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

2021 Annual Results

FINANCIAL HIGHLIGHTS

HK$m	2021	2020	% change
Revenue	**3,461**	2,710	28%
EBITDA before pre-opening and project expenses	**457**	(11)	n/a
EBITDA	**394**	(61)	n/a
Loss attributable to shareholders	**(120)**	(1,940)	94%
Underlying loss	**(255)**	(814)	69%
Shareholders' funds	**36,762**	36,844	–
Loss per share (HK$)	**(0.07)**	(1.18)	94%
Underlying loss per share (HK$)	**(0.15)**	(0.50)	70%
Audited net assets per share (HK$)	**22.29**	22.34	–
Adjusted net assets share per share (HK$)	**24.79**	24.63	1%

- The 2021 results continued to be severely impacted by COVID, particularly in our home market of Hong Kong.
- Despite the challenging environment, the group's consolidated revenue increased by 28% to HK$3,461 million due to an initial mild recovery in our US and Chinese mainland hotels, although the effects of the Omicron variant are causing concern.
- Due to the increase in revenue and coupled with effective cost control measures undertaken by the group, the group's consolidated EBITDA before pre-opening and project expenses amounted to HK$457 million compared to an EBITDA loss of HK$11 million in 2020.
- The loss attributable to shareholders includes a revaluation gain on investment properties of HK$670 million net of an impairment provision of HK$679 million relating to The Peninsula Yangon project which was suspended in June 2021 due to the unfortunate situation in Myanmar.
- Excluding the non-operating items of revaluation movements of investment properties, impairment provision and pre-opening and project expenses, the group's underlying loss amounted to HK$255 million compared to an underlying loss of HK$814 million in 2020.
- Construction progress of The Peninsula London, The Peninsula Istanbul and the Peak Tram upgrade project experienced delays due to COVID-related disruptions and/or site conditions and other issues. The group management is spending a considerable amount of time and effort on strategic planning, solving issues and making every effort to mitigate the delays and associated cost implications as a priority.
- The group's financial position as at 31 December 2021 remained robust, with net debt to total assets at an acceptable level of 23%.
- The group has sufficient committed facilities to cover all of its capital commitments (including the two new hotel projects and the Peak Tram upgrade project) as well as provide a liquidity cover of well over two years at current cash burn levels.

FINANCIAL HIGHLIGHTS

	2021	2020	Increase/ (Decrease)
PROFIT OR LOSS HIGHLIGHTS (HK$m)			
Combined revenue^	**3,885**	2,947	32%
Revenue	**3,461**	2,710	28%
Combined EBITDA^	**526**	(53)	n/a
Combined EBITDA before pre-opening and project expenses	**589**	(3)	n/a
EBITDA	**394**	(61)	n/a
Operating loss	**(105)**	(614)	83%
Loss attributable to shareholders	**(120)**	(1,940)	94%
Loss per share (HK$)	**(0.07)**	(1.18)	94%
Underlying loss*	**(255)**	(814)	69%
Dividends	**–**	–	–
Dividends per share (HK cents)	**–**	–	–
Cash interest cover (times)$^{\Delta}$	**1.6x**	–1.2x	n/a
Weighted average interest rate	**1.5%**	1.9%	(0.4pp)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**55,685**	53,679	4%
Audited net assets attributable to shareholders	**36,762**	36,844	–
Adjusted net assets attributable to shareholders#	**40,871**	40,607	1%
Audited net assets per share (HK$)	**22.29**	22.34	–
Adjusted net assets per share (HK$)#	**24.79**	24.63	1%
Net external borrowings	**12,900**	10,662	21%
Funds from operations to net external debt##	**3%**	–1%	n/a
Net external debt to equity attributable to shareholders	**35%**	29%	6pp
Net external debt to total assets	**23%**	20%	3pp
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from/(used in) operations before taxation and working capital movements	**394**	(61)	
Capital expenditure on existing assets	**(334)**	(399)	
Capital expenditure on new projects and investments	**(2,254)**	(1,771)	
SHARE INFORMATION (HK$)			
Highest share price	**8.50**	8.91	
Lowest share price	**6.67**	5.62	
Year end closing share price	**6.83**	6.90	

^ Including the group's effective share of revenue/EBITDA of associates and joint venture

* Underlying (loss) /profit is calculated by excluding the pre-opening and project expenses, the post-tax effects of unrealised property revaluation movements and impairment provisions

Δ 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 adjusting the group's hotels and golf courses to fair market value based on the valuation conducted by independent property valuers, net of tax

\## Being EBITDA as a percentage of net external debt

pp Denotes percentage points

CEO STATEMENT AND STRATEGIC REVIEW

1. Managing the COVID-19 Crisis

2021 was another very challenging year for our group and for the hospitality industry due to the continued impact of the COVID-19 pandemic, particularly in our home market of Hong Kong, which had already suffered from serious social unrest and mass protests in 2019 and early 2020.

As mentioned in our 2020 annual report, we had expected that the rollout of vaccines would lead to the gradual resumption of travel around the world, but unfortunately the level of recovery in 2021 was not what we had hoped for.

The situation is still very unstable and we are concerned about the impact of the Omicron variant. At the time of writing, stringent social distancing measures and lengthy quarantine regimes in Hong Kong and the Chinese mainland remain the strictest in the world, and this has dramatically impacted tourism arrivals into Hong Kong for the past two years. The restrictions continue to seriously affect our business at The Peninsula Hong Kong and the Peak Complex, although our residential leasing business at The Repulse Bay has been less affected. During the year, several of our properties in key markets had to temporarily close, including The Peninsula New York, The Peninsula Bangkok and The Peninsula Manila. We saw a promising recovery in our US and Chinese mainland hotels during 2021, and Paris is starting to show signs of business resuming and tourists returning. Business remained weak in Tokyo and our hotel in Bangkok was closed for an extensive period.

We made significant efforts to control costs, drive local business and manage the rollercoaster of ever-changing regulations to the best of our ability. In the light of the very difficult market environment which we continued to face, our financial results were creditable, with a strong rebound from a combined EBITDA loss of HK$53 million in 2020 to a positive combined EBITDA of HK$526 million. It should be noted that the cashflow from existing operations after tax, normal capital expenditure and interest (excluding cash expended on the two new hotel projects and the Peak Tram upgrade project and related interest) was positive HK$69 million as compared to a cash outflow of HK$808 million in 2020.

Our immediate development focus remains on delivering our new Peninsula hotel projects in London and Istanbul, as well as the Peak Tram upgrade project, which have suffered pandemic-related delays and other project challenges, as explained in section 4 of this review.

The group came into this crisis with low gearing and considerable liquidity, which we bolstered by arranging further facilities to cover our group's cash needs. Together with 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 operating cash requirements.

The pandemic has been particularly hard on our people, following last year's painful job losses and voluntary unpaid leave across the group. I believe our staff members' combined efforts, perseverance and loyalty to the company, in spite of the current business environment, has been commendable and this has significantly contributed to the group's stability during this crisis period.

In terms of business strategy, we are a company that focuses on the very long term, and we must be prepared to weather the downturns that are inevitable when one looks to invest over periods of fifty years or more. As a long-term investor, thanks to our people and culture, we have proven to be resilient and will be able to withstand downturns such as the one we are currently experiencing and I am confident that we will see better years ahead. This resilience is part of our long-term strategy as we move towards a global recovery. I will summarise this strategy in the following pages.

2. Our culture, vision and development strategy

The Hongkong and Shanghai Hotels, Limited has a heritage of more than 155 years. Whilst we have witnessed profound political and economic changes since we were first established in 1866, both in our home market of Hong Kong and around the world, our company remains steadfast in our key philosophies and values which are:

– to conduct business with the highest levels of integrity;

– to build on our heritage while continuing to invest in and develop our people;

– to maintain and enhance the quality of our assets,

– to continuously improve the service we offer to our guests, and

– to contribute positively to the cities in which we operate.

Maintaining a unique and robust company culture is very important to us and we are fortunate to have a family-like culture where our employees are proud to work for the company. Our culture and values help us to deliver on our vision which is: *to develop, own and operate a small number of the highest quality hotels and luxury properties which we believe are considered to be amongst the finest in the world.*

Having ownership or part-ownership of each hotel is an important part of our strategy and allows us to maintain an appropriate degree of control over the design, quality, operations and capital spending in our hotels. By taking such 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.

The best example of this is our flagship property, The Peninsula Hong Kong, which in 1928 was built for what was regarded in those days as an enormous sum of HK$3 million and today is valued at over HK$12 billion.

This is the approach which we believe has enabled us to establish and sustain a brand which is now recognised as being possibly the leading luxury hotel brand in the world.

3. Business overview

Our group currently owns and operates ten Peninsula hotels which are located in Hong Kong, Shanghai, Beijing, Tokyo, New York, Chicago, Beverly Hills, Paris, Bangkok and Manila. Throughout the years we have maintained a significant investment programme to enhance the physical condition and quality of these properties, for example, by completing major renovations at The Peninsula Hong Kong in 2014, The Peninsula Chicago in 2016 and The Peninsula Beijing in 2017. In 2021 we undertook a major renovation of the Peninsula Arcade in Hong Kong with the objective of providing high-end lifestyle amenities and retail offerings for local guests. We are in the midst of an ambitious hotel expansion programme, with investment in two new Peninsula hotel development projects in London and Istanbul.

Our strategy is to operate only one Peninsula hotel in each city and we have the ability to take a long-term view on real estate capital appreciation. Our hotels are considered "trophy assets" in these cities and will continue to create value over time, while generating additional returns from shopping arcades or residential apartments as part of the hotel complex. We enter into long-term partnerships with our co-owners who value the benefits of creating a high quality long-term asset. Our objective is to build up a long-term loyal clientele who are willing to pay premium prices for a superior luxury product and services. We achieve this by offering a high level of personalised service and attention to detail.

In the group's commercial properties division we take a similar investment approach and seek long-term returns on our exceptionally well-located properties. We own high-end residential property including The Repulse Bay in Hong Kong's exclusive South Side and we lease commercial space to tenants at various Peninsula hotels, the Repulse Bay Arcade and the Peak Tower. Sky Terrace 428 at The Peak Tower gives tourists the opportunity to enjoy Hong Kong's panoramic views and this has been highly successful as a source of revenue. We also hold commercial properties in Hong Kong, Paris and Ho Chi Minh City.

