THE HONGKONG AND SHANGHAI HOTELS, LIMITED
香港上海大酒店有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00045) website: www.hshgroup.com

2020 Interim Results

HIGHLIGHTS

- As described in the company's 2019 annual report and the profit warning announcements issued by the company on 26 February 2020 and 28 July 2020, the group's results for the six months ended 30 June 2020 were significantly negatively affected by the outbreak of the COVID-19 coronavirus which has placed unprecedented pressure on the group's operating performance and cashflow position

- Revenue amounted to HK$1,334 million (2019: HK$2,791 million)

- EBITDA loss amounted to HK$95 million (2019: EBITDA gain HK$610 million). Unless there is a material change to the current circumstances, our group would be expected to make a group EBITDA loss for the year as a whole

- Underlying loss* amounted to HK$499 million (2019: Underlying profit* HK$148 million)

- Loss attributable to shareholders amounted to HK$1,197 million (2019: Profit HK$254 million), inclusive of net property revaluation deficit of HK$365 million (2019: Gain HK$102 million) and impairment provisions of HK$329 million (2019: Nil)

- Loss per share was HK$0.73 (2019: Earnings per share was HK$0.16)

- The group came into this crisis with low gearing and considerable liquidity, which we bolstered by arranging further facilities totalling HK$2.8 billion during the first half of 2020. As at 30 June 2020, our net external debt to total assets was 16% and our company has HK$7.5 billion in available liquidity with another HK$810 million of arranged lines under documentation

- Given the current difficult environment and results, the Board felt it was prudent not to declare an interim dividend (2019: 4 HK cents per share)

- Shareholders' funds as at 30 June 2020 amounted to HK$37,538 million (31 December 2019: HK$39,054 million) or HK$22.76 per share (31 December 2019: HK$23.90 per share)

* *Underlying profit/loss is calculated by excluding the post-tax effects of unrealised property revaluation movements and impairment provisions.*

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	Increase/ (Decrease)
Consolidated Statement of Profit or Loss (HK$m)			
Revenue	**1,334**	2,791	(52%)
EBITDA	**(95)**	610	n/a
Operating (loss)/profit	**(378)**	319	n/a
(Loss)/profit attributable to shareholders	**(1,197)**	254	n/a
(Loss)/earnings per share (HK$)	**(0.73)**	0.16	n/a
Underlying (loss)/profit *	**(499)**	148	n/a
Interim dividend	**–**	65	(100%)
Interim dividend per share (HK cents)	**–**	4	(100%)
Interim dividend cover (times) **	**n/a**	2.3x	n/a
Interest cover (times) Δ	**(18.9x)**	14.5x	n/a
Cash interest cover (times) ΔΔ	**(2.4x)**	9.3x	n/a
Weighted average gross interest rate on bank borrowings	**2.1%**	2.3%	(0.2pp)

	As at 30 June 2020	As at 31 December 2019	
Consolidated Statement of Financial Position (HK$m)			
Total assets	**52,353**	53,061	(1%)
Net assets attributable to shareholders	**37,538**	39,054	(4%)
Adjusted net assets attributable to shareholders #	**41,507**	42,808	(3%)
Net assets per share (HK$)	**22.76**	23.90	(5%)
Adjusted net assets per share (HK$) #	**25.17**	26.20	(4%)
Net external borrowings	**8,305**	6,827	22%
Funds from operations to net external debt ##	**(7%)**	18%	n/a
Net external debt to equity attributable to shareholders	**22%**	17%	5pp
Net external debt to total assets	**16%**	13%	3pp

	For the six months ended 30 June		
	2020	2019	
Condensed Consolidated Statement of Cash Flows (HK$m)			
Net cash (used in)/ generated from operating activities before net working capital movement	**(224)**	602	n/a
Net cash interest paid	**(69)**	(58)	19%
Capital expenditure on existing assets	**(174)**	(242)	(28%)
Capital expenditure on new projects and investments	**(844)**	(611)	38%
Share Information (HK$)			
Highest share price	**8.97**	12.08	
Lowest share price	**5.99**	10.18	
Period end closing share price	**7.01**	10.18	

* *Underlying (loss)/profit is calculated by excluding the post-tax effects of unrealised property revaluation movements and impairment provisions*
** *Interim dividend cover is calculated as underlying profit divided by interim dividend*
Δ *Interest cover is calculated based on operating (loss)/profit divided by net financing charges excluding interest on lease liabilities*
ΔΔ *Cash interest cover is calculated based on EBITDA less lease payments divided by net interest on bank loans paid*
\# *Adjusted net assets attributable to shareholders and adjusted net assets per share are calculated by reference to the revaluation of the group's hotels and golf courses which is conducted annually by independent property valuers*
\## *Being annualised EBITDA less tax paid and net cash interest paid as a percentage of net external debt*
pp *Denotes percentage points*

CEO's Strategic Review

The first half of 2020 has been one of the most challenging periods our group has ever faced. The world has been devastated by the COVID-19 Coronavirus Disease, with millions of people affected and more than half a million deaths at the time of writing. In terms of economic impact, the tourism industry is one of the sectors most severely impacted, with global travel restrictions, quarantine and safety concerns deterring people from travelling for the foreseeable future.

COVID-19 has created unprecedented challenges for the hospitality industry, and we have felt its devastating effects ripple across our global portfolio. Our hotels and tourism related businesses in Greater China first felt the effects in late January. Outside of Greater China, our hotels started the year in a strong position but experienced a sharp deterioration in demand as the pandemic spread on a global scale. As a result, beginning in March we temporarily closed our Peninsula hotels in New York, Chicago, Paris, Tokyo, Bangkok and Manila, as well as the Thai Country Club and Quail Lodge & Golf Club. The Peninsula Tokyo and the golf clubs reopened in June.

The group came into this crisis with low gearing and considerable liquidity, which we bolstered by arranging further facilities totalling HK$2.8 billion during the first half of 2020. As at 30 June 2020, net external debt to total assets was 16% and the group has HK$7.5 billion in available liquidity with another HK$810 million of arranged lines under documentation. Starting from the Hong Kong social unrest which began in mid-2019 and continuing with the onset of the COVID-19 crisis, we have exercised significant cost control and cost cutting while maintaining appropriate operational and service levels as well as looking after the well-being of staff. Our total monthly group operating costs, with a number of properties under temporary closure, are currently running in the region of 34% below the levels of the first half of 2019. As a result of the actions that we have taken to minimise our operating cash outflows, we believe our financial resources are currently sufficient to meet the group's funding requirements for at least the next 18 months even in the event there is no substantial recovery in business from the current levels.

Looking at our group's results for the first six months, our tourism-related businesses were very substantially impacted by the reduction in global travel demand and temporary hotel closures. The 52% decline in consolidated revenue was principally due to the decrease in revenue recorded by our hotels division and a significant decrease in visitors to the Peak Tram and Peak Tower. On the commercial property side, while rents continue to come under pressure in the luxury retail market, office and residential leasing have remained relatively stable. In the light of the extremely challenging market circumstances we faced, the group reported an EBITDA loss of HK$95 million.

We implemented substantial cost-saving measures group-wide. These included the introduction of voluntary unpaid leave, reduced casual labour, redeployment of staff and a hiring freeze. Government subsidies have been made available to certain operations, and we have reduced operating and corporate level expenses and renegotiated contracts. Despite the significant efforts to contain costs, the group's underlying loss was HK$499 million. Further taking into account the unrealised loss on revaluation of the group's investment properties and impairment provisions made in respect of the investments in The Peninsula Manila and The Peninsula Istanbul, the group's loss attributable to shareholders for the period amounted to HK$1,197 million.

Despite the high degree of uncertainty in the near term, our long-term philosophies and values remain steadfast. Our vision has not changed since I have been CEO of this group, which is: *to develop, own and operate a small number of the highest quality property assets, some of which we believe are considered to be 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.

We remain focused on building and improving our assets for the future. We are continuing to make significant investments in our Peninsula hotel projects in London, Istanbul, Yangon and the Peak Tram project. Each project is facing some degree of delay due to the unforeseen circumstances of the coronavirus and we are working hard to mitigate these delays.

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	
	HK$m	In HK$	In Local Currency
Consolidated hotels			
The Peninsula Hong Kong	282	–54%	–54%
The Peninsula Beijing	60	–60%	–58%
The Peninsula New York	140	–56%	–56%
The Peninsula Chicago	87	–69%	–69%
The Peninsula Tokyo	165	–62%	–62%
The Peninsula Bangkok	51	–64%	–63%
The Peninsula Manila	35	–71%	–71%
Non-consolidated hotels			
The Peninsula Shanghai*	104	–60%	–58%
The Peninsula Beverly Hills	144	–51%	–51%
The Peninsula Paris	85	–70%	–68%

* *Excluding proceeds from sale of apartments*

The Peninsula Hong Kong

The Peninsula Hong Kong		
Revenue	HK$282m	–54%
Occupancy		–52pp
Average Room Rate		–36%
RevPAR		–87%

In the first half of the year, **The Peninsula Hong Kong** was impacted by the stringent travel restrictions and quarantine measures in Hong Kong. We are supporting the local community and charities by partnering with Impact HK and offering a “one meal for one meal” programme to support the homeless and needy in Hong Kong.

We implemented a number of “staycation” offers and marketing promotions including “The Eight Loves of The Peninsula Hong Kong” to attract the local market. Food and beverage revenue declined due to social distancing measures imposed by the Hong Kong Government and we temporarily closed the Spa, *The Verandah, Gaddi’s and Felix*. At the time of writing, dine-in service at restaurants has been restricted by the government and bars and spas remain closed.

The Peninsula Office Tower was 92% occupied in the first half of 2020, and the immediate outlook is stable. The Peninsula Arcade occupancy was 82% and the overall environment in Hong Kong for luxury retail remained soft. We are taking the opportunity to renovate The Peninsula Arcade at a cost of HK$181 million which will result in a more attractive retail space for our tenants.

It is thanks to the efforts of our colleagues that The Peninsula Hong Kong received the accolade of "No 1 Best Hotels and Resorts in Hong Kong" by *DestinAsian* Readers' Choice Awards in February 2020, as well as "No 2 City Hotel" *by Travel + Leisure* in July 2020.

We have formed an alliance with other Hong Kong-headquartered hotel brands, known as The Heritage Tourism Brands, to showcase Hong Kong's unique advantages as a tourism destination and to inspire love for the city amongst the local residents.

The Peninsula Shanghai

The Peninsula Shanghai		
Revenue	RMB95m	–58%
Occupancy		–43pp
Average Room Rate		–18%
RevPAR		–74%

Despite the very challenging environment due to the onset of the coronavirus, **The Peninsula Shanghai** remains the market leader in average room rates in the city. We were delighted to be named as the Number 1 "Top City Hotel in Shanghai" by *Travel + Leisure* magazine, and The Peninsula Shanghai remains the only hotel in mainland China to have two restaurants with Michelin stars.

Due to travel restrictions, the domestic Chinese mainland market remained our largest revenue driver. Catering business was significantly disrupted due to government advisories and *Sir Elly's, Compass Bar* and *Salon de Ning* as well as No. 1 Waitanyuan had to be temporarily closed. In June, rooms revenue and food and beverage revenue started to show some signs of early recovery from the local market.

The Peninsula Arcade was 94% occupied for the first half. As previously agreed by both parties, we have ceased management of No. 1 Waitanyuan, as we have reached the end of the management agreement.

