plans for a renovation of the Peak Tower which will include new dining outlets, bars and exciting retail offerings. We are also looking at a renovation of the Repulse Bay retail arcade as a priority.

In terms of business strategy, we are a company that focuses on the very long term, and we believe that if we focus on our people, this will be reflected in the excellent service that we offer our guests. We are doing what we can to support and retain our people in the post-pandemic era, as well as recruit new talent. Our unique company culture is one of our greatest assets and I am personally involved in driving our internal transformation project, WorkPlace 2025, mentioned above.

Overall, our company has weathered the pandemic and maintained adequate liquidity, having closely managed our operating costs during this crisis. We are fortunate to have a highly motivated and dedicated team of management and staff who are committed to our long-term vision.

I would like to thank each member of my team for their loyalty and dedication in offering the world-class hospitality that Peninsula is known for.”

About The Hongkong and Shanghai Hotels, Limited (HSH)

Incorporated in 1866 and listed on the Hong Kong Stock Exchange (00045), The Hongkong and Shanghai Hotels, Limited is the holding company of a Group which is engaged in the ownership, development, and management of prestigious hotels and commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of tourism and leisure, club management and other services. The Peninsula Hotels portfolio comprises The Peninsula Hong Kong, The Peninsula Shanghai, The Peninsula Beijing, The Peninsula Tokyo, The Peninsula New York, The Peninsula Chicago, The Peninsula Beverly Hills, The Peninsula London, The Peninsula Paris, The Peninsula Istanbul, The Peninsula Bangkok and The Peninsula Manila. The property portfolio of the Group includes The Repulse Bay Complex, The Peak Tower and St. John's Building in Hong Kong; The Landmark in Ho Chi Minh City, Vietnam and 21 avenue Kléber in Paris, France. The clubs and services portfolio of the Group includes The Peak Tram in Hong Kong; Quail Lodge & Golf Club in Carmel, California; Peninsula Clubs and Consultancy Services, Peninsula Merchandising, and Tai Pan Laundry in Hong Kong.

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