Peninsula Merchandising Limited develops and distributes Peninsula-branded merchandise including the famous Peninsula Mooncakes, as well as artisanal chocolates and high-quality tea. We operate Peninsula Boutiques in key gateway cities in China, Asia and the US, including boutiques at Hong Kong International Airport and several Peninsula hotels. We opened new retail outlets and pop-up stores in 2021 and online business was very successful in 2021, as such, we are planning to expand the business further, particularly in the Chinese mainland market.

Our clubs and services division includes the Peak Tram, one of Hong Kong's most popular tourist attractions, which has been under our group for 130 years. The Peak Tram is currently undergoing a HK$799 million upgrade project which is being funded by our company and will be completed in mid-2022.

Having a diverse portfolio helps to diversify investment risks generally associated with the luxury hospitality industry. The more stable returns of the commercial properties division and, to a smaller extent, the clubs and services division help to offset the cyclical nature of the hotel business.

4. Projects Update

The Peninsula London, The Peninsula Istanbul and the Peak Tram upgrade project together form the most substantial capital expenditure projects in our company's history and are currently the major strategic focus of the senior management team. We are spending a considerable amount of time and effort on strategic planning, solving issues and making every effort to mitigate the delays and associated cost implications as a priority.

The Peninsula London

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

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

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

The project has been materially affected in 2020 and 2021 by delays caused by the COVID-19 pandemic which resulted in labour shortages and site closures, as well as significant design and project coordination issues arising in key areas of the hotel. Throughout these challenges, the HSH projects team has worked closely with the London development manager, the construction management company, the consultants and the trade contractors to address and resolve problems as quickly and effectively as possible.

Unfortunately, despite these efforts and the engagement of the various teams, the project has suffered additional time delays causing significant cost overruns. As at the time of writing, the practical completion date of the project and the soft opening date of the hotel has been further delayed from 2022 to the first half of 2023.

The cost consequences of this further delay are currently being assessed but we expect there to be an upward adjustment in the indicated total project budget of £800 million (including both hotel and residential apartments). However, the prices at which we have transacted the sales of residential apartments to date have been in line with our original expectations.

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 hotel development in Istanbul, Turkey. It was agreed with the joint venture partners to jointly develop the property with an investment commitment of approximately €300 million, of which HSH is responsible for 50%.

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. This entire Galataport project is subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul has been granted a corresponding 30-year fixed term lease.

The Peninsula Istanbul will have 177 rooms, a ballroom with sweeping views of the Bosphorus, indoor and outdoor swimming pools, a Spa and a verdant garden area on the waterfront.

The COVID-19 situation has caused some delay to this project, with quarantine constraints on site. Progress towards the completion date has been satisfactory with handover of almost all rooms for fit out. Construction completion of the project has been delayed and is currently targeted to be towards end of 2022, with a soft opening in the first half of 2023. Despite challenges which include COVID-19, supply chain issues, construction issues, and devaluation of the lira coupled with hyperinflation in Turkey, the project cost – denominated in euros – remains on budget.

The Peninsula Yangon

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

Unfortunately, we have agreed with our partners to stop work on The Peninsula Yangon project as of June 2021 and we will continue to evaluate the situation in Myanmar to establish a suitable time to recommence works.

5. Financial results and financial planning

Our business model as an owner-operator is a capital intensive one, but it allows us to have an appropriate degree of control or joint control over the upgrading of our existing assets and making investments in new developments, to ensure a high level of quality and consistency in our product and offer a bespoke, tailored guest experience.

As a result of our continuous investment into and enhancement of our property assets, the company's revalued net asset value per share has more than doubled in the last two decades to HK$24.79 per share in 2021.

We are currently investing for the future and our focus for the coming year will be on the successful delivery of our new Peninsula hotel developments in London and Istanbul as well as the Peak Tram upgrade project. All of the projects have been affected by disruptions to the construction labour force and supply chains due to the COVID-19 outbreak, and we are expecting delays and a potential increase in the project budgets.

With the substantial capital commitments that these projects entail, currently amounting to HK$3 billion over the next two years, we continue to carefully monitor our company's financial position and we continuously take a proactive approach to forecasting future funding requirements. We maintain sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to finance our growth and development. Our net debt to total assets ratio is currently 23%, which we believe to be acceptable considering the financial obligations of our new developments.

Due to the severity of the pandemic on our business, we are reporting a weak set of financial results for 2021, however, we believe these are creditable in the light of the difficult market situation we faced. The company's combined EBITDA, including the group's effective share of EBITDA of our associates and joint ventures, amounted to HK$526 million compared to an EBITDA loss of HK$53 million last year. The group generated a cash inflow from existing operations after tax, normal capital expenditure and interest of HK$69 million as compared to a cash outflow of HK$808 million in 2020.

The company's underlying loss attributable to shareholders amounted to HK$255 million compared to a loss of HK$814 million over the same period last year.

The current year net loss attributable to shareholders is inclusive of the impairment provision of HK$679 million in respect of The Peninsula Yangon, which had to be suspended due to the substantial uncertainty in the economic and business environment since 1 February 2021. Excluding the post-tax effects of the revaluation movements of investment properties, impairment provisions and pre-opening and project expenses, our underlying loss amounted to HK$255 million, compared to an underlying loss of HK$814 million in 2020.

6. Driving business

We believe the fundamentals of luxury hospitality do not change over time and I am confident that when we emerge from the pandemic, demand for high quality service will resume.

The group's diverse portfolio of assets helps to balance the cyclical nature of the hotel industry. During the year a major focus of our strategy was to focus on attracting and retaining retail tenants in our arcades, particularly in Hong Kong, Beijing and Shanghai, and we were pleased with the level of interest received and new leases signed. Although the market for luxury residential leasing was softer in Hong Kong due to the weak business environment, The Repulse Bay is widely recognised as one of the most attractive luxury residences on the South side, and our rental contracts remained relatively stable.

For our hotels, our strategy was to stay engaged with our guests and listen to their needs despite some of our properties being temporarily closed, and we developed innovative new online promotions for local guests and social media engagements. Recognising that most of our regular guests cannot travel, we adapted our marketing strategies to our local domestic markets and we invited Peninsula guests to experience their "home" destination with special staycation promotions for local cuisine, art, fashion and culture, wellness and the local community.

We upgraded the user experience of The Peninsula Hotels group and property websites, providing an enhanced virtual experience. We launched a new Greater China customer relationship management programme with a customised design using WeChat, allowing us to engage with our customers in Hong Kong, Beijing and Shanghai by providing unique benefits and experiences across our hotels, shopping arcades and boutiques.

Appreciation of art and supporting local artists is a key part of our strategic marketing plan. The Peninsula provides guests and visitors the opportunity to engage with immersive, experiential art, creating memories that will last for a lifetime.

On the sales side, we continued to focus on strengthening our relationships with PenClub members, our in-house preferred travel partner programme by holding webinar hotel tours, cultural programmes and virtual cocktail gatherings.

Our company has its own in-house research and technology department which focuses on researching and developing the latest innovation for guest rooms and enhancing the customer experience. With leadership from the Technology Steering Committee, the team is exploring developments in voice recognition, the Internet of Things, robotics, and the latest technological innovations.

7. Managing risk

Operating a business in ten different jurisdictions, given the unpredictable nature of the hotel industry, requires an agile yet measured approach to risk management. Our Group Risk Committee (GRC), chaired by the CFO, regularly reviews the risk registers of our operations and new development projects, as well as monitors the principal risks and emerging risks of the group. We evaluate key risks and controls and using a 5-step risk management methodology we ensure the risk assessment process and internal controls remain current.

In 2021, the global COVID-19 pandemic continued to impact on the risk landscape by creating new organisational risks, particularly a global labour shortage in the hospitality sector, and elevating existing risks such as cybersecurity threats and geopolitical tensions. Climate change risks particularly sea level rise has also become a major focus for us and our GRC will continue to look into enhancement of internal controls to manage the strategic risks of the group. We will also focus on enhancing communication, inspiring greater awareness and ownership of risks and controls across the group, and further improvements to 5-step risk management methodology.

8. Our people

2021 has been a challenging year for our Human Resources team, particularly with regards to retaining talented staff and the global labour shortage in the hospitality sector, as mentioned above. As a company with a very long history, we understand that employee morale and engagement is even more important in times of crisis.

We have undertaken major initiatives across the group to encourage our staff to get vaccinated, including an incentive programme in Hong Kong offering cash, paid leave and pre-vaccination medical check-ups. Some 94% of our global operations are fully vaccinated and 98% of staff in Hong Kong were fully vaccinated by end of December 2021.

During the pandemic, we launched a global survey "Let's Check In – How are you doing?" in September 2021 to understand the sentiment and overall well-being of our employees. The anonymous survey achieved a voluntary response rate of over 80%. Against the challenging year, results from the survey reflected the continued HR efforts with high engagement scores especially across the US and China operations. We are particularly pleased that 84% of our employees feel great pride in working for the company despite the cost cutting and reduction of our workforce we have had to undergo in the last 2 years.

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 continue to safeguard this culture as the pandemic continues and as we will add more than a thousand new team members to our group, with two new hotels coming on board in the next 12 months.

I am pleased to report that in 2021 we initiated a new "Peninsula Services Principles" framework for all employees in our hotel operations, which will focus on creating stronger emotional connections with guests while offering the highly personalised service that our guests have come to expect from The Peninsula. To further support this important programme, we have launched our HSH Core Principles across the Group to encourage all our colleagues to support these service principles.

Our WorkPlace 2025 initiative, which is focused on our people, culture and empowerment, aims to create effective transformation for our teams and modernise our workplace. Despite the challenging business situation, we remain committed to innovation and empowerment and we will be launching "Work Improvement Teams" globally and encourage creative idea sharing amongst the properties on best practice ideas. We continue to focus on developing strong leaders, implementing mental and physical well-being programmes, and to improve our engagement strategies.

Earlier this year we launched an "eHR Suite" which is an integrated HR Talent solution to attract, develop, retain the right talent and manage the employee lifecycle, and this solution has received positive feedback from our employees as we continue to automate our HR processes and to go paperless.

We have also enhanced our health benefits programme by adding psychology and counselling services in order to assist with the mental health toll of the pandemic. I am so proud of my colleagues and their dedication and commitment through a very challenging time.

Longer term, our focus is to attract and retain top talent and we will strive to maintain our culture while adding thousands of people to our workforce with the opening of two new hotel projects.

As of 31 December 2021, there were 5,866 full time employees in the group.