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 2020, a total of 30 units have been sold, including one during the first half of 2020. This generated gross proceeds of RMB181 million, which was utilised for loan repayment and working capital of the joint venture entity.

The Peninsula Beijing

The Peninsula Beijing		
Revenue	RMB54m	–58%
Occupancy		–41pp
Average Room Rate		–17%
RevPAR		–74%

The Peninsula Beijing was negatively impacted by international travel restrictions and city-wide lockdowns, particularly in the first quarter of 2020. We had started to see some pickup from the domestic market in May and June but this was impacted by a second wave of coronavirus which occurred in the city and we continue to monitor the situation closely.

As part of our group marketing campaign we launched "The Eight Loves of The Peninsula Beijing" in May 2020 which allows guests to enjoy special suite packages, as well as an array of curated experiences to showcase the best of Beijing.

The Peninsula Arcade was 58% occupied and despite the challenging environment, leasing sentiment and enquiries have remained positive.

The Peninsula Tokyo

The Peninsula Tokyo		
Revenue	JPY2.31b	–62%
Occupancy		–40pp*
Average Room Rate		–3%
RevPAR		–52%*

* *excluding the effect of reduction in room inventory during the hotel closure*

The Peninsula Tokyo enjoyed a promising start to the year with high expectations for the peak *sakura* (cherry blossom) season. However, the hotel started to suffer from cancellations due to the global coronavirus pandemic in February 2020 which eventually led to the cancellation of the Tokyo Olympics. We temporarily closed the hotel on 28 March 2020 with health and safety considerations for our guests and staff as a top priority.

The hotel reopened in late June although overseas business remains almost non-existent due to the ongoing travel restrictions in place for Japan. As part of the group marketing initiative, we launched "The Eight Loves of The Peninsula Tokyo" in June 2020 which lets guests rediscover the distinctive cuisine, activities, culture, and community of their "home away from home" in Tokyo.

The Peninsula Bangkok

The Peninsula Bangkok		
Revenue	THB207m	–63%
Occupancy		–27pp*
Average Room Rate		+19%
RevPAR		–26%*

* *excluding the effect of reduction in room inventory during the hotel closure*

The Peninsula Bangkok temporarily closed on 28 March 2020 following the guidance of the Thai Government, which issued an emergency decree in response to the COVID-19 crisis. No foreigners were allowed to enter Thailand until late June 2020. The hotel remains closed.

The legal dispute with our Thai partners is ongoing. HSH owns 50% of The Peninsula Bangkok and Thai Country Club and has been operating the hotel since 1998. The Phataraprasit shareholders, who own the other 50% of the hotel, have been taking legal and other actions with the objective of terminating Peninsula's management of The Peninsula Bangkok. We continue to vigorously defend our rights and have always acted with integrity and in the best interests of our shareholders.

The Peninsula Manila

The Peninsula Manila		
Revenue	Php232m	–71%
Occupancy		–30pp*
Average Room Rate		+17%
RevPAR		–28%*

* *excluding the effect of reduction in room inventory during the hotel closure*

The Peninsula Manila completed its guestroom renovation and opened a new executive Club Lounge in early 2020. Unfortunately, due to the outbreak of the pandemic, the hotel temporarily closed on 19 March 2020 following the guidance from the Philippine Government on "Enhanced Community Quarantine". In May, we started to offer takeout and delivery services from The Peninsula Boutique, *The Lobby* and *Spices* which was well received by the local community. Unfortunately, this service had to be suspended in late June due to the worsening situation of coronavirus cases in the city. The hotel remains closed.

The Peninsula Manila is subject to a land lease which is due to expire in 2026. In view of the relatively short remaining lease term and the uncertain outlook of the local tourism market, a review has been conducted by management and an independent third-party valuer. Since the hotel's appraised value was lower than its book value as at 30 June 2020, the directors considered it appropriate to write down the hotel's value resulting in an impairment provision of HK$93 million.

The Peninsula New York

The Peninsula New York		
Revenue	US$18m	–56%
Occupancy		–14pp*
Average Room Rate		–4%
RevPAR		–23%*

* *excluding the effect of reduction in room inventory during the hotel closure*

The Peninsula New York started the year in a strong position as a RevPAR market leader in January, with robust food and beverage revenue and strong diplomatic business. However, the hotel temporarily closed on 20 March 2020 due to the very serious global pandemic situation in New York City. The hotel remains closed and we have placed the majority of staff on furlough.

The Peninsula Chicago

The Peninsula Chicago		
Revenue	US$11m	–69%
Occupancy		–17pp*
Average Room Rate		–5%
RevPAR		–31%*

* *excluding the effect of reduction in room inventory during the hotel closure*

The Peninsula Chicago enjoyed a strong start to the year in January and February 2020. However, the hotel temporarily closed on 17 March 2020 due to the outbreak of coronavirus in the city of Chicago and with the health and safety of our guests and employees as a top priority. During the closure, the hotel implemented various charitable and community initiatives such as live music broadcast from the *Z Bar* terrace on social media. We were pleased to receive the accolade of “No 1 City Hotel in Chicago” by *Travel + Leisure.*

We reopened the hotel on 23 July 2020 and will launch “The Seven Loves of The Peninsula Chicago” to drive bookings from the US domestic market. We have placed a number of staff on furlough and have implemented stringent cost saving measures to mitigate the downturn in business.

The Peninsula Beverly Hills

The Peninsula Beverly Hills		
Revenue	US$18m	–51%
Occupancy		–39pp
Average Room Rate		–5%
RevPAR		–51%

Following a satisfactory first quarter of 2020 during the traditional peak awards season, **The Peninsula Beverly Hills** was significantly impacted by the coronavirus Shelter-in-Place restrictions implemented by the California state government. Most food and beverage outlets were temporarily closed from March to May 2020 and after briefly reopening, all indoor restaurants were instructed to close from June 2020, leading to a significant decline in rooms revenue and food and beverage revenue. The Spa also had to close again in July 2020 as per instructions from the Governor. International arrivals to Los Angeles declined and the majority of guests in the second quarter were comprised of the drive-in market from the California and Nevada area. All events have been cancelled and this has affected our rooms revenue and catering business. We have placed a number of staff on furlough and have implemented stringent cost saving measures to mitigate the downturn in business.

The Peninsula Paris

The Peninsula Paris		
Revenue	EUR10m	–68%
Occupancy		–16pp*
Average Room Rate		–10%
RevPAR		–36%*

* *excluding the effect of reduction in room inventory during the hotel closure*

In the second quarter of 2020, **The Peninsula Paris** experienced a challenging environment due to the onset of the global coronavirus pandemic which started to affect Paris in February and March. Our hotel closed on 14 March 2020 due to French government directives. The hotel remains closed although we have reopened *La Terrasse Kléber* and *L'Oiseau Blanc*.

We were delighted to receive a Michelin star for our rooftop restaurant *L'Oiseau Blanc* in early 2020. We hosted The Peninsula Classics Best of the Best Award in February 2020 which was well attended by classic car *aficionados* and celebrities and received extensive press coverage.

Commercial Properties Division

Commercial Properties	Revenue	Variance	
			In Local
	HK$m	In HK$	Currency
The Repulse Bay Complex	311	–6%	–6%
The Peak Tower	35	–62%	–62%
St.John's Building	28	+1%	+1%
The Landmark	19	–2%	–1%
21 avenue Kléber	10	–11%	–7%

Our largest residential property, **The Repulse Bay Complex**, reported a slightly weaker first half compared to the previous year. Residential revenue and occupancy remained relatively stable given the difficult business environment, although food and beverage and catering revenue decreased due to Hong Kong government restrictions on social distancing in bars and restaurants, and many weddings were cancelled or postponed.

The Repulse Bay Shopping Arcade, which offers an eclectic blend of lifestyle amenities, health and wellness facilities and boutiques, was 93% occupied for the first half.

The Peak Tower experienced a very challenging first half. Rental revenue decreased and Sky Terrace 428 experienced a reduction of 62% revenue due to the substantial decline in visitor arrivals to Hong Kong. We have implemented a number of sales and marketing strategies to continue to drive business and to encourage local residents to visit the Peak.

St John's Building, located at the lower terminus of the Peak Tram, offers an excellent location for office space. The property was fully let during the first half of 2020 and revenue increased by 1%, achieved by new leases.

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. Revenue and occupancy for the offices remained stable year-on-year despite intense competition. However, the revenue and occupancy for the residential portion was affected by the overall poor business environment. The Landmark maintains its popularity and leadership in a competitive market and continues to attract awards for its management and facilities.

21 avenue Kléber offers a prime location immediately adjacent to The Peninsula Paris on Avenue Kléber, just steps from the Arc de Triomphe. The property has achieved international BREEAM Excellent and HQE Outstanding environmental certifications which are the highest level of sustainable building assessments in Europe. We have successfully leased the entire office although one retail space has been vacated and revenue was lower due to rental concessions.

Clubs and Services Division

Clubs and Services	Revenue	Variance	
	HK$m	In HK$	In Local Currency
The Peak Tram	12	–74%	–74%
The Thai Country Club	23	–33%	–34%
Quail Lodge & Golf Club	27	–55%	–55%
Peninsula Clubs & Consultancy Services	2	–43%	–43%
Peninsula Merchandising	13	–58%	–58%
Tai Pan Laundry	14	–49%	–49%

The Peak Tram is one of Hong Kong's most popular tourist attractions and has been operated by HSH since 1888. The current upgrade project will result in a beautiful new lower terminus building which features covered queueing and waiting areas with entertainment features for up to 1,300 passengers. The new tramcars will be able to carry 210 passengers instead of 120 at present and visitors' waiting time will be significantly reduced. The full cost of the HK$684 million upgrade project, which is scheduled to be completed in 2021, is being fully funded by HSH.

In the first half of 2020, the upgrade project has been negatively impacted by the global coronavirus pandemic in terms of the sourcing of materials and production delays in Asia and Europe, which has affected the manufacturing of our new tramcars and equipment. We believe this will affect the project in terms of its scheduled completion date and we have postponed the second phase of service suspension until 2021. The entire upgrade project is still planned to be completed in 2021.

As forewarned in the 2019 annual report and the profit warning announcements in February 2020 and July 2020, overall revenue of The Peak Tram decreased by 74%, due to the impact of the social unrest in Hong Kong and the coronavirus which significantly impacted tourist arrivals in Hong Kong.

The Thai Country Club which is located near Bangkok, recorded a challenging first half of 2020 and the club was temporarily closed due to the Government shutdown of all sports and entertainment facilities from March to May. The Club was allowed to reopen in May with a number of capacity restrictions, however, business remains soft compared to the previous year due to the travel restrictions still in place in Thailand.

Quail Lodge & Golf Club revenue decreased by 55% year on year due to the shelter-in-place restrictions in California and a 50% reduction in membership fees for Golf Club members. The hotel and club facilities temporarily closed in March 2020, although the golf course reopened on 4 May 2020 and the hotel on 17 June 2020 and business has been strong with the "staycation" market in California proving to be popular. Golf rounds improved in May and June. We unfortunately had to cancel both *The Quail Motorcycle Gathering* and *The Quail: A Motorsports Gathering* events, which usually occur in May and August respectively and are considered two of the world's leading concours events for classic motoring *aficionados*.

Peninsula Clubs & Consultancy Services (PCCS) reported significantly lower revenue compared to the same period last year, due to the impact of the coronavirus outbreak in Hong Kong. The situation also affected the relocation project of the Hong Kong Bankers Club. PCCS manages prestigious clubs in Hong Kong including The Hong Kong Club, Hong Kong Bankers Club and The Refinery (formerly Butterfield's).

Revenue at **Peninsula Merchandising** was 58% lower than the same period last year, due to softer retail sales and the temporary closure of the Hong Kong International Airport boutique. Despite the current weak market sentiment, Peninsula Merchandising is planning to expand in the Chinese mainland, and will open new boutiques in key cities and drive online sales, widen distribution channels and increase brand awareness to customers in the Greater China region. Despite the general economic uncertainty, early orders for the mooncake season have been satisfactory.

Tai Pan Laundry revenue declined by 49% compared to the same period last year due to significantly reduced corporate business as a result of the coronavirus pandemic. However, despite the challenging environment we achieved significant improvement in output per hour due to new automated machinery which also led to an improvement in energy costs and lower expenses.

Projects under development

The Peninsula London
In 2013, our group purchased a 50% interest in the lease of 1-5 Grosvenor Place in Belgravia, central London, for a cash consideration of £132.5 million. In 2016 HSH assumed 100% ownership of the project by buying out our equity partner Grosvenor for an additional cash consideration of £107.5 million. Grosvenor will remain as the landlord under the 150-year lease.

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 26 luxury Peninsula-branded residential apartments for sale also integrated into the development. The construction budget for the project is in the region of £800 million.

As a result of the coronavirus pandemic, we decided to temporarily close the construction site to ensure the safety of our employees, contractors, and suppliers. The site reopened in May 2020 and we are working hard to mitigate the impact of this closure. However, we expect some delays to the project due to the continue impact of the pandemic on the supply chain, and the revised opening date is now expected to be in 2022.

The Peninsula Istanbul
In July 2015, together with our partners Doğuş Holding and BLG, we entered into a shareholders' agreement to form a joint venture partnership, of which HSH has a 50% share, for a proposed hotel development in Istanbul, Turkey. The partners agreed to jointly develop the property with an investment commitment of approximately €300 million, of which HSH is responsible for 50% or approximately €150 million.

There will be approximately 180 rooms, a ballroom with sweeping views of the Bosphorus, indoor and outdoor swimming pools, Spa and verdant garden area on the waterfront. The Peninsula Istanbul will form part of the wider *Galataport* project being developed by our partners, which incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal.

We decided to temporarily close the construction site in April 2020 due to the coronavirus pandemic and while the site has now reopened, this has led to some unforeseen delays. Completion of the project is currently targeted to be in 2022.

The Peninsula Istanbul is subject to a 30-year fixed term lease commencing February 2014. The project has been hard hit by unforeseen delays due to the site conditions and the recent coronavirus pandemic. Coupled with the decline of the local currency, the uncertain economic climate arising from the geopolitical tensions and the expected delay of the hotel opening, management has engaged an independent valuer to re-appraise the value of The Peninsula Istanbul. Following the re-appraisal, the directors have deemed it appropriate to write down the book value of the project by HK$472 million (of which 50% was shared by the group), representing approximately 20% of the hotel's cost on completion.

The Peninsula Yangon

The company entered into a shareholders' agreement with Yoma Strategic Investments Ltd. (Yoma) and First Myanmar Investment Public Company Limited (FMI) 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. The existing building is being renovated to become The Peninsula Yangon and will be adjacent to a mixed-use development called Yoma Central, previously known as the Landmark Development. We will also receive branding fees on the sale and management of The Peninsula Residences Yangon, the luxury residential apartments being developed by Meeyahta Development Limited which is a joint venture between our partners Yoma and FMI, Mitsubishi Corporation, Mitsubishi Estate Corporation, Asian Development Bank and International Finance Corporation, adjacent to the hotel.

The Peninsula Yangon will have 88 magnificent guestrooms with high ceilings, surrounded by tropical landscaped gardens with an outdoor swimming pool. The Group's overall investment is around US$130 million, including the value of the leasehold interest and estimated development costs. The project has experienced some delays as a result of the global coronavirus pandemic situation and we are expecting completion in 2022.

Human Resources

The first half of 2020 was a very challenging year for our Human Resources team who have made an enormous effort to preserve as many jobs and livelihoods as possible, and to ensure our staff remain engaged despite working from home and furlough in various countries.

Building a team of exceptional people is the key to executing our strategies. The culture of our company has cultivated a loyal and committed team spirit which has resulted in a stable and cohesive management team. This team spirit starts at the top of the organisation with our majority owners the Kadoorie family and we adhere to a core set of values and integrity that permeates through all levels of the company. We believe it is important to safeguard this culture as we add thousands of new people to our group, with three new hotel properties coming on board.

Our WorkPlace 2025 initiative continues in which our focus is to create effective transformation for our teams and modernise our workplace. While we currently have a hiring freeze in place due to the global pandemic, we remain committed to developing strong leaders, implementing mental and physical well-being programmes, and the improvement of our engagement strategies.

As of 30 June 2020, we have a team of 6,957 full time staff.

Sustainable Luxury

Our Corporate Responsibility and Sustainability Team is working on developing a Vision 2030 Strategy to take the group beyond Vision 2020, and more details will be announced later in 2020. The ten-year period demonstrates that some of these commitments will require significant change and will take time to implement.

We continue to believe that our attention to detail and quest to provide the highest quality service will make sustainability part of the appeal of our luxury offering. Sustainable luxury is an integral part of our long-term mindset. We aim to properly manage risk as well as invest in the right opportunities while enabling a sense of belonging by offering services that are sustainable, thoughtful and purposeful to the needs of our guests and customers.

During the first half of 2020, we continued to move towards our goal of eliminating single-use plastics while balancing this with the need for enhanced hygiene and sanitation protocols necessitated by the coronavirus pandemic. We also continue to focus on reducing our energy intensity and water usage. During the global pandemic, it is our goal to enhance our community outreach and we have implemented a charitable community programme to assist the homeless and needy in cities in which we operate, notably through a “one-for-one” meal programme.

Overall, we continued to see good progress in achieving 89% of our commitments and focusing our efforts in three key areas of “Our Guests, Our People and Our Cities”.

Outlook

In terms of outlook for the coming year, it is not possible to predict when the negative effect of the coronavirus will come to an end. We are currently evaluating how to operate in the "new normal" post-COVID-19 world and have implemented extensive new hygiene and sanitation protocols. We are navigating geopolitical instability in some of the regions we operate in, including our home market of Hong Kong. We are concerned about the effect this political uncertainty will continue have on our results, considering the majority of our group's interests are based in Hong Kong. Unless there is a material change to the current circumstances, our group would be expected to make a group EBITDA loss for the year as a whole.

We are implementing a number of new strategies to drive business in the year ahead. I am committed to ensuring that with the rapid development of technology we are keeping pace with the needs and opportunities of our business. Examples of technology transformation include the shift to digital marketing, the compilation of a big data strategy and the use of data analytics, and we are exploring the latest technologies to assist with enhanced hygiene in our operations. We are looking at business diversification, exploring opportunities for creating value from horizontal and vertical expansion and "adjacencies" which are supported by our existing brand strengths, resources and skills and other competitive advantages.

We expect that from 2022 onwards, the new hotels in London, Istanbul and Yangon will further enhance our brand presence.

Our Peak Tram business will continue to be negatively impacted in 2020 due to the downturn in visitor arrivals combined with the impact of its improvement and upgrade programme that was previously announced to shareholders. We expect this to affect our results for the rest of 2020, however, in the long term we believe it will significantly improve the visitor experience and enhance Hong Kong's tourism image.

Overall, our company has maintained a strong balance sheet and has closely maintained its liquidity position 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 during one of the most challenging periods our group has faced.

Clement Kwok
5 August 2020

Financial Review

The Directors hereby announce the unaudited interim results of the group for the six months ended 30 June 2020. The Interim Financial Report has been reviewed by the company's Audit Committee. The Interim Financial Report is unaudited but has been reviewed by the company's auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), whose unmodified review report is included in the Interim Report to be sent to shareholders.

Basis of Preparation

The group's Interim Financial Report has been prepared in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

Summary of Financial Impacts Resulting from the COVID-19 Coronavirus

As described in the company's 2019 annual report and the profit warning announcements issued by the company on 26 February 2020 and 28 July 2020, the group's results for the six months ended 30 June 2020 were significantly negatively affected by the outbreak of the COVID-19 coronavirus which has placed unprecedented pressure on the group's operating performance and cashflow position.

Despite the group's efforts to contain costs and the government economic reliefs made available to some of our operations, the group sustained an underlying loss of HK$499 million for the six months ended 30 June 2020. To meet the group's working capital requirements and capital commitments in respect of its ongoing projects, the group has obtained committed facilities totalling HK$2.8 billion during the first half of 2020. Details of the group's liquidity position as at 30 June 2020 are analysed on pages 26 and 27 of this Financial Review.

The company's hotels division was significantly affected by the pandemic, resulting in a 60% decline in combined revenue due to a sharp decrease in hotel occupancies and the temporary closure of six Peninsula hotels. Whilst the group has put in place various cost control measures in response to the challenging operating environment, the extent of savings achieved was insufficient to offset the significant revenue shortfall. As such, the hotels division sustained a combined EBITDA loss of HK$301 million compared to a positive EBITDA of HK$390 million in the same period last year.

The clubs and services division was also severely impacted. The Peak Tram suffered a 74% reduction in income due to the significant decrease in tourist arrivals in Hong Kong. Combined with the temporary closure of the Thai Country Club and Quail Lodge & Golf Club, the clubs and services division reported a 55% reduction in revenue and sustained an EBITDA loss of HK$49 million. This is compared to a positive EBITDA HK$5 million in the same period last year.

Whilst the company's commercial properties were less affected by the COVID-19 coronavirus, the division's revenue for the six months ended 30 June 2020 declined by 16% with EBITDA decreasing by 12% to HK$236 million.

The revenue and EBITDA of the three divisions are further analysed on pages 20 to 23 of this Financial Review and details of the operating performances of the group's individual operations are set out on pages 5 to 13 of the CEO's Strategic Review.

In addition to the EBITDA and operating losses, the group reported an unrealised loss on revaluation of its investment properties amounting to HK$365 million. Due to the continued uncertainty over the coronavirus and the challenging outlook, a thorough impairment assessment in respect of the group's non-investment properties and projects under development has been conducted. As a result, provisions for impairment amounting to HK$93 million and HK$236 million (being the group's 50% share) have been made for The Peninsula Manila given its relatively short remaining lease team and The Peninsula Istanbul which is indirectly held by the group's 50% Turkish joint venture. The latter is due to the unforeseen construction delays of The Peninsula Istanbul combined with the declining local currency and uncertain economic climate arising from geopolitical tensions, which may affect the future operations of the hotel.

The Group's Underlying Earnings

Our operating results are mainly derived from the operation of hotels; leasing and sale of luxury residential apartments; leasing of office and retail properties; operation of The Peak Tram and retail merchandising. We manage the group's operations with principal reference to their underlying operating cash flows and recurring earnings. However, to comply with the applicable accounting standards, we are required to include non-operating items, such as any changes in fair value of investment properties, in our consolidated statement of profit or loss. To reflect the true performance of the group, we have provided calculation of the underlying loss/profit attributable to shareholders. This is determined by excluding the post-tax effects of the revaluation movements of investment properties and impairment provisions in respect of non-investment properties.