9. Sustainable luxury in a post-pandemic world

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

During 2021, socioeconomic issues such as unemployment, poverty, social inequality and supply chain disruption were exacerbated by the pandemic. Unusual climate events occurred in some parts of the world where we have hotels, and we are becoming increasingly concerned about the risks posed by climate change and sea level rises to our ecosystems, businesses and human health. We were pleased to see more ambitious targets and net-zero commitments from countries and businesses as a result of COP26, and as a group we are exploring how to mitigate our own impact on the environment and to tackle the issues of water and sea level rises. We are also exploring more opportunities for sustainable finance as well as increasing our offering at our hotels for plant-based diets.

Despite the operational challenges we are facing, we will continue to closely monitor our sustainability performance, implement group and property-level initiatives, and continue to contribute to our long-term sustainability goals guided by our newly launched CRS strategy.

10. Outlook

With the variant strains of COVID-19 emerging, it remains difficult to predict when international travel can resume to normal levels and the outlook for a business recovery remains uncertain. Although we have seen some good recoveries when restrictions have been eased in certain markets, such as the Chinese mainland and the United States, the flare-ups of variants means that the recoveries may not be sustainable. At the time of writing, our home market in Hong Kong is facing its worst Covid crisis following the outbreak of the Omicron fifth wave, with ongoing severe restrictions on incoming travellers and stringent local social distancing requirements. It is unclear as to when these restrictions will be lifted. In the meantime, it is a priority to get vaccination rates to increase substantially amongst the most vulnerable in our society. We are pleased that 98% of our staff in Hong Kong are vaccinated.

Besides the COVID-19 pandemic, various other geopolitical uncertainties may continue to affect our business, including the Russia-Ukraine conflict, US-China tensions, the impact of Brexit, and financial market instability in Turkey. Climate change issues are an increasing concern. Globally, sourcing labour continues to be a significant challenge for the hospitality industry, with a particular shortage in culinary and housekeeping roles. We will continue to explore ways to attract and retain bright young talent.

Despite some pressure on leases, we are optimistic for our retail arcades with satisfactory leasing renewals and beautiful new lifestyle options having opened in The Peninsula Arcades in Hong Kong and Beijing.

We remain focused on doing what we can to help our operations and our people recover from the devastation of the global pandemic. Our unique company culture is one of our greatest assets and I am personally involved in driving our internal transformation project, Workplace 2025, as mentioned above.

Despite the current downturn, we are committed to ensuring that with the rapid development of technology we are keeping pace with the needs and opportunities of our business. Enhanced health and hygiene in our operations will continue to be a priority and we are looking at the latest technologies and innovation to assist with these standards.

We expect that from 2023 onwards, the new hotels in London and Istanbul will further enhance our brand presence. We are focused on managing the cost and programme implications of COVID-19 as well as other project challenges that we have faced, in order to minimise the budget and time impact of the unavoidable delays.

The Peak Tram is undergoing its second phase of temporary suspension and we expect the project will be completed in mid-2022. After completion, we believe it will significantly improve the visitor experience and enhance Hong Kong's tourism image as well as generate significant revenues once the Hong Kong tourism market recovers.

Overall, our company has maintained a strong balance sheet and has closely managed our operating costs and 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. I am confident that if we continue to focus on offering excellent service to our guests, business recovery will follow in due course.

OPERATIONAL REVIEW

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 HK$m**	**Variance In HK$**	**Year-on-Year In Local Currency**
Consolidated hotels			
The Peninsula Hong Kong	728	+21%	+21%
The Peninsula Beijing	245	+27%	+20%
The Peninsula New York	376	+96%	+96%
The Peninsula Chicago	437	+170%	+170%
The Peninsula Tokyo	325	+6%	+10%
The Peninsula Bangkok	31	–48%	–46%
The Peninsula Manila	39	–8%	–9%
Non-consolidated hotels			
The Peninsula Shanghai	489	+46%	+37%
The Peninsula Beverly Hills	544	+134%	+134%
The Peninsula Paris	348	+209%	+198%

The Peninsula Hong Kong

The Peninsula Hong Kong*		
Revenue	HK$728m	+21%
Occupancy		+11pp
Average Room Rate		+2%
RevPAR		+52%

* *The Peninsula Hong Kong stayed open for the full year 2021*

The Hong Kong hospitality market continued to be negatively affected by stringent travel restrictions, border closures and social distancing measures which have been in place for the past two years. **The Peninsula Hong Kong** implemented a number of innovative "staycation" offers and marketing promotions including "Journey the World: New Encounters" to attract the local market and offer unique experiences for local residents. We collaborated with various luxury brands including Aston Martin, Louis Vuitton and Chanel in *The Lobby* to encourage guests to visit. As a result, compared to the same period in 2020, The Peninsula Hong Kong achieved improved revenue, occupancy and RevPAR compared to the same period last year. Food and beverage revenue also improved compared to 2020 but continued to be restricted by social distancing measures imposed by the HKSAR Government, which led to restricted dining hours and the cancellation of many large functions and weddings. To mitigate this, in the fourth quarter we implemented some innovative dining offers and events such as the "Great Gatsby immersive dinner" at *Felix* to attract guests and drive revenue.

We were delighted to receive the accolade of 'Best Business Hotel in the World' by *Business Traveller Asia-Pacific* and we were pleased that *Gaddi's* was awarded one Michelin star for the second consecutive year, while *Spring Moon* garnered one Michelin star for the fifth year in a row.

The Peninsula Office Tower was 97% occupied in 2021, and the immediate outlook is stable. The Peninsula Arcade occupancy was 84%. We are delighted that Chanel, one of our luxury anchor tenants, expanded their space. The Peninsula Arcade renovation was completed in 2021, creating a high-end lifestyle retail area focused on the domestic market which includes an Italian gourmet deli, a sushi bar, a men's grooming salon, high-end audio equipment store and a new and expanded *Peninsula Boutique & Café* which opened in May 2021.

We continued to support 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.

The Peninsula Shanghai

The Peninsula Shanghai*		
Revenue	RMB405m	+37%
Occupancy		+14pp
Average Room Rate		+15%
RevPAR		+55%

* *The Peninsula Shanghai stayed open for the full year 2021*

The Peninsula Shanghai reported pleasing results during 2021, despite an uncertain situation at the start of the year with occasional minor COVID-19 outbreaks reported in the city. Business levels rebounded quickly and stabilised once the outbreak was brought under control. The hotel remains the market leader in average room rates in the city and was number one in RevPAR in 2021. Occupancy and revenue significantly improved compared to the same period last year.

International tourist arrivals to the Chinese mainland remain restricted and therefore the domestic market continued to be our largest revenue driver. Demand was robust for large-scale events, weddings, banquets and groups business, which helped drive catering revenue from the second quarter onwards. We held several collaborations with luxury brands and enjoyed good market share for luxury events despite intense competition in the city. Demand for suites was healthy although rates are still lower than their pre-pandemic levels. The Peninsula Shanghai also successfully attracted a younger demographic through their innovative social media campaigns.

The Peninsula Shanghai remains the only hotel in the Chinese mainland to have two restaurants with Michelin stars.

The Peninsula Arcade was 94% occupied during 2021.

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 31 December 2021, a total of 31 apartment units have been sold.

The Peninsula Beijing

The Peninsula Beijing*		
Revenue	RMB202m	+20%
Occupancy		–6pp
Average Room Rate		+28%
RevPAR		+6%

* *The Peninsula Beijing stayed open for the full year 2021*

The Peninsula Beijing had a stable year with a satisfactory increase in revenue and room rates although the hotel reported a slight drop in occupancy. International tourist arrivals to the Chinese mainland remained restricted during 2021 and therefore the domestic market continued to be our largest revenue driver, with some high-level diplomatic business contributing revenue.

Food and beverage performed well and we were delighted to receive a Michelin star for our French fine dining restaurant *Jing*. The hotel's rooftop bar, *Yun Summer Lounge*, reopened in summer 2021 and performed well due to the increasing popularity of open-air dining experiences during the pandemic. The hotel implemented some innovative staycation packages and marketing campaigns to drive suite business.

The Peninsula Arcade was 93% occupied and in addition to some anchor tenants expanding their retail space, we opened a new lifestyle living space in the basement in late summer 2021, which comprises a space of approximately 3,000 sqm.

The Peninsula Tokyo

The Peninsula Tokyo*		
Revenue	JPY4.64b	+10%
Occupancy		0pp
Average Room Rate		–26%
RevPAR		–25%

* *The Peninsula Tokyo stayed open for the full year 2021*

The Peninsula Tokyo was negatively impacted by "State of Emergency" restrictions for Tokyo which were in place for the majority of the year, combined with government social distancing measures, a ban on international travellers and a ban on alcohol sales. In June, the Japanese Government announced that spectators would be banned from the Tokyo Olympics, which was disappointing for anticipated tourist arrivals in Japan and significant international Olympic group business.

All dining outlets at the hotel remained open during the year but were negatively affected by the government's restrictions on dining hours and alcohol, which barred residents from dining out after 8pm. To counteract this downturn, we implemented a variety of local "staycation" packages with a focus on families and innovative "pet pampering" packages which were very well received. We also offered dining credits as part of the hotel deals as per local market practice. We operated an outdoor street café and offered Peninsula Culinary "To Go" and "Banquets at Home" takeaway dining packages to attract local business and corporates.

The group marketing campaign of "Peninsula Time" which allows flexible check in and check out times proved particularly popular with the local Tokyo market and helped drive occupancy. We also focused on improving our domestic guests' satisfaction ratings which resulted in improved loyalty and repeat business.

Despite the soft business environment, we were pleased to welcome several new tenants to The Peninsula Arcade in 2021, with a new anti-aging clinic which opened in summer 2021 and a popular teppanyaki restaurant bringing in additional rental revenue.

The Peninsula Bangkok

The Peninsula Bangkok*		
Revenue	THB129m	–46%
Occupancy		–14pp
Average Room Rate		–54%
RevPAR		–74%

* *The Peninsula Bangkok was temporarily closed from 18 April to 8 November 2021*

At **The Peninsula Bangkok** the beginning of the year started reasonably well, with the launch of attractive local staycation packages. However, with the rapid increase in COVID cases in Thailand from April 2021, the decision was made to close the hotel again. During closure we continued to engage with our loyal customers until reopening in November 2021. With health and wellness as a priority, we further developed our health and wellness with a series of plant-based dining offers and a quarterly Wellness Festival.

Revenue during closure was derived from signature Peninsula Mooncake retail sales and deliveries to guests. Upon reopening to international tourists, the Thai Government announced the start of "We Travel Together" which subsidises room bookings for hotels. Following the success of the Phuket "sandbox" model, at the end of October the "Test and Go" arrangement for tourists was also announced, allowing travellers with a negative PCR test to enter Thailand without quarantine. As a result, we experienced a strong November and December with improved revenue and average rates and we hope to welcome more international guests in 2022.

The Peninsula Manila

The Peninsula Manila*		
Revenue	PHP249m	–9%
Occupancy		–22pp
Average Room Rate		–27%
RevPAR		–74%

* *The Peninsula Manila stayed open for the full year 2021 but partially operated as a quarantine hotel from July 2021*

The Peninsula Manila experienced a very challenging year due to stringent government restrictions which remained in effect until May 2021, and community quarantine guidelines for certain cities in the National Capital Region. The hotel operated with minimal services and was unable to welcome guests to the majority of F&B outlets or the Spa due to restrictions. We reopened *The Lobby* and *Spices* in May 2021 and were able to welcome some local guests for staycations from May onwards. To drive revenue we also offered takeout delivery services and valet laundry services which was positively received by the local community.

Due to the unique structure of The Peninsula Manila with two separate towers, we were granted permission by the Philippines Department of Tourism to allow quarantine guests in Ayala Tower from 1 July 2021. This quarantine package attracted high-end business travellers and diplomatic guests who were required to undergo 7-10 days of quarantine upon returning to The Philippines, depending on their original departure location. The Makati Tower will continue to be available for local staycation guests.

The Peninsula New York

The Peninsula New York*		
Revenue	US$48m	+96%
Occupancy		+1pp
Average Room Rate		+26%
RevPAR		+29%

* *The Peninsula New York was temporarily closed from 20 March 2020 until 1 June 2021*

The Peninsula New York reopened in June 2021 after a prolonged temporary closure. The hotel received substantial positive media coverage about its reopening and business has been satisfactory in the second half, driven by diplomatic groups, transient, entertainment and group business.

To help raise awareness of the reopening of the hotel, we launched a multimedia art installation titled *Life en Route* and hosted Dutch neo-expressionist painter Peter Riezebos in-house for the summer of 2021 as part of our *Art in Resonance* programme. In November 2021 we reopened The Peninsula Spa.

New York City reopened to international travellers in the second half of the year and the city's tourism board launched a dynamic campaign titled "It's Time for New York City!" which was successful in encouraging visitors to return. Large diplomatic events and New York Fashion Week returned to the city in the second half following cancellations during the pandemic. Stringent vaccination requirements across the city had a positive impact for food and beverage outlets. At The Peninsula New York, food and beverage revenue was strong, particularly on the catering side, and *Clement* performed well.

The Peninsula Chicago

The Peninsula Chicago*		
Revenue	US$56m	+170%
Occupancy		+21pp
Average Room Rate		+20%
RevPAR		+110%

* *The Peninsula Chicago stayed open for the full year 2021*

The Peninsula Chicago had a positive year overall with increased revenue, occupancy and average room rates, despite a challenging environment especially in the first few months of 2021. Travel restrictions were fully lifted by the summer and the city of Chicago rebounded strongly with a few large-scale concerts, corporate groups, and smaller conventions and art exhibitions being held in Chicago, driving hotel occupancy. A dynamic "Seize your Summer" tourism campaign by Choose Chicago generated hotel revenue and increased tourism spending across the city.

With strong demand for suites and groups business, we achieved some of the highest rates in the history of the hotel, which celebrated its 20th anniversary in 2021. The hotel's restaurants and dining outlets reopened in February 2021 with some limitations in dining hours, with the exception of *Pierrot Gourmet* which will reopen in 2022.

To mark the 20th anniversary of the hotel, we introduced special anniversary packages with 20% discounts on rooms and suites, and special menus to celebrate culinary favourites from the past two decades, titled "Culinary Classics Revised". For every meal purchased we donated one meal to The Greater Chicago Food Depository. In September 2021 we hosted an exciting art installation featuring Chicago artist Bob Faust titled *with all, and still*, which brought Chicago neighbourhoods to life through a vibrant series of contemporary art panels.

We were delighted to receive the accolade of "No 1 Hotel in Chicago and Illinois and No 3 Hotel in the US" by *US News & World Report*, and the "Most Romantic Hotel in Chicago" by *USA Today*.

The labour market remains challenging in the hospitality sector and we are suffering from staff shortages at various levels across the hotel, and recruitment of key positions is a top priority for the coming months.

The Peninsula Beverly Hills

The Peninsula Beverly Hills*		
Revenue	US$70m	+134%
Occupancy		+24pp
Average Room Rate		+18%
RevPAR		+101%

* *The Peninsula Beverly Hills stayed open for the full year 2021*

The Peninsula Beverly Hills experienced a very positive 2021 overall with significant revenue increase year-on-year, despite a slow start due to the coronavirus Shelter-in-Place restrictions implemented by the California state government for the first few months of 2021.

The majority of our business was domestic although we were pleased to welcome international guests in the second half as travel restrictions eased, particularly from the Middle East market. Food and beverage performed well and we implemented cost efficiencies by reducing opening hours, although we ensured our guests enjoyed the usual luxury service levels and had access to 24-hour dining options upon request.

The Hollywood awards season, which traditionally would result in full occupancy for our hotel, was held virtually this year which negatively impacted our results as we usually have a loyal clientele from the entertainment sector.

In the second half, business levels exceeded expectations and continued to improve with the easing of local restrictions and with an increase in the rate of vaccinations. We were delighted to celebrate our 30th anniversary in 2021 which included a "Beverly Hills Dreaming" package to attract visitors and we welcomed New Orleans pop-artist Ashley Longshore in residence.

The labour market remains challenging with staff shortages in the hospitality and restaurant sectors amid intense competition in the Beverly Hills area, although we were delighted to welcome back almost all our loyal staff who had previously been on furlough. The hotel management endeavoured to help employees during this critical time by providing essential groceries and food. We kept employee's medical benefits active during furlough and we also have an in-house doctor to ensure staff have access to professional medical advice at all times. The Peninsula Beverly Hills also donated food packages to frontline workers and the needy in the Beverly Hills area. The Peninsula Beverly Hills also donated food packages and meals to frontline workers particularly the fire and police department personnel of Beverly Hills.

We were pleased to achieve the accolade of 'No 1 Best Hotel in California' and 'No 1 Best Hotel in Los Angeles' by *US News & World Report*, and were voted by *Global Traveler Magazine*.

The Peninsula Paris

The Peninsula Paris*		
Revenue	EUR39m	+198%
Occupancy		–10pp
Average Room Rate		+23%
RevPAR		–9%

* *The Peninsula Paris was temporarily closed from 16 March 2020 until 1 March 2021*

The Peninsula Paris reopened on 1 March 2021 for rooms business and has gradually expanded the services available to guests with the relaxing of government restrictions and curfews.

We are fortunate to have beautiful alfresco dining spaces at *La Terrasse Kléber* and our rooftop restaurant *L'Oiseau Blanc*, which was awarded one Michelin star in 2020. Alfresco dining venues have been particularly popular with Parisians keen to celebrate events which had been postponed during the pandemic. We implemented new dining experiences and Sunday brunch offers to attract local guests, although unseasonably bad weather in May temporarily affected this trend. The hotel's indoor dining outlets reopened in June 2021, with the exception of *LiLi* which reopened in September 2021.

International guests began to return to Paris from June onwards, mainly from the Middle East and the US, which helped drive suite business.

During the year Paris reported an impressive recovery following stringent vaccination requirements, with large events and Paris Fashion Week returning as well as a large new luxury department store opening.

Commercial Properties Division

Commercial Properties	Revenue HK$m	Variance In HK$	Year-on-Year In Local Currency
The Repulse Bay Complex	541	–8%	–8%
The Peak Tower	39	–38%	–38%
St. John's Building	52	–6%	–6%
The Landmark	36	–3%	–4%
21 avenue Kléber	23	+5%	+2%
The Peninsula Shanghai Apartments	7	+17%	+8%

Our largest commercial property, **The Repulse Bay Complex**, experienced a weaker property climate compared to the previous year. Residential revenue and occupancy declined compared to the same period last year due to the challenging environment in Hong Kong, with the lack of international arrivals affecting the luxury residential leasing market.

The HKSAR Government social distancing measures continued to affect the performance of The Repulse Bay's food and beverage outlets, and while catering revenue improved compared to the previous year, it still remains weak due to the restrictions on large functions and events. The Repulse Bay, with its beautiful ocean views, is one of Hong Kong's most popular venues for weddings but unfortunately many were cancelled or postponed due to the social distancing restrictions.

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

The Peak Tower experienced a challenging year, significantly impacted by the lack of foreign visitors to Hong Kong and the ongoing upgrade project for the Peak Tram which also affected traffic to the Peak. Revenue and occupancy declined and we had to offer rental concessions due to the very difficult situation our tenants are facing, with some temporarily closing or going out of business. Visitors to Sky Terrace 428 also declined even further as compared to the previous year. We have implemented a number of sales and marketing strategies to continue to drive local business and to encourage local residents to visit the Peak Tower, which has remained open during the renovation and temporary suspension of the Peak Tram.

St. John's Building is located above the lower terminus of the Peak Tram and offers an excellent location for office space. Revenue dropped slightly but occupancy remained stable at 96% during 2021.

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, but residential revenue and occupancy declined compared to the previous year, impacted by the COVID-19 situation in Vietnam with stringent restrictions and social distancing measures implemented in the second half.

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 space, and both of the two retail spaces. Rental revenue was stable compared to the previous year.

Clubs and Services Division

Clubs and Services	Revenue HK$m	Variance In HK$	Year-on-Year In Local Currency
The Peak Tram	13	–34%	–34%
Quail Lodge & Golf Club	173	+127%	+127%
Peninsula Clubs & Consultancy Services	4	–30%	–30%
Peninsula Merchandising	275	+53%	+53%
Tai Pan Laundry	35	+25%	+25%

The Peak Tram is one of Hong Kong's most popular tourist attractions and has been in operation since 1888. The tram and support facilities are undergoing a major upgrade which will result in a significantly improved lower terminus, featuring covered queueing and waiting areas with entertainment features for up to 1,300 passengers. The new tramcars will carry up to 210 passengers instead of the previous capacity of 120 and visitors' waiting time will be significantly reduced.