The group's underlying loss attributable to shareholders for the six months ended 30 June 2020 amounted to HK$499 million compared to an underlying profit of HK$148 million in the same period last year.

	For the six months ended 30 June	
HK$m	**2020**	2019
(Loss)/profit attributable to shareholders	**(1,197)**	254
Revaluation loss/(gain) of investment properties*	**341**	(106)
Impairment provisions**	**329**	–
Share of revaluation gain on an apartment sold by the Peninsula Shanghai Waitan Hotel Company Limited (PSW)^	**28**	–
Underlying (loss)/profit	**(499)**	148

* *Including the group's share of revaluation movement of The Peninsula Shanghai, net of tax and non-controlling interest.*

** *Including the group's share of impairment provision of HK$236 million in respect of The Peninsula Istanbul which is held by a joint venture.*

^ *PSW is a 50% joint venture which owns The Peninsula Shanghai Complex. In 2017, PSW reclassified its apartments from investment properties which were stated at fair value as inventory held for sale. The group's underlying (loss)/profit is calculated by excluding the post-tax effect of unrealised property revaluation movements, including those relating to the apartments held by PSW. On disposal of such apartments, the unrealised revaluation gains became realised gains and were therefore added back to arrive at the underlying (loss)/profit for the period.*

The Group's Adjusted Net Asset Value

In the Financial Statements, the group's hotels (other than shopping arcades and offices within the hotels) and golf courses are stated at depreciated cost less accumulated impairment losses, if any, and not at fair value. If these assets were to be stated at fair value, the group's net assets attributable to shareholders would increase by 11% to HK$41,507 million as indicated in the table below.

HK$m	**As at 30 June 2020**		As at 31 December 2019	
Net assets attributable to shareholders per statement of financial position		**37,538**		39,054
Adjusting the value of hotels and golf courses to fair value	**4,265**		4,109	
Less: Related deferred tax and non-controlling interests	**(296)**		(355)	
		3,969		3,754
Adjusted net assets attributable to shareholders		**41,507**		42,808
Net assets per share (HK$)		**22.76**		23.90
Adjusted net assets per share (HK$)		**25.17**		26.20

Statement of Profit or Loss

The group's consolidated statement of profit or loss for the six months ended 30 June 2020 is set out on page 28. The following table summarises the key components of the group's (loss)/profit attributable to shareholders. This table should be read in conjunction with the commentaries set out on pages 20 to 24 of this Financial Review.

HK$m	**For the six months ended 30 June 2020**	2019	2020 vs 2019
Revenue	**1,334**	2,791	(52%)
Operating costs	**(1,429)**	(2,181)	(34%)
EBITDA	**(95)**	610	n/a
Depreciation and amortisation	**(283)**	(291)	(3%)
Net financing charges	**(71)**	(72)	(1%)
Share of results of joint ventures*	**(271)**	(4)	6,675%
Share of results of associates	**(50)**	(18)	178%
(Decrease)/increase in fair value of investment properties	**(365)**	102	n/a
Impairment provision in respect of The Peninsula Manila**	**(93)**	–	n/a
Taxation	**–**	(67)	(100%)
(Loss)/profit for the period	**(1,228)**	260	n/a
Non-controlling interests	**31**	(6)	n/a
(Loss)/profit attributable to shareholders	**(1,197)**	254	n/a

* *Including the group's share of revaluation loss of the Peninsula Arcade in Shanghai of HK$6 million and the group's share of impairment provision in respect of The Peninsula Istanbul of HK$236 million. The details of the latter are set out on page 24.*

** *Details of the impairment provision in respect of The Peninsula Manila are set out on page 23.*

Revenue

The group has interests in ten luxury hotels under The Peninsula brand in Asia, the US and Europe, two of which are held by the group's associates and one by a joint venture. In addition to operating hotels, the group also operates a commercial properties division which is engaged in the development and sale or leasing of luxury residential apartments, and leasing of office and retail buildings in prime city-centre locations in Asia and Europe. The group's third business division is engaged in the provision of tourism and leisure, retail and wholesale of merchandise, club management and other services, including the Peak Tram, one of Hong Kong's most popular tourist attractions.

The outbreak of the COVID-19 coronavirus has had a devastating impact on the group's operations, particularly the hotels division, the Peak Tower and the Peak Tram. Total revenue for the six months ended 30 June 2020, including the group's effective share of revenue of associates and joint venture, decreased by 53% to HK$1,432 million. A breakdown of revenue by business segment and geographical segment is set out in the following tables.

Revenue by business segment

HK$m	**For the six months ended 30 June** **2020**			2019			2020 vs 2019
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**834**	**98***	**932**	2,101	244	2,345	(60%)
Commercial Properties	**409**	**–**	**409**	486	–	486	(16%)
Clubs and Services	**91**	**–**	**91**	204	–	204	(55%)
	1,334	**98**	**1,432**	2,791	244	3,035	(53%)

* *Excluding the group's share of revenue in respect of the sale of an apartment by the joint venture in Shanghai.*

Revenue by geographical segment

HK$m	**For the six months ended 30 June 2020**			2019			2020 vs 2019
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**698**	**–**	**698**	1,175	–	1,175	(41%)
Other Asia	**363**	**52***	**415**	922	129	1,051	(61%)
US and Europe	**273**	**46**	**319**	694	115	809	(61%)
	1,334	**98**	**1,432**	2,791	244	3,035	(53%)

* *Excluding the group's share of revenue in respect of the sale of an apartment by the joint venture in Shanghai.*

The hotels division is the largest contributor to the group's combined revenue. However, due to public health concerns, government advisories, travel bans and community lockdowns, six of the Peninsula hotels in New York, Chicago, Paris, Tokyo, Bangkok and Manila were temporarily closed in March 2020. The Peninsula Tokyo and several food and beverage outlets of The Peninsula Paris subsequently reopened in June 2020. The group is evaluating the timing and feasibility of reopening the hotels that remain closed. Whilst the Peninsula hotels in Hong Kong, Beijing, Shanghai and Beverly Hills remained open during the first half of 2020, the RevPAR of these hotels was significantly lower than the same period in last year. The rental revenues of the Peninsula Arcades in Hong Kong, Beijing, Shanghai and New York were also significantly lower due to rental concessions given to tenants. As a result, the combined revenue of the hotels division declined by 60% to HK$932 million.

For the commercial properties division, The Repulse Bay Complex (TRB) is the largest contributor of revenue, accounting for over 75% of the division's revenue. Whilst TRB's rental revenue and occupancy remained relatively stable, its food and beverage income decreased in the first half due to the government restrictions on social distancing in bars and restaurants. Banquet businesses at TRB also decreased dramatically as many weddings were cancelled or postponed. The Peak Tower reported a 62% decrease in revenue due to the significant decline in visitor arrivals to Hong Kong, and this contributed to the commercial properties division reporting a decrease in revenue of 16%.

The decrease in revenue of the clubs and services division was mainly due to the sharp decline in fare income experienced by the Peak Tram, as well as the temporary closure of The Thai Country Club and Quail Lodge & Golf Club.

Details of the operating performances of the group's individual operations are set out on pages 5 to 13 of the CEO's Strategic Review.

EBITDA and EBITDA Margin

The breakdowns of the group's combined EBITDA (earnings before interest, taxation, depreciation and amortisation) by business segment and by geographical segment are set out in the following tables.

A majority of the group's operating costs is fixed in nature. These costs include payroll and related expenses, real estate taxes, insurance and certain contracted services. With various cost saving initiatives, including the introduction of voluntary unpaid leave and placing a majority of employees of the closed hotels on furlough, and a number of government economic reliefs provided to certain operations, the group's operating costs for the six months ended 30 June 2020 decreased by 34% to HK$1,429 million. However, the decrease in costs was insufficient to offset the revenue shortfall sustained by the group. Overall, the group reported a combined EBITDA loss of HK$114 million.

EBITDA by business segment

HK$m	**For the six months ended 30 June** **2020**			2019			2020 vs 2019
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**(282)**	**(19)***	**(301)**	338	52	390	n/a
Commercial Properties	**236**	**–**	**236**	267	–	267	(12%)
Clubs and Services	**(49)**	**–**	**(49)**	5	–	5	n/a
	(95)	**(19)**	**(114)**	610	52	662	n/a

EBITDA by geographical segment

HK$m	**For the six months ended 30 June** **2020**			2019			2020 vs 2019
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**293**	**–**	**293**	460	–	460	(36%)
Other Asia	**(163)**	**(2)***	**(165)**	148	36	184	n/a
US and Europe	**(225)**	**(17)**	**(242)**	2	16	18	n/a
	(95)	**(19)**	**(114)**	610	52	662	n/a

* *Excluding the group's share of EBITDA in respect of the sale of an apartment by the joint venture in Shanghai.*

EBITDA margin

	For the six months ended 30 June					
	2020			2019		
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total
Hotels	**(34%)**	**(19%)***	**(32%)**	16%	21%	17%
Commercial Properties	**58%**	**–**	**58%**	55%	–	55%
Clubs and Services	**(54%)**	**–**	**(54%)**	2%	–	2%
Overall EBITDA margin	**(7%)**	**(19%)**	**(8%)**	22%	21%	22%
By region						
Hong Kong	**42%**	**–**	**42%**	39%	–	39%
Other Asia	**(45%)**	**(4%)***	**(40%)**	16%	28%	18%
US and Europe	**(82%)**	**(37%)**	**(76%)**	–	14%	2%

* *Excluding the group's share of EBITDA in respect of the sale of an apartment by the joint venture in Shanghai.*

Decrease in Fair Value of Investment Properties

The investment properties of the group were revalued as at 30 June 2020 by independent firms of valuers based on an income capitalisation approach. The revaluation deficit of HK$365 million (2019: revaluation gain of HK$102 million) was principally attributable to the Peninsula arcades in Hong Kong, Beijing and New York as well as The Peak Tower. The decrease in appraised market value of these investment properties was a reflection of the current subdued market situation of the luxury retail business.

Impairment Provision in Respect of The Peninsula Manila

The Peninsula Manila is subject to a land lease which will expire in 2026. In view of the relatively short remaining lease term, combined with the severe economic slowdown from the pandemic, a review has been conducted by management and an independent valuer. Given the hotel's appraised value was lower than its book value as at 30 June 2020, the directors considered it appropriate to write down the hotel's value resulting in an impairment provision of HK$93 million.

Share of Results of Joint Ventures

The group, through its joint venture The Peninsula Shanghai Waitan Hotel Company Limited (PSW), owns a 50% interest in The Peninsula Shanghai Complex, which comprises The Peninsula Shanghai Hotel and shopping arcade and the adjoining Peninsula Residences apartment tower of 39 apartments. As at 30 June 2020, a total of 30 apartment units have been sold, including one during the first half of the year. Inclusive of hotel and arcade operations and residential leasing income, PSW generated an EBITDA of HK$12 million in the first half of 2020 (2019: HK$73 million). After accounting for depreciation and interest and the unrealised loss on revaluation of the hotel shopping arcade of HK$11 million (2019: HK$nil), PSW sustained an accounting loss of HK$69 million (2019: HK$7 million) and the group's share of loss amounted to HK$35 million (2019: HK$4 million). Details of the operating performance of The Peninsula Shanghai are set out in the CEO's Strategic Review section on page 6.