During 2021, the upgrade project was negatively impacted by unforeseen ground conditions and the global coronavirus pandemic, which affected the planning of the works, the supply chain and the manufacturing of our new tramcars and equipment. As a result, there was a delay in the second phase of service suspension, which commenced on 28 June 2021 with the retirement of the fifth generation Peak Tram. The total cost of the upgrade project is HK$799 million, which has increased from HK$734 million in 2021 due to the unforeseen ground conditions and pandemic-related delays.

The Peak Tram reported increased patronage and revenue during the last month of operation before temporary suspension, as a result of well received publicity campaigns, marketing promotions and deals for local residents. We expect to launch the sixth generation Peak Tram in mid-2022.

Quail Lodge & Golf Club reported a strong year with revenue increasing by 127% year on year and a significant increase in average rates and RevPAR compared to pre-COVID 2019 levels. Golf membership was strong, with 81 new memberships signed in 2021. This was a pleasing result in the light of the shelter-in-place restrictions in California for several months in 2021.

Quail Lodge & Golf Club hosts The Peninsula Signature Events. We unfortunately had to cancel *The Quail Motorcycle Gathering* in May, but we were delighted to proceed with *The Quail: A Motorsports Gathering* in August 2021, which is considered one of the world's leading concours events for classic motoring *aficionados* and brought significant sponsorship revenue in 2021. We were delighted to receive the accolade of "World's Best Concours for 2021" from The Historic Motoring Awards in association with *Octane* magazine.

Peninsula Clubs & Consultancy Services (PCCS) manages prestigious clubs in Hong Kong including The Hong Kong Club, Hong Kong Bankers Club and The Refinery. PCCS reported a decline in revenue compared to the same period last year, impacted by the effects of the pandemic in Hong Kong. The Hong Kong Bankers Club successfully reopened in January 2021 in a new location in Central and has received positive feedback from members.

Revenue at **Peninsula Merchandising** substantially increased over the same period last year, mainly due to stronger online sales and robust corporate, wholesale and travel retail business in the Chinese mainland and contribution from our Japan stores. In May 2021 we opened a new Peninsula Boutique & Café in the basement of The Peninsula Arcade which received positive media coverage.

The Peninsula Boutique is renowned for its signature Mooncakes which performed well during the mid-Autumn festival and the festive season was successful with a 40% increase in online sales. This division is undergoing expansion in several markets including the Chinese mainland. The Hong Kong International Airport boutique has been temporarily closed since March 2020 and sales in our Japanese boutiques have been affected by reduced operating hours during the "State of Emergency" in Tokyo.

Tai Pan Laundry revenue increased by 25% compared to the same period last year, due to the reopening of some hotels, clubs and gyms which had been closed during the same period last year.

Projects under development

The Peninsula London

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

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

Since the original agreements were signed in 2013, the project has encountered many challenges and changes. The process of design and obtaining local authorities' approvals took several years, following which construction of the project commenced in 2017. In 2018, an opportunity was taken to enhance the design and increase the useable area of the hotel by adding two additional basements to the project, which had the effect of creating additional revenue-generating spaces such as the junior ballroom, an additional food and beverage outlet and other functional spaces. The project has also been materially affected in 2020 and 2021 by delays caused by the COVID-19 pandemic which resulted in labour shortages and site closures, as well as significant design and project coordination issues arising in key areas of the hotel. Throughout these challenges, the HSH projects team has worked closely with the London development manager, the construction management company, the consultants and the trade contractors to address and resolve problems as quickly and effectively as possible. Unfortunately, despite these efforts and the engagement of the various teams, the project has suffered additional time delays causing significant cost overruns. As at the time of writing, the practical completion date of the project and the soft opening date of the hotel has been further delayed from 2022 to the first half of 2023.

The cost consequences of this further delay are currently being assessed but we expect there to be an upward adjustment in the indicated total project budget of £800 million (including both hotel and residential apartments). However, the prices at which we have transacted the sales of residential apartments to date have been in line with our original expectations.

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 hotel development in Istanbul, Turkey. It was agreed with the joint venture partner to jointly develop the property with an investment commitment of approximately €300 million, of which HSH is responsible for 50% or approximately €150 million.

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. This entire Galataport project is subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul has been granted a corresponding 30-year fixed term lease.

The Peninsula Istanbul will have 177 rooms, a ballroom with sweeping views of the Bosphorus, indoor and outdoor swimming pools, a Spa and a verdant garden area on the waterfront.

The COVID-19 situation has caused some delay to The Peninsula Istanbul project, with quarantine constraints on site. Progress towards the completion date has been satisfactory with handover of almost all rooms for fit out. Construction completion of the project has been delayed and is currently targeted to be towards end of 2022, with a soft opening in the first half of 2023. Despite challenges which include COVID-19, supply chain issues, construction issues, and devaluation of the lira coupled with hyperinflation in Turkey, the project cost – denominated in euros – remains on budget.

The Peninsula Yangon

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

Unfortunately, we have agreed with our partners to stop work on The Peninsula Yangon project as of June 2021 and we will continue to evaluate the situation in Myanmar. The project's fair value was deemed to be lower than its book value as at 31 December 2021, resulting in an impairment provision of HK$679 million.

The financial information sets out in this results announcement has been reviewed by the company's Audit Committee and has been agreed by the company's auditor, KPMG, Certified Public Accountants. The financial figures in respect of the preliminary announcement of the group's results for the year ended 31 December 2021 have been compared by KPMG to the amounts set out in the group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

FINANCIAL REVIEW

During 2021, the new variant strains of the COVID-19 coronavirus continued to affect the hospitality industry. Despite the challenging environment, business volumes started to pick up in the second quarter of the year as vaccination rates increased and some travel began to resume in the US and Europe. In mainland China, whilst international tourist arrivals remained restricted, business levels also improved in 2021 due to the increase in domestic demand. As a result, the group's hotels division reported reasonable revenue growth. However, the group's commercial properties division reported a decrease in revenue as demand in luxury residential market remained subdued. Overall, the group's consolidated revenue for the year increased by 28% to HK$3,461 million. Coupled with effective cost control measures, the group reported a positive consolidated EBITDA of HK$394 million compared to an EBITDA loss of HK$61 million in 2020. Excluding pre-opening and project expenses in respect of the new hotels under development, the group's consolidated EBITDA amounted to HK$457 million compared to an EBITDA loss of HK$11 million in 2020.

Whilst the residential leasing market remained challenging, the group recognised a net revaluation surplus of HK$670 million on investment properties, principally attributable to the increase in appraised market value of The Repulse Bay Complex which was in line with the increase in luxury residential prices in Hong Kong. However, the revaluation surplus was offset by the impairment provision of HK$679 million in respect of The Peninsula Yangon due to the substantial uncertainty in the economic and business environment in Myanmar since 1 February 2021.

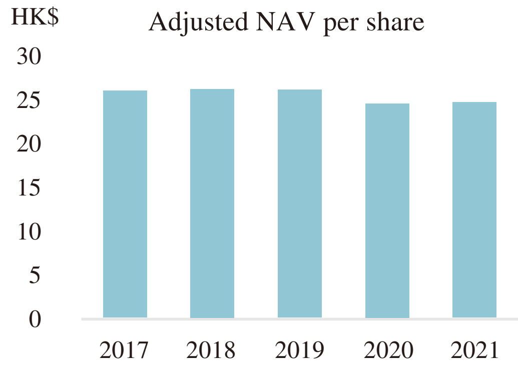
As at 31 December 2021, the group's financial position remained robust, with net debt to total assets at an acceptable level of 23% in the light of the capital commitments of our new projects. During the year, the group renewed a total of HK$1.6 billion banking facilities and further obtained committed facilities of HK$2 billion. This ensures sufficient liquidity is available to meet the group's working capital requirements in its existing operations and to fund the group's capital commitments in respect of its development projects in London and Istanbul, as well as the Peak Tram upgrade project.

The group's adjusted net asset value

Adjusted NAV
HK$40,871m ↑1%

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, but not at fair value.

Accordingly, we have commissioned an independent third-party fair valuation of the group's hotels and golf courses as at 31 December 2021, the details of which are set out on page 35. If these assets were to be stated at fair value, the group's net assets attributable to shareholders would increase by 11% to HK$40,871 million as indicated in the table below.

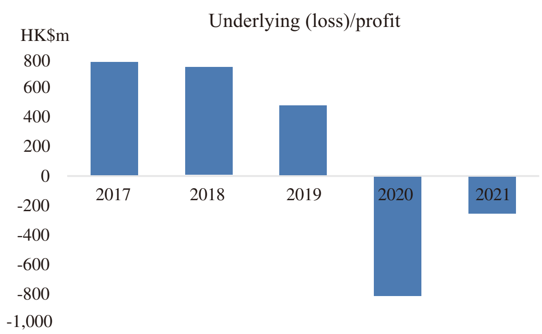


HK$m		**2021**		2020
Net asset value attributable to shareholders per the audited statement of financial position		**36,762**		36,844
Adjusting the value of hotels and golf courses to fair value	**4,350**		3,892	
Less: Related deferred tax and non-controlling interests	**(241)**		(129)	
		4,109		3,763
Adjusted net asset attributable to shareholders		**40,871**		40,607
Audited net asset per share (HK$)		**22.29**		22.34
Adjusted net asset per share (HK$)		**24.79**		24.63

The group's underlying profit or loss

Underlying loss
HK$255m ↑69%

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-recurring and non-operating items, such as any changes in the fair value of investment properties and impairment provisions, in our consolidated statement of profit or loss. To reflect the underlying operating performance of the group, we have provided a calculation of the underlying loss attributable to shareholders. This is determined by excluding the pre-opening and project expenses, 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 year ended 31 December 2021 amounted to HK$255 million compared to an underlying loss of HK$814 million for the year ended 31 December 2020.

HK$m	**2021**	2020
Loss attributable to shareholders	**(120)**	(1,940)
Revaluation (gain)/loss of investment properties#	**(674)**	708
Impairment provisions*	**476**	329
Share of revaluation gains on apartments sold by The Peninsula Shanghai Waitan Hotel Company Limited (PSW)Δ	**–**	39
Pre-opening and project expenses	**63**	50
Underlying loss	**(255)**	(814)

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

* *The 2021 figure represents the impairment provision attributable to the shareholders in respect of the construction in progress of The Peninsula Yangon. The 2020 figure includes the impairment provision for The Peninsula Manila and the group's share of impairment in respect of The Peninsula Istanbul which is held by a joint venture*

Δ *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 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*

Statement of profit or loss

The group's consolidated statement of profit or loss for the year ended 31 December 2021 is set out on page 44. The following table summarises the key components of the group's loss attributable to shareholders. This table should be read in conjunction with the commentary set out on pages 28 to 33 of this Financial Review.