The group also owns a 50% interest in The Peninsula Istanbul indirectly through PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT), a joint venture incorporated in Turkey. The Peninsula Istanbul is subject to a 30-year fixed term lease commencing February 2014. Development progress of the hotel has been affected by unforeseen delays due to the site conditions and the outbreak of the COVID-19 coronavirus. Considering the uncertain economic climate, ongoing geopolitical tensions, sharp decline of the local currency, and an expected delay of the hotel opening, management has engaged an independent valuer to re-appraise the value of The Peninsula Istanbul. Due to the hotel's lower appraised value relative to the development cost, the directors have deemed it appropriate to write down the book value of the project by HK$472 million (of which 50% was shared by the group), representing approximately 20% of the hotel's cost on completion.

Share of Results of Associates

The group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The group's share of net loss of these hotels amounted to HK$50 million (2019: HK$18 million).

Details of the operating performances of The Peninsula Beverly Hills and The Peninsula Paris are set out in the CEO's Strategic Review section on page 10.

Statement of Financial Position

The group's financial position as at 30 June 2020 remained strong and net assets attributable to shareholders amounted to HK$37,538 million, representing a per share value of HK$22.76 compared to HK$23.90 as at 31 December 2019. The key components of the group's assets and liabilities as at 30 June 2020 and 31 December 2019 are set out in the table below.

HK$m	**As at 30 June 2020**	As at 31 December 2019	2020 vs 2019
Fixed assets	**45,165**	45,533	(1%)
Properties under development for sale	**3,591**	3,624	(1%)
Other long-term assets	**2,230**	2,351	(5%)
Cash at banks and in hand	**581**	697	(17%)
Other assets	**786**	856	(8%)
	52,353	53,061	(1%)
Interest-bearing borrowings	**(8,886)**	(7,524)	18%
Lease liabilities	**(3,100)**	(3,149)	(2%)
Other liabilities	**(2,171)**	(2,659)	(18%)
	(14,157)	(13,332)	6%
Net assets	**38,196**	39,729	(4%)
Represented by			
Shareholders' funds	**37,538**	39,054	(4%)
Non-controlling interests	**658**	675	(3%)
Total equity	**38,196**	39,729	(4%)

Summary of Hotel, Commercial and Other Properties

A summary of the group's hotel, commercial and other properties, including those held by associates and joint ventures, showing both the book value and the fair value is set out in the following table.

		30 June 2020		31 December 2019	
		Value of 100% of the property (HK$m)			
	Group's interest	**Fair value***	**Book value**	Fair value*	Book value
Hotel properties **					
The Peninsula Hong Kong	100%	**12,148**	**9,771**	12,252	9,919
The Peninsula New York	100%	**2,200**	**1,596**	2,278	1,686
The Peninsula Beijing	76.6% Δ	**1,313**	**1,311**	1,449	1,439
The Peninsula Tokyo	100%	**1,731**	**1,468**	1,726	1,487
The Peninsula Chicago	100%	**1,332**	**1,175**	1,332	1,207
The Peninsula Bangkok	50%	**718**	**634**	744	668
The Peninsula Manila	77.4%	**41**	**41**	140	134
The Peninsula Shanghai #	50%	**2,816**	**2,308**	2,878	2,410
The Peninsula Paris #	20%	**5,116**	**4,732**	5,125	4,828
The Peninsula Beverly Hills #	20%	**2,632**	**352**	2,632	390
		30,047	**23,388**	30,556	24,168
Commercial properties					
The Repulse Bay Complex	100%	**17,911**	**17,911**	17,921	17,921
The Peak Tower	100%	**1,392**	**1,392**	1,445	1,445
St. John's Building	100%	**1,207**	**1,207**	1,207	1,207
Apartments in Shanghai	100%	**380**	**380**	394	394
21 avenue Kléber	100%	**679**	**679**	698	698
The Landmark	70% ΔΔ	**46**	**46**	52	52
		21,615	**21,615**	21,717	21,717
Other properties					
Thai Country Club golf course	50%	**252**	**277**	261	289
Quail Lodge resort, golf course and vacant land	100%	**298**	**282**	298	284
Vacant land in Thailand	50%	**456**	**456**	472	472
Others	100%	**390**	**210**	390	210
		1,396	**1,225**	1,421	1,255
Properties under development ##					
The Peninsula London	100%	**6,100**	**6,100**	5,856	5,856
The Peninsula Yangon	70%	**587**	**587**	534	534
The Peninsula Istanbul #	50%	**593**	**593**	843	843
		7,280	**7,280**	7,233	7,233
Total market/book value		**60,338**	**53,508**	60,927	54,373

* *The hotel properties (other than shopping arcades and offices within the hotels) and golf courses are stated at cost less accumulated depreciation and any provision for impairment losses in the financial statements. Revaluation of these assets is conducted on an annual basis. Except for The Peninsula Manila and The Peninsula Istanbul whose book values have been written down to their respective appraised values based on the valuation results provided by independent valuers, the directors consider that the fair values of the freehold and long-term leasehold hotel properties and golf courses as at 30 June 2020 were not materially different from those as at 31 December 2019*

** *Including the shopping arcades and offices within the hotels*

Δ *The group owns 100% economic interest of The Peninsula Beijing with a reversionary interest to the PRC partner in 2033 upon expiry of the co-operative joint venture period*

ΔΔ *The group owns 50% economic interest of The Landmark with a reversionary interest to the Vietnamese partner in 2026 upon expiry of the joint venture period*

\# *These properties are held by associates/joint ventures*

\#\# *The Directors consider that the fair value of all properties under development approximates their book value*

Statement of Cash Flows

The condensed consolidated statement of cash flows of the group for the six months ended 30 June 2020 is set out on page 32. The following table summarises the key cash movements for the first six months of 2020.

HK$m	**For the 6 months ended 30 June 2020**	2019
EBITDA	**(95)**	610
Tax payment	**(129)**	(8)
Net cash (used in)/generated from operating activities before net working capital movement	**(224)**	602
Changes in working capital	**(231)**	40
Capital expenditure on existing assets		
– The Peak Tram upgrade project	**(69)**	(54)
– Others	**(105)**	(188)
Net cash (outflow)/inflow after normal capital expenditure	**(629)**	400
Capital expenditure on new projects and investment		
– The Peninsula London	**(584)**	(490)
– The Peninsula Yangon	**(48)**	(51)
– Capital injection into the Istanbul joint venture	**(212)**	(70)
Net cash outflow before dividends, other payments and financing activities	**(1,473)**	(211)

Treasury Management

The group's treasury activities are centrally managed and controlled at the corporate level, where liquidity, currency and interest rate risk exposures are monitored.

The company manages its liquidity risk by constantly monitoring its loan portfolio and by obtaining sufficient borrowing facilities to meet its obligations and commitments. During the first half of 2020, the group obtained additional committed facilities totalling HK$2.8 billion to cater for capital commitments and serve as liquidity buffer in times of extreme market uncertainty. The company is in a strong funding position with HK$7.5 billion of unused committed facilities as at end of June 2020.

During the period, net borrowings, excluding lease liabilities, increased by 22% to HK$8,305 million (31 December 2019: HK$6,827 million) with an average duration of 2.4 years (31 December 2019: 2.7 years). This increase in net borrowings was mainly due to the progress payments in respect of the group's development projects in London, Istanbul and Yangon as well as the Peak Tram upgrade project and cash requirements of existing operations due to COVID-19. As at 30 June 2020, the group's net external debt to total assets remained moderate at 16% (31 December 2019: 13%). Due to the loss sustained during the first half of 2020, cash interest cover, expressed as EBITDA less lease payments divided by net interest on bank loans paid, was negative 2.4 times compared to positive 9.3 times in 2019.

In addition to the group's consolidated borrowings, The Peninsula Beverly Hills (20% owned), The Peninsula Shanghai (50% owned) and The Peninsula Paris (20% owned) have non-recourse bank borrowings, which are not consolidated in the statement of financial position as the entities owning the assets are not subsidiaries of the company. Including the group's share of the gross debt of these non-consolidated entities, total gross borrowings, excluding lease liabilities, would amount to HK$9,361 million at 30 June 2020 (31 December 2019: HK$8,643 million).

As at 30 June 2020, the group's fixed-to-floating interest rate ratio decreased to 68% (31 December 2019: 86%). This was mainly due to an increase in drawdown of HKD and GBP floating rate loans during the period. The weighted average gross interest rate for the period decreased to 2.1% (2019: 2.3%) after taking hedging activities into account.

Liquidity and Capital Commitments

As at 30 June 2020, the group's undrawn committed facilities and cash at banks and in hand amounted to HK$7,529 million and HK$581 million respectively. The group is further negotiating with its bank for additional committed facilities amounting to HK$810 million which will be available in 2020.

Given the group's liquidity position, the directors believe that the group will have the ability to meet the working capital requirements of its existing operations as well as the group's capital commitments, including its three hotel projects in London, Yangon and Istanbul and the Peak Tram upgrade project, which are estimated to be HK$6,642 million as at 30 June 2020.

Consolidated Statement of Profit or Loss – unaudited (HK$m)

	Note	For the six months ended 30 June 2020	2019
Revenue	3	**1,334**	2,791
Cost of inventories		**(73)**	(186)
Staff costs and related expenses		**(829)**	(1,159)
Rent and utilities		**(190)**	(221)
Other operating expenses		**(337)**	(615)
Operating (loss)/profit before interest, taxation, depreciation and amortisation (EBITDA)	3	**(95)**	610
Depreciation and amortisation		**(283)**	(291)
Operating (loss)/profit		**(378)**	319
Interest income		**3**	8
Financing charges	4	**(74)**	(80)
Net financing charges		**(71)**	(72)
(Loss)/profit after net financing charges	5	**(449)**	247
Share of results of joint ventures	11	**(271)**	(4)
Share of results of associates	12	**(50)**	(18)
(Decrease)/increase in fair value of investment properties	9(d)	**(365)**	102
Provision for impairment loss	9(c)	**(93)**	-
(Loss)/profit before taxation		**(1,228)**	327
Taxation			
Current tax	6	**(32)**	(70)
Deferred tax	6	**32**	3
(Loss)/profit for the period		**(1,228)**	260
(Loss)/profit attributable to:			
Shareholders of the company		**(1,197)**	254
Non-controlling interests		**(31)**	6
(Loss)/profit for the period		**(1,228)**	260
(Loss)/earnings per share, basic and diluted (HK$)	7	**(0.73)**	0.16

Consolidated Statement of Comprehensive Income – unaudited (HK$m)

	For the six months ended 30 June **2020**	2019
(Loss)/profit for the period	**(1,228)**	260
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**(294)**	4
– financial statements of joint ventures	**(8)**	(4)
– loans to an associate	**(3)**	(5)
– hotel operating rights	**(1)**	(4)
	(306)	(9)
Cash flow hedges:		
– effective portion of changes in fair value	**(1)**	(17)
– transfer from equity to profit or loss	**8**	3
– transfer to exchange reserve	**9**	–
Other comprehensive income	**(290)**	(23)
Total comprehensive (loss)/income for the period	**(1,518)**	237
Total comprehensive (loss)/income attributable to:		
Shareholders of the company	**(1,474)**	212
Non-controlling interests	**(44)**	25
Total comprehensive (loss)/income for the period	**(1,518)**	237

Consolidated Statement of Financial Position – unaudited (HK$m)