HK$m	**2021**	2020	2021 vs 2020 favourable/ (unfavourable)
Revenue	**3,461**	2,710	28%
Operating costs	**(3,004)**	(2,721)	(10%)
EBITDA before pre-opening and project expenses	**457**	(11)	n/a
Pre-opening and project expenses	**(63)**	(50)	(26%)
EBITDA	**394**	(61)	n/a
Depreciation and amortisation	**(499)**	(553)	10%
Net financing charges	**(153)**	(144)	(6%)
Share of results of joint ventures	**(4)**	(269)	99%
Share of results of associates	**(11)**	(97)	89%
Increase/(decrease) in fair value of investment properties	**670**	(732)	n/a
Impairment provision	**(679)**	(93)	(630%)
Taxation	**(37)**	(31)	(19%)
Loss for the year	**(319)**	(1,980)	84%
Non-controlling interests	**199**	40	398%
Loss attributable to shareholders	**(120)**	(1,940)	94%

Revenue

The group's hotel revenue is derived from our 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 the hotel division, 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.

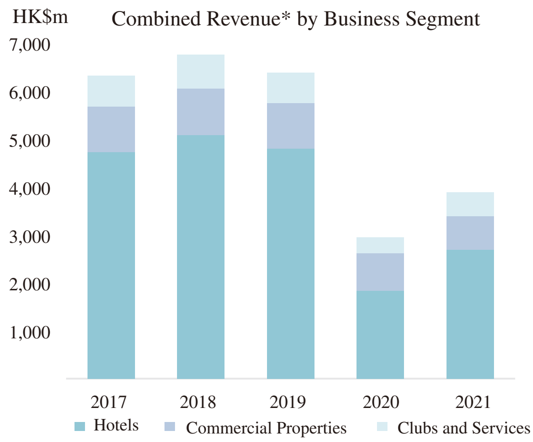
With a mild recovery of the hotel markets in the United States and Europe, the group's combined revenue for the year ended 31 December 2021 increased by 32% to HK$3,885 million. A breakdown of the group's total revenue, including its effective share of revenue of associates and joint venture by business segment and geographical segment is set out in the tables on the following page.

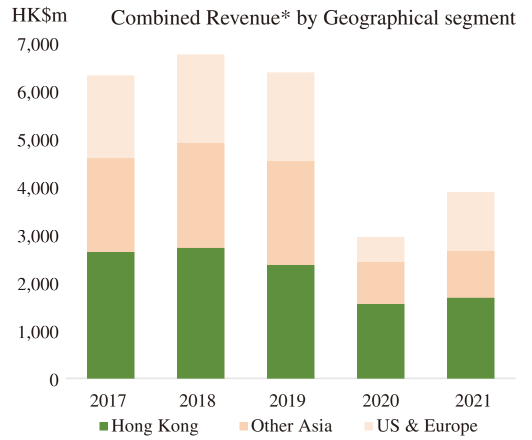
Consolidated Revenue
HK$3,461m ↑ 28%

Hotels
HK$2,263m ↑ 42%

Commercial Properties
HK$698m ↓ 10%

Clubs and Services
HK$500m ↑ 47%





* *Including the group's effective share of revenue of associates and joint venture*

Revenue by business segment

HK$m		2021			2020		2021 vs 2020
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**2,263**	**424***	**2,687**	1,594	237*	1,831	47%
Commercial Properties	**698**	**–**	**698**	777	–	777	(10%)
Clubs and Services	**500**	**–**	**500**	339	–	339	47%
	3,461	**424**	**3,885**	2,710	237	2,947	32%

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

Revenue by geographical segment

HK$m		2021			2020		2021 vs 2020
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**1,678**	**–**	**1,678**	1,548	–	1,548	8%
Other Asia	**733**	**245***	**978**	697	168*	865	13%
US and Europe	**1,050**	**179**	**1,229**	465	69	534	130%
	3,461	**424**	**3,885**	2,710	237	2,947	32%

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

The hotels division is the largest contributor of the group's combined revenue. In view of the COVID situation, the Peninsula hotels in New York, Paris and Bangkok were temporarily closed during the year. There is a significant inconsistency in each country's travel restrictions, quarantine requirements and preventative measures and as such we are seeing different paces of recovery for the group's hotels within the division. At the time of writing, social distancing and quarantine measures in Hong Kong and mainland China remain the strictest in the world. In the US and Europe, with the gradual easing of government restrictions, the Peninsula hotels in Paris and New York reopened for business in March 2021 and June 2021 respectively. The Peninsula Bangkok also reopened in November 2021 following a closure of seven months. Overall, the combined revenue of the hotel division increased by 47% to HK$2,687 million, with the US and Europe segment achieving the highest revenue growth.

Revenue from the commercial properties division decreased by 10% to HK$698 million, mainly due to the unfavourable performances of The Repulse Bay Complex (TRB) and The Peak Tower (TPT). TRB is the largest contributor of revenue, accounting for over 77% of the division's revenue. At TRB, rental revenue was under pressure as the luxury residential market in Hong Kong continued to experience a decline in demand. At TPT, the property reported a 38% decrease in revenue, mainly due to the decline in commercial rental and sharp decrease in visitors to the Sky Terrace following the suspension of the Peak Tram service in June 2021.

For the clubs and services division, despite the temporary suspension of the Peak Tram service from 28 June 2021, revenue increased by 47% to HK$500 million. This favourable result was mainly attributable to the record revenue achieved by Quail Lodge & Golf Club for its signature motor car event and the significant increase in mooncakes sales achieved by Peninsula Merchandising.

Details of the operating performances of the group's individual operations are set out on pages 13 to 23 of the Operational Review.

Operating costs (inclusive of pre-opening and project expenses)

Whilst the group's consolidated revenue increased by 28%, the group managed to limit the increase in operating costs (excluding pre-opening and project expenses) to 10%. The following table summarises the key components of the group's operating costs.

HK$m	**2021**	2020	2021 vs 2020 favourable/ (unfavourable)
Cost of inventories	**310**	213	(46%)
Staff costs and related expenses	**1,562**	1,511	(3%)
Rent and utilities	**373**	373	–
Advertising and promotions	**89**	74	(20%)
Credit card and room commissions	**107**	73	(47%)
Guest supplies and laundry expenses	**146**	97	(51%)
IT and telecommunication expenses	**83**	76	(9%)
Property maintenance and insurance	**183**	150	(22%)
Other operating expenses	**214**	204	(5%)
	3,067	2,771	(11%)
Represented by:			
Operating costs	**3,004**	2,721	(10%)
Pre-opening and project expenses	**63**	50	(26%)
	3,067	2,771	(11%)

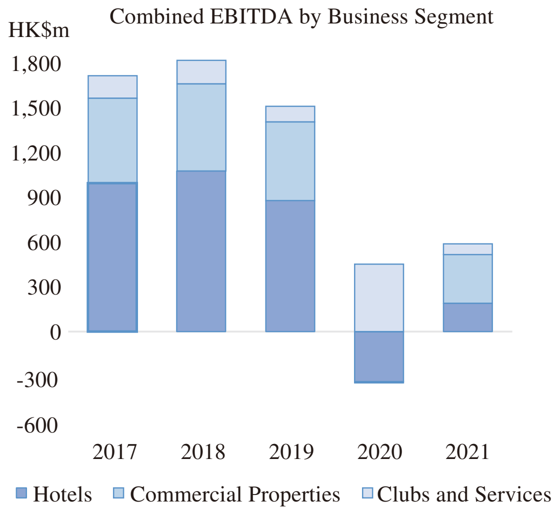
Given the nature of operating high-end luxury hotels, staff costs continued to be the largest portion of our operating costs. During the year, a total of HK$82 million in employment related government subsidies was received by the US and other Asian properties (2020: HK$130 million received by the Hong Kong and other Asian properties) and the amount was credited to the statement of profit or loss as a reduction of staff costs. Excluding the government subsidies, staff costs and related expenses would have been flat compared to 2020. The increases in other operating costs were mainly driven by the increase in business volumes from the hotels division and the clubs and services division.

EBITDA* and EBITDA* Margin

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

* *Excluding pre-opening and project expenses*

Combined EBITDA by Business Segment



EBITDA* by business segment

HK$m	2021			2020			2021 vs 2020
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**58**	**132**	**190**	(452)	8	(444)	n/a
Commercial Properties	**327**	**–**	**327**	452	–	452	(28%)
Clubs and Services	**72**	**–**	**72**	(11)	–	(11)	n/a
	457	**132**	**589**	(11)	8	(3)	n/a

EBITDA* by geographical segment

HK$m	2021			2020			2021 vs 2020
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**460**	**–**	**460**	579	–	579	(21%)
Other Asia	**(206)**	**79**	**(127)**	(257)	40	(217)	41%
US and Europe	**203**	**53**	**256**	(333)	(32)	(365)	n/a
	457	**132**	**589**	(11)	8	(3)	n/a

* *Excluding pre-opening and project expenses*

EBITDA* margin

	2021			2020		
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total
Hotels	**3%**	**31%**	**7%**	-28%	3%	-24%
Commercial Properties	**47%**	**-**	**47%**	58%	-	58%
Clubs and Services	**14%**	**-**	**14%**	-3%	-	-3%
Overall EBITDA* margin	**13%**	**31%**	**15%**	0%	3%	0%
By region						
Hong Kong	**27%**	**-**	**27%**	37%	-	37%
Other Asia	**-28%**	**32%**	**-13%**	-37%	24%	-25%
US and Europe	**19%**	**30%**	**21%**	-72%	-46%	-68%

The group reported a combined EBITDA of HK$589 million and an overall EBITDA margin of 15% compared to an EBITDA loss of HK$3 million and an EBITDA margin of 0% in 2020. These favourable results were due to the revenue growth achieved by the group and the effective cost control measures undertaken during the year.

Increase/(decrease) in fair value of investment properties

The investment properties of the group were revalued as at 31 December 2021 by independent firms of valuers based on an income capitalisation approach. The revaluation surplus of HK$670 million was mainly attributable to the increase in appraised market value of The Repulse Bay (TRB). Whilst demand in the residential leasing market remained weak, the prices of luxury residential apartments continued to pick up throughout 2021, resulting in a revaluation gain for TRB.