	Note	As at 30 June 2020	As at 31 December 2019
Non-current assets			
Investment properties		**32,844**	33,219
Other properties, plant and equipment		**12,321**	12,314
	9	**45,165**	45,533
Properties under development for sale	10	**3,591**	3,624
Interest in joint ventures	11	**1,119**	1,186
Interest in associates	12	**541**	588
Hotel operating rights	13	**497**	505
Deferred tax assets		**73**	72
		50,986	51,508
Current assets			
Inventories		**85**	89
Derivative financial instruments		**1**	–
Trade and other receivables	14	**645**	711
Amount due from a joint venture		**55**	56
Cash at banks and in hand		**581**	697
		1,367	1,553
Current liabilities			
Trade and other payables	15	**(1,161)**	(1,480)
Interest-bearing borrowings	16	**(1,298)**	(1,114)
Derivative financial instruments		**(17)**	(8)
Current taxation		**(56)**	(152)
Lease liabilities		**(142)**	(143)
		(2,674)	(2,897)
Net current liabilities		**(1,307)**	(1,344)
Total assets less current liabilities		**49,679**	50,164
Non-current liabilities			
Interest-bearing borrowings	16	**(7,588)**	(6,410)
Trade and other payables	15	**(206)**	(234)
Net defined benefit retirement obligations		**(27)**	(27)
Derivative financial instruments		**(5)**	(21)
Deferred tax liabilities		**(699)**	(737)
Lease liabilities		**(2,958)**	(3,006)
		(11,483)	(10,435)
Net assets		**38,196**	39,729
Capital and reserves			
Share capital	17	**5,837**	5,732
Reserves		**31,701**	33,322
Total equity attributable to shareholders of the company		**37,538**	39,054
Non-controlling interests		**658**	675
Total equity		**38,196**	39,729

Consolidated Statement of Changes in Equity – unaudited (HK$m)

		Attributable to shareholders of the Company							
			Reserves						
	Note	Share capital	Hedging reserve	Exchange and other reserves	Retained profits	Total reserves	Total	Non-controlling interests	Total equity
Balance at 31 December 2018 and 1 January 2019		5,509	(16)	(363)	33,534	33,155	38,664	536	39,200
Changes in equity for the six months ended 30 June 2019									
Profit for the period		–	–	–	254	254	254	6	260
Other comprehensive income		–	(14)	(28)	–	(42)	(42)	19	(23)
Total comprehensive income for the period		–	(14)	(28)	254	212	212	25	237
Dividends approved in respect of the previous year	8	179	–	–	(258)	(258)	(79)	–	(79)
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	31	31
Balance at 30 June 2019 and 1 July 2019		5,688	(30)	(391)	33,530	33,109	38,797	592	39,389
Changes in equity for the six months ended 31 December 2019									
Profit for the period		–	–	–	240	240	240	3	243
Other comprehensive income		–	(8)	46	–	38	38	15	53
Total comprehensive income for the period		–	(8)	46	240	278	278	18	296
Dividends approved in respect of the current year	8	44	–	–	(65)	(65)	(21)	–	(21)
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	72	72
Dividends paid to non-controlling interests		–	–	–	–	–	–	(7)	(7)
Balance at 31 December 2019 and 1 January 2020		**5,732**	**(38)**	**(345)**	**33,705**	**33,322**	**39,054**	**675**	**39,729**
Changes in equity for the six months ended 30 June 2020									
Loss for the period		**–**	**–**	**–**	**(1,197)**	**(1,197)**	**(1,197)**	**(31)**	**(1,228)**
Other comprehensive (loss)/income		**–**	**16**	**(293)**	**–**	**(277)**	**(277)**	**(13)**	**(290)**
Total comprehensive (loss)/income for the period		**–**	**16**	**(293)**	**(1,197)**	**(1,474)**	**(1,474)**	**(44)**	**(1,518)**
Dividends approved in respect of the previous year	8	**105**	**–**	**–**	**(147)**	**(147)**	**(42)**	**–**	**(42)**
Capital contribution from a non-controlling shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**27**	**27**
Balance at 30 June 2020		**5,837**	**(22)**	**(638)**	**32,361**	**31,701**	**37,538**	**658**	**38,196**

Condensed Consolidated Statement of Cash Flows – unaudited (HK$m)

	Note	For the six months ended 30 June 2020	2019
Operating activities			
EBITDA		**(95)**	610
Tax paid		**(129)**	(8)
Payment for properties under development for sale		**(180)**	(147)
Changes in working capital		**(231)**	40
Net cash (used in)/generated from operating activities		**(635)**	495
Investing activities			
Capital injection into a joint venture		**(212)**	(70)
Capital/shareholders' loan injection into associates		**(6)**	–
Capital expenditure on property, plant and equipment		**(174)**	(242)
Capital expenditure on projects under development		**(452)**	(394)
Cash injected from a non-controlling shareholder		**27**	31
Distribution from an associate		**–**	2
Net cash used in investing activities		**(817)**	(673)
Financing activities			
Interest received		**3**	9
Interest and other financing charges		**(72)**	(67)
Net withdrawal of interest-bearing bank deposits with maturity of more than three months		**3**	59
Net increase in bank borrowings		**1,527**	53
Capital element of lease rentals paid		**(24)**	(25)
Interest element of lease rentals paid		**(48)**	(47)
Dividends paid to shareholders of the company	17	**(42)**	(79)
Net cash generated from/(used in) financing activities		**1,347**	(97)
Net decrease in cash and cash equivalents		**(105)**	(275)
Cash and cash equivalents at 1 January		**680**	1,098
Effect of changes in foreign exchange rates		**(8)**	(1)
Cash and cash equivalents at 30 June *(note)*		**567**	822

Note Analysis of cash and cash equivalents

	As at 30 June ***2020***	*2019*
Interest-bearing bank deposits	***347***	*598*
Cash at banks and in hand	***234***	*244*
Total cash at banks and in hand	***581***	*842*
Less: Interest-bearing bank deposits with maturity of more than three months	***(14)***	*(17)*
Less: Bank overdrafts	***–***	*(3)*
Cash and cash equivalents in the condensed consolidated statement of cash flows	***567***	*822*

Total cash at banks and in hand at the end of the reporting period include deposits with banks of HK$236 million (30 June 2019: HK$259 million) held by overseas subsidiaries which are subject to prevailing regulations and foreign exchange restrictions.

Notes to the unaudited interim financial report

1. Basis of preparation

The unaudited Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue by the Board of Directors of the company on 5 August 2020.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are first effective for the current accounting period of the group. Details of these relevant changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs).

The Interim Financial Report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2019 that is included in the Interim Financial Report as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

1. Basis of preparation *continued*

Going concern

In adopting the going concern basis for preparing these financial statements, the group has assessed the potential impact of COVID-19 on its capital and financial resources, profitability, liquidity position, ability to service debt and other financing arrangements, supply chain and demand for its services. Various steps have been initiated to raise finances from banks and financial institutions for working capital needs and long-term fund requirements. As at 30 June 2020, the group had undrawn committed bank borrowing facilities of HK$7.5 billion and it is in a comfortable liquidity position to meet its commitments, including the fund for projects under development. The directors believe that the group is well placed to manage its financing and other business risks satisfactorily and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2. Changes in accounting policies

The HKICPA has issued a number of new amendments to HKASs and HKFRSs that are effective for the current accounting period of the group for the first time. Of these, the following development is relevant to the group's financial statements:

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16, *COVID-19 Related Rent Concessions*	1 January 2020

Other than the Amendment to HKFRS 16, the group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The impact of the adoption of the Amendment to HKFRS 16 on the group's results and financial position for the current period that has been prepared and presented in this Interim Financial Report is discussed below:

Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3. Segment reporting (HK$m)

The group is organised on a divisional basis. In a manner consistent with the way in which information is reported internally to the group's senior executive management for the purposes of resource allocation and performance assessment, the group's reportable segments are as follows:

Hotels	This segment includes revenue generated from operating hotels, leasing of commercial shopping arcades and office premises located within the hotel buildings.
Commercial Properties	This segment is engaged in the development, leasing and sale of luxury residential apartments, leasing of retail and office premises (other than those in hotel properties), as well as operating food and beverage outlets in such premises.
Clubs and Services	This segment is engaged in the operation of golf courses, the Peak Tram, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs.

No operating segments have been aggregated to form the reportable segments.

3. Segment reporting (HK$m) *continued*

(a) Segment results (HK$m)

The results of the group's reportable segments for the six months ended 30 June 2020 and 2019 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	For the six months ended 30 June							
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Reportable segment revenue*	**834**	2,101	**409**	486	**91**	204	**1,334**	2,791
Reportable segment operating (loss)/profit before interest, taxation, depreciation and amortisation (EBITDA)	**(282)**	338	**236**	267	**(49)**	5	**(95)**	610
Depreciation and amortisation	**(250)**	(255)	**(13)**	(11)	**(20)**	(25)	**(283)**	(291)
Segment operating (loss)/profit	**(532)**	83	**223**	256	**(69)**	(20)	**(378)**	319

** Analysis of segment revenue*

	2020	*2019*
Hotels		
– Rooms	***261***	*1,001*
– Food and beverage	***215***	*591*
– Shopping arcades and offices	***253***	*309*
– Others	***105***	*200*
	834	*2,101*
Commercial Properties		
– Residential properties	***261***	*265*
– Offices	***51***	*51*
– Shopping arcades	***97***	*170*
	409	*486*
Clubs and Services		
– Golf clubs	***50***	*97*
– Peak Tram operation	***12***	*46*
– Peninsula Merchandising	***13***	*31*
– Others	***16***	*30*
	91	*204*
Total	***1,334***	*2,791*

Reconciliation of segment operating (loss)/profit to the (loss)/profit before taxation in the consolidated statement of profit or loss is not presented as the segment operating (loss)/profit is the same as the operating (loss)/profit presented in the consolidated statement of profit or loss.

3. Segment reporting (HK$m) *continued*

(b) Segment assets (HK$m)

Segment assets include all tangible and intangible assets and current assets held directly by the respective segments.

The group's segment assets and unallocated assets as at 30 June 2020 and 31 December 2019 are set out as follows:

	As at 30 June 2020	As at 31 December 2019
Reportable segment assets		
Hotels	**24,824**	25,231
Commercial properties	**25,476**	25,677
Clubs and services	**1,343**	1,328
	51,643	52,236
Unallocated assets		
Deferred tax assets	**73**	72
Amount due from a joint venture	**55**	56
Derivative financial instruments	**1**	–
Cash at banks and in hand	**581**	697
Consolidated total assets	**52,353**	53,061

4. Financing charges (HK$m)

	For the six months ended 30 June 2020	2019
Interest on bank borrowings	**55**	57
Interest on lease liabilities	**72**	71
Other borrowing costs	**20**	20
Total interest expense on financial liabilities carried at amortised cost	**147**	148
Derivative financial instruments:		
– cash flow hedges, transfer from equity	**10**	3
	157	151
Less: Interest expenses capitalised into		
– properties under development*	**(62)**	(50)
– right-of-use asset#	**(21)**	(21)
	74	80

* *The borrowing costs have been capitalised at an average rate of 2.6% (2019: 2.7%).*

\# *Interest on lease liabilities have been capitalised at an average rate of 4.9% (2019: 5.0%).*

5. (Loss)/profit after net financing charges (HK$m)

(Loss)/profit after net financing charges is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
Amortisation	**7**	7
Depreciation		
– owned properties, plants and equipment	**243**	250
– right-of-use assets	**33**	34
Government grants and subsidies	**(47)**	–

6. Taxation (HK$m)

	For the six months ended 30 June	
	2020	2019
Current tax		
Hong Kong profits tax	**28**	63
Overseas tax	**4**	7
	32	70
Deferred tax		
Decrease in net deferred tax liabilities relating to revaluation of overseas investment properties	**(26)**	(4)
(Decrease)/increase in net deferred tax liabilities relating to other temporary differences	**(6)**	1
	(32)	(3)
	–	67

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is calculated at the current tax rates applicable in the relevant jurisdictions.