Impairment provision

Given the substantial uncertainty in the economic and business environment in Myanmar since 1 February 2021, the group agreed with the joint venture partner to suspend all work on The Peninsula Yangon project in June 2021 and we will continue to evaluate the situation in Myanmar. An impairment review was conducted by the management at the year end. As the project's fair value as appraised by the independent valuer was lower than its book value as at 31 December 2021, the directors considered it appropriate to write down the hotel's work in progress value, resulting in an impairment provision of HK$679 million.

The impairment provision for 2020 related to the write-down of the book value of The Peninsula Manila.

Share of result 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. Apart from earning hotel revenue, PSW also earns leasing income from the residential apartments as well as sales proceeds when the apartments are sold. At the end of 2021, PSW owned 8 remaining apartments which are held for sale.

It is worth noting that any unrealised accumulated appreciation in fair value of the apartments will become realised gains upon disposal. Accordingly, adjustments should be made to reflect the actual underlying profit realised by the group when the apartments are sold. Further details of the adjustments are set out on page 27 of this Financial Review.

As domestic travel gradually resumed in mainland China, there was a substantial improvement of the operating performance of PSW in 2021. Inclusive of hotel and arcade operations, and residential leasing, PSW generated an EBITDA of HK$157 million compared to an EBITDA of HK$79 million in 2020. After accounting for depreciation, interest and the unrealised loss on revaluation of the hotel shopping arcade, PSW recorded an accounting loss amounting to HK$7 million (2020: loss of HK$67 million) and the group's share of loss amounted to HK$4 million (2020: loss of HK$33 million).

Details of the operating performance of The Peninsula Shanghai are set out in the Operational Review section on page 14.

The group also owns a 50% interest in The Peninsula Istanbul indirectly through PIT İstanbul Otel İşletmeciliği Anonim Şirketi, a joint venture incorporated in Turkey. The Peninsula Istanbul is subject to a 30 year fixed term lease agreement granted by our partners who in turn have a 30 year operating right over the entire Galataport Project commencing 2014. In 2020, an impairment provision of HK$472 million was made for The Peninsula Istanbul by the management given the fair value of the hotel under development as appraised by the independent valuer was lower than the book value. The group's share of impairment provision amounting to HK$236 million was included in share of results of joint ventures in 2020.

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$11 million (2020: HK$97 million).

Details of the operating performances of The Peninsula Beverly Hills and The Peninsula Paris are set out in the Operational Review section on pages 19 to 20.

Statement of financial position

The consolidated statement of financial position of the group as at 31 December 2021 is presented on page 46 and the key components of the group's assets and liabilities are set out in the following table. As reflected in the table, the group's financial position as at 31 December 2021 remained robust with shareholders' funds amounting to HK$36,762 million, representing a per share value of HK$22.29.

HK$m	2021	2020	2021 vs 2020 favourable/ (unfavourable)
Fixed assets	**46,825**	45,656	3%
Properties under development for sale	**4,954**	4,264	16%
Other long-term assets	**2,515**	2,427	4%
Cash at banks and in hand	**479**	520	(8%)
Other assets	**912**	812	12%
	55,685	53,679	4%
Interest-bearing borrowings	**(13,379)**	(11,182)	(20%)
Lease liabilities	**(3,103)**	(3,266)	5%
Other liabilities	**(2,338)**	(2,079)	(12%)
	(18,820)	(16,527)	(14%)
Net assets	**36,865**	37,152	(1%)
Represented by:			
Shareholders' fund	**36,762**	36,844	(0%)
Non-controlling interests	**103**	308	67%
Total equity	**36,865**	37,152	(1%)

Summary of hotel, commercial and other properties

The group has interests in ten operating hotels in Asia, US and Europe and two hotels under development. In addition to hotel properties, the group owns residential apartments, office towers and commercial buildings for rental purposes.

The group's hotel properties and investment properties are dealt with under different accounting policies as required by the relevant accounting standards. 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, whilst investment properties (including shopping arcades and offices within the hotels) are stated at fair value as appraised by independent valuers. In order to provide users of the financial statements with additional information on the fair value of the group's properties, independent valuers have been engaged to conduct a valuation of the hotel properties and golf courses as at 31 December 2021.

A summary of the group's hotel, commercial and other properties showing both the book value and the fair value as at 31 December 2021 is set out in the table on the following page.

	2021 Group's interest	2021		2020	
		Value of 100% of the property (HK$m)			
		Fair value valuation	**Book value**	Fair value valuation	Book value
Hotel properties *					
The Peninsula Hong Kong	100%	**12,062**	**9,622**	11,968	9,639
The Peninsula New York	100%	**2,114**	**1,562**	2,075	1,576
The Peninsula Beijing	76.6%[Δ]	**1,306**	**1,302**	1,363	1,361
The Peninsula Tokyo	100%	**1,572**	**1,306**	1,737	1,504
The Peninsula Chicago	100%	**1,240**	**1,083**	1,200	1,150
The Peninsula Bangkok	100%	**653**	**583**	715	669
The Peninsula Manila	77.4%	**45**	**37**	50	47
The Peninsula Shanghai[#]	50%	**3,122**	**2,437**	3,016	2,455
The Peninsula Paris[#]	20%	**4,786**	**4,539**	5,158	5,082
The Peninsula Beverly Hills[#]	20%	**2,523**	**284**	2,449	328
		29,423	**22,755**	29,731	23,811
Commercial properties					
The Repulse Bay Complex	100%	**18,488**	**18,488**	17,792	17,792
The Peak Tower	100%	**1,320**	**1,320**	1,348	1,348
St. John's Building	100%	**1,202**	**1,202**	1,197	1,197
Apartments in Shanghai	100%	**416**	**416**	403	403
21 avenue Kléber	100%	**688**	**688**	743	743
The Landmark	70%[ΔΔ]	**36**	**36**	46	46
		22,150	**22,150**	21,529	21,529
Other properties					
Quail Lodge resort, golf course and vacant land	100%	**286**	**274**	286	276
Vacant land in Thailand	100%	**89**	**89**	100	100
Other properties for own use	100%	**399**	**198**	381	205
		774	**561**	767	581
Properties under development[##]					
The Peninsula London Hotel	100%	**4,946**	**4,946**	3,392	3,392
The Peninsula London Residences	100%	**4,954**	**4,954**	4,264	4,264
The Peninsula Yangon	70%	**125**	**125**	679	679
The Peninsula Istanbul[#]	50%	**1,000**	**1,000**	799	799
		11,025	**11,025**	9,134	9,134
Total market/book value		**63,372**	**56,491**	61,161	55,055

* *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*

Properties under development for sale

Properties under development for sale comprise the 25 apartments which are part of The Peninsula London development. The planned gross floor area of the apartments is approximately 119,000 square feet.

As at 31 December 2021, the cost of properties under development for sale amounting to HK$4,954 million (2020: HK$4,264 million) was capitalised on the balance sheet and such amount will be recovered through sales completions and be recognised as cost of inventories. Reservation fees and pre-sale deposits paid by buyers of the apartments are 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.

Other long-term assets

The other long-term assets as at 31 December 2021 of HK$912 million (2020: HK$812 million) comprised the group's 50% interest in The Peninsula Shanghai, the group's 20% interest and the value of its operating right in The Peninsula Beverly Hills, the group's 20% interest and the value of its operating right in The Peninsula Paris and the group's 50% interest in The Peninsula Istanbul which is under development.

Cash at banks and in hand and interest-bearing borrowings

As at 31 December 2021, the group's cash at banks and in hand and interest-bearing borrowings amounted to HK$479 million (2020: HK$520 million) and HK$13,379 million (2020: HK$11,182 million) respectively, resulting in a net borrowing of HK$12,900 million (2020: HK$10,662 million). The HK$2,238 million increase in net borrowings was mainly due to the capital expenditure in relation to the group's on-going projects under development. A breakdown of the group's capital expenditure on on-going projects for the year ended 31 December 2021 is set out on page 37.

Cash flows

Excluding project-related cash flows and pre-opening expenses, the group generated a cash inflow from existing operations after tax, normal capital expenditure, interest and hotel lease payments of HK$69 million as compared to a cash outflow of HK$808 million in 2020. The following table summarises the key cash movements for the year ended 31 December 2021.

HK$m	**2021**	2020
Operating EBITDA (before pre-opening and project expenses)	**457**	(11)
Tax payment*	**(70)**	(179)
Changes in working capital**	**(6)**	(197)
Normal capital expenditure on existing assets (excluding projects)	**(141)**	(238)
Net cash inflow/(outflow) after normal capital expenditure	**240**	(625)
Interest attributable to the existing operations	**(30)**	(39)
Lease payments attributable to existing operations	**(141)**	(144)
Net cash inflow/(outflow) from operations	**69**	(808)
Project-related cash flows		
Capital expenditure on new projects	**(2,254)**	(1,771)
Capital expenditure on Peak Tram upgrade project	**(193)**	(161)
Pre-opening and project expenses	**(63)**	(50)
Interest incurred on projects	**(125)**	(126)
Cash outflow for projects	**(2,635)**	(2,108)
Net cash outflow before dividends and other payments	**(2,566)**	(2,916)
Dividends paid to shareholders of the company	**–**	(42)
Dividends paid to holders of non-controlling interests	**(6)**	(5)
Cash consideration and other related costs in respect of the restructuring of the joint venture arrangements in Thailand	**–**	(571)
Other payments and receipts	**(11)**	9
Net cash outflow before borrowings	**(2,583)**	(3,525)

* *The amount of tax paid in 2020 largely related to the group's Hong Kong profits tax liabilities in respect of the year ended 31 December 2019 due to the late issuance of tax assessment notices by the Inland Revenue Department*

** *The 2020 figure mainly comprised the bonuses accrued in 2019 which were paid in 2020 as well as guest and rental deposits refunded to customers during the year*

The breakdown of the group's capital expenditure on new projects is analysed below.

HK$m	**2021**	2020
The Peninsula London	**2,087**	1,378
The Peninsula Yangon	**58**	135
Capital injection into The Peninsula Istanbul's joint venture	**109**	258
	2,254	1,771

Capital commitments

Whilst the global hospitality industry has been significantly affected by the COVID pandemic, the group's long-term commitment to investing for the future remains unchanged.