7. (Loss)/earnings per share

(a) (Loss)/earnings per share – basic

	For the six months ended 30 June 2020	2019
(Loss)/profit attributable to shareholders of the company (HK$m)	**(1,197)**	254
Weighted average number of shares in issue (million shares)	**1,635**	1,614
(Loss)/earnings per share (HK$)	**(0.73)**	0.16

	2020 *(million shares)*	2019 *(million shares)*
Issued shares at 1 January	***1,634***	*1,613*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2019 final dividend (2019: 2018 final dividend)	***1***	*1*
Weighted average number of shares in issue at 30 June	***1,635***	*1,614*

(b) (Loss)/earnings per share – diluted

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2020 and 2019 and hence the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

8. Dividends (HK$m)

(a) Dividends payable to shareholders of the company attributable to the interim period

	For the six months ended 30 June 2020	2019
Interim dividend declared and to be paid after the interim period: No interim dividend declared for the six months ended 30 June 2020 (2019: 4 HK cents per share)	**–**	65

The interim dividend declared after the interim period has not been recognised as a liability at the end of the reporting period.

8. Dividends (HK$m) *continued*

(b) Dividends payable to shareholders of the company attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 30 June **2020**	2019
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 9 HK cents per share (year ended 31 December 2018: 16 HK cents per share)	**147**	258

9. Investment properties, other properties, plant and equipment (HK$m)

(a) Movement of investment properties, other properties, plant and equipment

	Land	Right-of-use assets	Hotel and other buildings held for own use	Motor vehicles, plant and equipment	Construction in progress	Sub-total	Investment properties	Total
Cost or valuation:								
At 1 January 2020	950	3,121	8,981	5,007	3,113	21,172	33,219	54,391
Exchange adjustments	(20)	(47)	(65)	(21)	(159)	(312)	(36)	(348)
Additions	-	21	4	35	559	619	26	645
Disposals	-	(20)	-	(11)	-	(31)	-	(31)
Fair value adjustment	-	-	-	-	-	-	(365)	(365)
At 30 June 2020	930	3,075	8,920	5,010	3,513	21,448	32,844	54,292
Representing:								
Cost	930	3,075	8,920	5,010	3,513	21,448	-	21,448
Valuation - 2020	-	-	-	-	-	-	32,844	32,844
	930	3,075	8,920	5,010	3,513	21,448	32,844	54,292
Accumulated depreciation and impairment losses:								
At 1 January 2020	384	270	4,349	3,855	-	8,858	-	8,858
Exchange adjustments	(12)	-	(41)	(20)	-	(73)	-	(73)
Charge for the period	-	33	98	145	-	276	-	276
Written back on disposals	-	(16)	-	(11)	-	(27)	-	(27)
Impairment provision	-	-	93	-	-	93	-	93
At 30 June 2020	372	287	4,499	3,969	-	9,127	-	9,127
Net book value:								
At 30 June 2020	558	2,788	4,421	1,041	3,513	12,321	32,844	45,165
At 31 December 2019	566	2,851	4,632	1,152	3,113	12,314	33,219	45,533

9. Investment properties, other properties, plant and equipment (HK$m)) *continued*

(b) Additions and disposals

During the six months ended 30 June 2020, the group acquired items of fixed assets with a cost of HK$645 million, of which HK$484 million related to development costs incurred for the projects in London and Yangon (six months ended 30 June 2019: HK$721 million, of which HK$444 million, related to development costs incurred for the projects in London and Yangon). The net book value for items of properties, plant and equipment disposed of during the six months ended 30 June 2020 and 2019 were insignificant in value.

(c) Impairment losses

The group assessed the recoverable amounts of its fixed assets (other than investment properties) at the reporting date in accordance with the accounting policy. Based on the assessment, the directors considered that, due to the disruption of business by the outbreak of the COVID-19 and a relatively short remaining lease term of 6.5 years, The Peninsula Manila's recoverable amount was lower than its carrying value. As a result, the carrying value of The Peninsula Manila was written down to its recoverable amounts and an impairment loss of HK$93 million was recognised for the six months ended 30 June 2020.

The recoverable amount of this hotel is the higher of its fair value less costs of disposal and its value in use based on the opinion of independent firms of professional valuers obtained by the group using the income capitalisation approach. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement (based on significant unobservable inputs) in accordance with HKFRS 13.

(d) Valuation of investment properties

All investment properties of the group were revalued as at 30 June 2020 using the income capitalisation approach by applying a capitalisation rate to the expected rental income adjusted for the quality and location of the building, which are the same valuation techniques as were used by the valuers when carrying out the December 2019 valuations. The changes in fair value of the investment properties during the period were accounted for in the consolidated statement of profit or loss. The valuations were carried out by valuers independent of the group, who have staff with recent and relevant experience in the location and category of the properties being valued. Discussions have been held with the valuers on the valuation assumptions and valuation results when the valuation is performed at the reporting date.

As a result of the revaluation, a net loss of HK$365 million (six month ended 30 June 2019: gain of HK$102 million) has been included in the consolidated statement of profit or loss.

10. Properties under development for sale

Properties under development for sale comprise 26 luxury apartments which are part of The Peninsula London development project. The land area of the overall site is approximately 67,000 square feet and the planned gross floor area of the apartments is approximately 119,000 square feet.

The balance of properties under development for sale will be recovered or recognised as cost of inventories after more than one year.

Reservation fees and pre-sale deposits, if any, paid by buyers of the apartments will be held in escrow accounts in accordance with the local regulations in the UK and therefore, such fees and deposits are not reflected in the consolidated statement of financial position.

11. Interest in joint ventures (HK$m)

	As at 30 June 2020	As at 31 December 2019
Share of net assets *(note 11(b))*	**598**	665
Loans to a joint venture (note 11(c))	**521**	521
	1,119	1,186

(a) Details of the joint ventures are as follows:

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
The Peninsula Shanghai Waitan Hotel Company Limited (PSW)	Incorporated	PRC	US$117,500,000 (31 December 2019: US$117,500,000)	50%	Hotel investment and apartments held for sale
PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT)*	Incorporated	Turkey	TRY831,301,400 (31 December 2019: TRY487,800,000)	50%	Hotel investment

* *PIT was incorporated on 10 February 2016 and the group's interest in this joint venture is held indirectly by the company. PIT has redevelopment and operating rights in respect of a property within the Salıpazarı Port Project Area in Istanbul, Turkey. The group, together with its joint venture partner, intend to redevelop the property into The Peninsula Istanbul. The net assets of PIT at 30 June 2020 mainly comprised of property under development, and cash at bank and in hand of HK$593 million (31 December 2019: HK$843 million) and HK$61 million (31 December 2019: HK$5 million) respectively.*

11. Interest in joint ventures (HK$m) *continued*

(b) The decrease in share of net assets was mainly due to the loss incurred by PSW and the impairment provision made by PIT in respect of its development in The Peninsula Istanbul, the progress of which has been affected by unforeseen delays due to the site conditions and the recent outbreak of the COVID-19 coronavirus. Given The Peninsula Istanbul is subject to a 30-year fixed term lease commencing February 2014 and considering the uncertain economic climate, ongoing geopolitical tensions, sharp decline of the local currency, and an expected delay of the hotel opening, management has engaged an independent valuer to re-appraise the value of The Peninsula Istanbul. Following the re-appraisal, the directors have deemed it appropriate to write down the book value of the project by HK$472 million, representing approximately 20% of the hotel's cost on completion. The group's share of impairment provision amounting to HK$236 million is included in share of results of joint ventures in the consolidated statement of profit or loss.

(c) The loans to The Peninsula Shanghai (BVI) Limited, holding company of PSW, are dominated in US dollars unsecured, interest free and have no fixed repayment terms.

(d) PSW has pledged its properties inclusive of the land use rights as security for a loan facility amounting to RMB2,500 million (HK$2,736 million) (31 December 2019: RMB2,500 million (HK$2,786 million)). As at 30 June 2020, the loan drawn down amounted to RMB859 million (HK$940 million) (31 December 2019: RMB953 million (HK$1,062 million)). The net carrying amount of these pledged assets amounted to RMB2,491 million (HK2,726 million) (31 December 2019: RMB2,653 million (HK$2,957 million)).

11. Interest in joint ventures (HK$m) *continued*

(e) Set out below is a summary of the financial information of PSW, of which the group has a 50% share:

	As at 30 June 2020	As at 31 December 2019
Non-current assets	**2,311**	2,410
Cash at bank and in hand	**155**	95
Apartments held for sale and other current assets	**457**	607
Current liabilities	**(302)**	(248)
Non-current liabilities	**(2,299)**	(2,447)
Net assets	**322**	417

	For the six months ended 30 June 2020	2019
Proceeds from sales of apartments	**198**	–
Hotel revenue and rental income	**104**	259
	302	259
Carrying value of apartment sold*	**(181)**	–
Cost of inventories and operating expenses	**(109)**	(186)
	(290)	(186)
EBITDA	**12**	73
Depreciation	**(45)**	(51)
Net financing charges	**(26)**	(31)
Loss before non-operating items	**(59)**	(9)
Non-operating items, net of tax**	**(10)**	2
Loss for the period	**(69)**	(7)
The group's share of the results of PSW	**(35)**	(4)

* *The apartments were previously accounted for as investment properties, which were stated at fair value, and reclassified to apartments held for sale in 2017. The unrealised gains of the apartments arising from revaluation were recognised as non-operating items in the previous years. The carrying value of apartments sold during the period included cumulative revaluation gains, net of tax, of HK$55 million (2019: Nil) which were realised upon disposal.*

** *The non-operating items mainly represented the unrealised loss on revaluation of the hotel's commercial arcade, net of tax.*

12. Interest in associates (HK$m)

	As at 30 June 2020	As at 31 December 2019
Interest in associates	**541**	588

(a) Details of the principal unlisted associates, which are accounted for using the equity method in the group's consolidated financial statements, are as follows:

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest*	Principal activity
19 Holding SAS (19 Holding) **	Incorporated	France	EUR1,000	20%	Investment holding
Majestic EURL (Majestic)	Incorporated	France	EUR80,000,000	20%	Hotel investment and investment holding
Le 19 Avenue Kléber	Incorporated	France	EUR100,000	20%	Hotel operation
The Belvedere Hotel Partnership (BHP) #	Partnership	United States of America	US$46,500,000	20%	Hotel investment

* *The group's effective interest is held indirectly by the company*

** *19 Holding holds a 100% direct interest in Majestic which owns The Peninsula Paris*

BHP holds a 100% interest in The Peninsula Beverly Hills

(b) Included in the balance of interest in associates are unsecured long-term loans to 19 Holding of HK$441 million (31 December 2019: HK$439 million). The loans were made pro rata to the group's shareholding in 19 Holding; bear interest rates at 3.25% and are repayable in December 2022.

(c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR224 million (HK$1,952 million) (31 December 2019: EUR224 million (HK$1,956 million)). As at 30 June 2020, the loan drawn down amounted to EUR224 million (HK$1,952 million) (31 December 2019: EUR224 million (HK$1,956 million)). As at 30 June 2020, the net carrying amount of these pledged assets amounted to EUR543 million (HK$4,732 million) (31 December 2019: EUR553 million (HK$4,828 million)).

(d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US$145 million (HK$1,131 million) (31 December 2019: US$145 million (HK$1,131 million)). As of 30 June 2020, the net carrying amount of the pledged assets amounted to US$45 million (HK$352 million) (31 December 2019: US$50 million (HK$390 million)). As at 30 June 2020, the loan drawn down amounted to US$126 million (HK$983 million) (31 December 2019: US$127 million (HK$991 million)).

12. Interest in associates (HK$m) *continued*

(e) Set out below is a summary of the aggregate financial information of the associates, of which the group has a 20% share:

	For the six months ended 30 June	
	2020	2019
EBITDA	**(84)**	80
Depreciation	**(129)**	(128)
Interest	**(41)**	(42)
Net loss from continuing operations	**(254)**	(90)
Other comprehensive income	**–**	–
Total comprehensive income	**(254)**	(90)
The group's share of results of the associates	**(50)**	(18)

13. Hotel operating rights

Hotel operating rights represent the cost attributable to securing the group's rights to operate The Peninsula Beverly Hills and The Peninsula Paris. The amortisation charge for the period is included in "Depreciation and amortisation" in the consolidated statement of profit or loss.

14. Trade and other receivables (HK$m)

	As at 30 June 2020	As at 31 December 2019
Trade debtors	**209**	300
Rental deposits, payments in advance and other receivables	**433**	409
Tax recoverable	**3**	2
	645	711

The amount of the group's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK$123 million (31 December 2019: HK$137 million). All the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

The group has no concentrations of credit risk in view of its large number of customers. The group maintains a defined credit policy to ensure that credit is given only to customers with an appropriate credit history. In respect of the group's rental income from operating leases, rentals are normally received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. As such, the group normally does not obtain collateral from its customers.

14. Trade and other receivables (HK$m) *continued*

The ageing analysis of trade debtors is as follows:

	As at 30 June 2020	As at 31 December 2019
Current	**187**	263
Less than one month past due	**10**	23
One to three months past due	**4**	10
More than three months but less than 12 months past due	**8**	4
Amounts past due	**22**	37
	209	300

Trade debtors are normally due within 30 days from the date of billing. The group is actively monitoring the past due receivables and various measures are being taken to reduce the group's potential bad debts.

15. Trade and other payables (HK$m)

	As at 30 June 2020	As at 31 December 2019
Trade creditors	**55**	147
Interest payable	**7**	8
Accruals for property, plant and equipment	**160**	212
Tenants' deposits	**340**	361
Guest deposits and gift vouchers	**246**	228
Golf membership deposits	**79**	84
Other payables	**480**	674
Financial liabilities measured at amortised cost	**1,367**	1,714
Less: Non-current portion of trade and other payables	**(206)**	(234)
Current portion of trade and other payables	**1,161**	1,480

The amount of trade and other payables of the group expected to be settled or recognised as income after more than one year is HK$299 million (31 December 2019: HK$328 million). All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

15. Trade and other payables (HK$m) *continued*

The ageing analysis of trade creditors is as follows:

	As at 30 June 2020	As at 31 December 2019
Less than three months	**37**	134
Three to six months	**7**	8
More than six months	**11**	5
	55	147

16. Interest-bearing borrowings (HK$m)

	As at 30 June 2020	As at 31 December 2019
Total facilities available:		
Term loans and revolving credits	**16,480**	14,465
Uncommitted facilities, including bank overdrafts	**399**	407
	16,879	14,872
Utilised at 30 June 2020/ 31 December 2019:		
Term loans and revolving credits	**8,951**	7,587
Uncommitted facilities, including bank overdrafts	**–**	6
	8,951	7,593
Less: Unamortised financing charges	**(65)**	(69)
	8,886	7,524
Represented by:		
Long-term bank loans, repayable within one year	**1,298**	1,114
Short-term bank loans and overdrafts, repayable on demand	**–**	–
	1,298	1,114
Long-term bank loans, repayable:		
Between one and two years	**1,628**	984
Between two and five years	**5,665**	5,137
Over five years	**360**	358
	7,653	6,479
Less: Unamortised financing charges	**(65)**	(69)
Non-current portion of long-term bank loans	**7,588**	6,410
Total interest-bearing borrowings	**8,886**	7,524

Interest-bearing borrowings are carried at amortised cost. The non-current portion of long-term bank loans is not expected to be settled within one year and all borrowings are unsecured.

17. Share capital

	At 30 June 2020		At 31 December 2019	
	No. of shares (million)	**HK$m**	No. of shares (million)	HK$m
Ordinary shares, issued and fully paid				
At 1 January	**1,634**	**5,732**	1,613	5,509
Shares issued under scrip dividend scheme	**15**	**105**	21	223
At 30 June 2020/31 December 2019	**1,649**	**5,837**	1,634	5,732

During the six months ended 30 June 2020, the company issued and allotted approximately 15 million new ordinary shares at HK$7.026 per share in respect of the 2019 final scrip dividend. The new shares issued have resulted in an increase in fully paid share capital of approximately HK$105 million. All ordinary shares issued during the period rank pari passu in all respects with the existing shares in issue. All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

18. Fair value measurement of financial instruments

(a) Financial instruments carried at fair value

HKFRS 13, *Fair value measurement* requires disclosure of the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

All derivative financial instruments carried at fair value are categorised as falling under Level 2 of the fair value hierarchy.

(b) Fair values of financial instruments carried at other than fair value

Financial instruments are carried at amounts not materially different from their fair values as at 30 June 2020. The loans to an associate (note 12) are with short maturity period and the carrying amount of these loans approximate their fair values. The loans to a joint venture (note 11(c)) are unsecured, interest free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose its fair value.

19. Commitments (HK$m)

Capital commitments outstanding as at 30 June 2020 not provided for in the Interim Financial Report were as follows:

	As at 30 June 2020			As at 31 December 2019		
	Contracted for	**Authorised but not contracted for**	**Total**	Contracted for	Authorised but not contracted for	Total
Capital commitments in respect of existing properties and new projects	**2,266**	**3,655**	**5,921**	2,962	4,139	7,101
The group's share of capital commitments of joint ventures and associates	**357**	**364**	**721**	347	488	835
	2,623	**4,019**	**6,642**	3,309	4,627	7,936

The group's capital commitments include the development costs to be incurred for The Peninsula London and The Peninsula Yangon projects as well as the capital expenditure for the major upgrade project to be undertaken by The Peak Tram.

The group's share of development cost in respect of The Peninsula Istanbul is included in the share of capital commitments of joint ventures.

20. Material related party transactions

There were no material related party transactions during the six months ended 30 June 2020, other than the nature of those as disclosed in the group's annual financial statements for the year ended 31 December 2019.

Other Corporate Information

Corporate Governance

Good corporate governance sustains the group through the changing regulatory environment over the long term and is all the more important in dealing with the current market situation during the pandemic. The Board of Directors of the company sees corporate governance as an integral part of its business strategy. By putting in place the right governance framework, the Board of Directors has set a culture of integrity, accountability and transparency that permeates throughout the group particularly in these difficult times like what the company is facing. This in turn fosters and maintains shareholders' and stakeholders' confidence in the company. The Governance section in the 2019 Annual Report sets out the commitment of the Board of Directors and senior management to high standards of corporate governance, and the group's corporate governance framework which supports the development of strong governance culture throughout the group.

The Stock Exchange's Corporate Governance Code in Appendix 14 of the Listing Rules (CG Code) forms the basis of the HSH Corporate Governance Code (HSH Code). The Board of Directors recognises the principles underlying the CG Code and have applied all of them to the HSH Code. Throughout the six months ended 30 June 2020, the company has complied with all of the code provisions and recommended best practices in the CG Code, save for the publication of quarterly financial results and disclosure of individual senior management remuneration, as set out in the Corporate Governance Report on page 137 of the 2019 Annual Report.

Risk Management and Internal Control

Effective risk management plays an integral role in the overall achievement of the group's strategic objectives which are to ensure the sustainability of our business in the long term, optimise the quality of our asset portfolio, deliver a high standard of luxury, and to preserve the tradition of integrity and respect for our heritage. Details of the group's approach to risk governance and principal risks have been disclosed in the Governance section of the 2019 Annual Report.

The Board has considered and endorsed the Audit Committee's assessment of the effectiveness of risk management and control systems in the group. In particular, for the first half of year 2020 there were no areas of concern identified which might materially affect the effectiveness of the group's operational, financial reporting and compliance controls, and the existing risk management and internal control systems remained effective and adequate.

Corporate Responsibility and Sustainability

The group's Sustainable Luxury Vision 2020 guides our commitment to managing sustainability risks and opportunities. With three key areas of focus — Our Guests, Our People and Our Cities, covering all divisions of our business — Vision 2020 sets out specific economic, social and environmental goals that we are targeting to achieve by year 2020.

The 2019 Corporate Responsibility and Sustainability Report (CRS Report) discusses in detail our progress towards Vision 2020 and specific material issues that contribute to the sustainable development of the group. The CRS Report discloses the group's corporate responsibility and sustainability performance which has been prepared in accordance with the provisions as set out in Appendix 27 of the Stock Exchange's Environmental, Social and Governance Reporting Guide (ESG Guide) and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards): Core option, and references the International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC), Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Transparency Board (SASB). KPMG was commissioned to conduct assurance and to provide an independent opinion on the identified elements of the CRS Report in accordance with the updated ESG Guide. The CRS Report is available on the websites of the company and the Stock Exchange.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of the company's listed securities by the company or any of its subsidiaries during the six months ended 30 June 2020.

Dealings in the Company's Securities by Directors and Specified Employees

The company has adopted its Code for Dealing in the Company's Securities by Directors (Securities Code) on terms no less exacting than the required standards set out in the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (Model Code).

The company has made specific enquiries with all the Directors regarding any non-compliance with the Model Code and the Securities Code during the six months ended 30 June 2020. The Directors have confirmed their full compliance with the required standard set out in the Model Code and the Securities Code.

The company has further extended the Securities Code to specified employees including senior management who may from time to time come across inside information. All specified employees have also confirmed their full compliance with the required standards set out in the adopted Code for Dealing in the Company's Securities by Specified Employees.

Interim Dividend

Given the underlying loss incurred by the group and the current difficult environment, the Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2020 (2019: 4 HK cents per share).

Interim Report

The Interim Report of the company will be dispatched to the shareholders as well as published on the websites of the company and the Stock Exchange on or about 19 August 2020.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 5 August 2020

As at the date of this announcement, the Board of Directors of the Company comprises the following Directors:

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Andrew Clifford Winawer Brandler

Executive Directors
Managing Director and Chief Executive Officer
Clement King Man Kwok

Chief Operating Officer
Peter Camille Borer

Chief Financial Officer
Matthew James Lawson

Non-Executive Directors
William Elkin Mocatta
John Andrew Harry Leigh
Nicholas Timothy James Colfer
James Lindsay Lewis
Philip Lawrence Kadoorie

Independent Non-Executive Directors
Dr the Hon. Sir David Kwok Po Li
Patrick Blackwell Paul
Pierre Roger Boppe
Dr William Kwok Lun Fung
Dr Rosanna Yick Ming Wong
Dr Kim Lesley Winser
Ada Koon Hang Tse