The group has committed to the most significant capital projects in its history, with two new hotels under development in London and Istanbul as well as the Peak Tram upgrade project in Hong Kong. We were developing a Peninsula hotel in Yangon but in light of the substantial uncertainty in the economic and business environment in Myanmar since 1 February 2021, the group agreed with its joint venture partners to suspend the Yangon hotel project in June 2021.

The group's budgeted investment in respect of the hotel development projects in London and Istanbul are approximately GBP800 million and EUR150 million. These projects have been affected by disruptions to the construction labour force and supply chains since the outbreak of the COVID pandemic and we are still working with our contractors and cost consultants to assess the cost impact. Further details on the status of the development projects in London and Istanbul are set out on pages 23 and 24 of the Operational Review.

For the Peak Tram upgrade project, the overall budget increased by HK$65 million to HK$799 million. The budget uplift was mainly due to unforeseen underground, structural and MEP conditions, COVID-related delays, additional scope, government-imposed conditions as well as delayed completion and delivery of the new tramcars.

The group's total capital commitments as at 31 December 2021 are summarised in the table below.

HK$m	**2021**	2020
Normal capital expenditures in respect of existing properties, including the group's share of capital expenditures of a joint venture and associates	**386**	216
New and special projects		
– The Peak Tram upgrade	**198**	332
– The Peninsula London	**1,943**	4,044
– The Peninsula Istanbul	**569**	707
– The Peninsula Yangon	**594***	705
	3,690	6,004

* *Being the remaining portion of the authorised budget available for spending on The Peninsula Yangon project when the development resumes in the future*

As at 31 December 2021, the group's undrawn committed facilities and cash at banks amounted to HK$6.6 billion (2020: HK$7.0 billion). Given the group's robust balance sheet and strong liquidity position, the Directors believe that the group will be able to meet the above capital commitments as well as the working capital requirements of its operations.

Capital and treasury management

The group is exposed to liquidity, foreign exchange, interest rate and credit risk in the normal course of business and policies and procedures are put in place to manage such risks.

The group manages treasury activities centrally at its corporate office in Hong Kong. The group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure there is ample headroom for its obligations and commitments. The group also maintains adequate committed borrowing facilities from major financial institutions to ensure funds are available to meet its future financial obligations and to finance its growth and development. A centralised strategy is adopted by concentrating committed borrowing facilities at the corporate office in Hong Kong.

The group has established liquidity structure consists of notional cash pooling and domestic cash pooling so that global cash balances can be concentrated back to head office efficiently for strategic cash management.

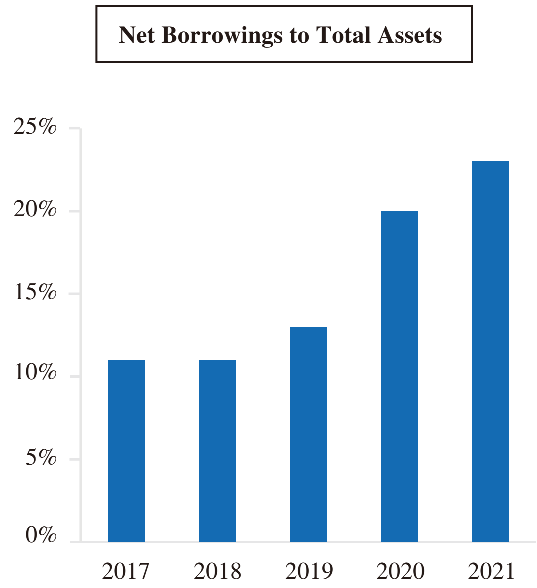
Liquidity and Financing

In 2021 the group has further obtained committed facilities of HK$2 billion to support group capital expenditures and general working capital.

We take a proactive approach to manage the group's liquidity to ensure ample headroom to cover our capital commitments and protect against business volatility, such as that created by the global coronavirus outbreak.

The group is committed to integrating sustainability elements into its business and financing strategy. During the year the group converted its existing EUR 60 million and HK$450 million facilities into a green loan and a sustainability-linked loan respectively. The group also signed a new sustainability-linked loan facility of HK$800 million. The sustainability-linked loans are aligned to the group's sustainability targets.

The group monitors its capital structure on the basis of its net borrowings (defined as interest-bearing borrowings less cash at banks and in hand) to total assets and monitors its liquidity through cash interest cover and funds availability.

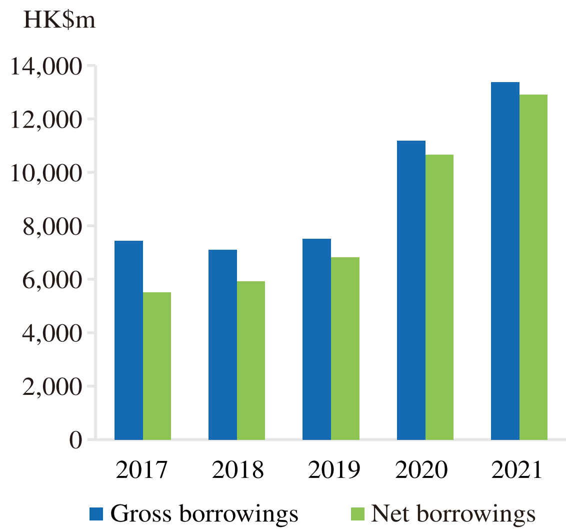


In 2021, gross borrowings increased to HK$13.4 billion (2020: HK$11.2 billion) mainly due to construction payments in respect of the projects in London and Istanbul. Consolidated net debt increased to HK$12.9 billion as compared to HK$10.7 billion in 2020. As at December 2021, the group's unused committed facilities amounted HK$6.1 billion (2020: HK$6.5 billion). The group's net borrowings to total assets increased by three percentage points to 23%. This ratio remains acceptable in the light of our capital commitments for the new projects.

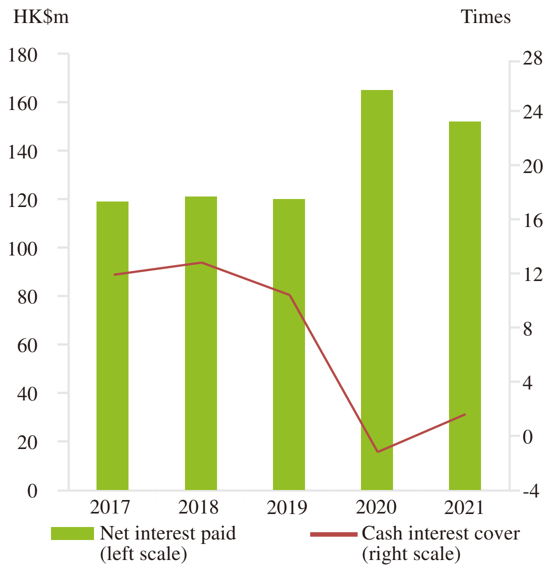
During the year, the group also refinanced its maturing loans in HKD, USD and JPY with new maturity tenors of 1 to 3 years. The average debt maturity for the year decreased from 2.1 years to 1.7 years. We are also in discussion with our banks to renew and refinance the facilities of HK$3.5 billion which are due to expire in 2022. Given the group's robust financial position and in view of our long-term relationship with our banks, we have confident that we will be able to renew and refinance the maturing facilities with reasonable terms.

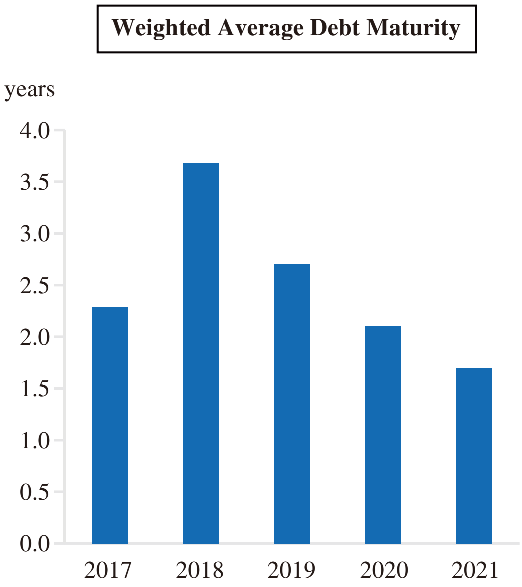
Despite an increase in borrowings, net interest paid in 2021 decreased by 6% to HK$155 million (2020: HK$165 million) due to a decrease in interest rates globally. Cash interest cover (EBITDA less lease payments divided by net interest paid) was 1.6 times (2020: –1.2 times) due to EBITDA improvement in 2021.

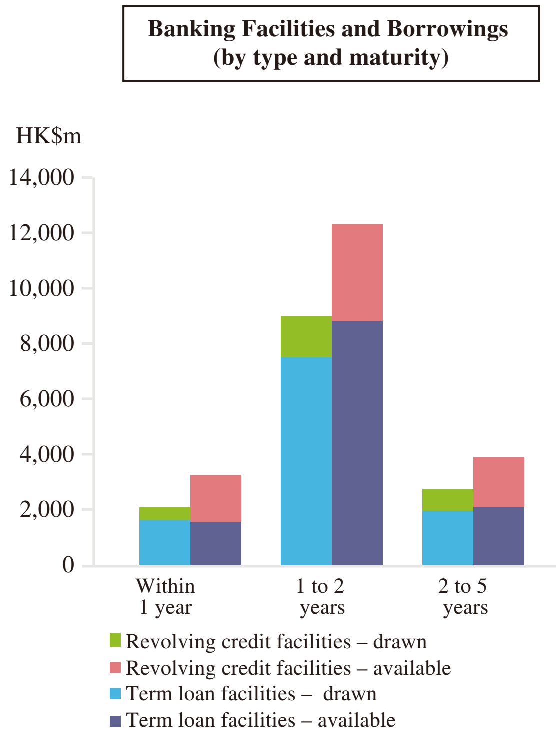
Gross and Net Borrowings



Net Interest Paid and Cash Interest Cover







We continue to monitor our overall debt and cashflow positions closely and believe that the best defense against any unforeseen volatility in business levels is to maintain prudent financial headroom.

The consolidated and non-consolidated borrowings as at 31 December 2021 are summarised as follows:

	2021						2020
HK$m	**Hong Kong**	**Other Asia**	**United States of America**	**Europe**	**UK**	**Total**	Total
Consolidated gross borrowings	**3,618**	**2,561**	**498**	**529**	**6,173**	**13,379**	11,182
Non-consolidated gross borrowings attributable to the Group*:							
The Peninsula Shanghai (50%)	**–**	**483**	**–**	**–**	**–**	**483**	504
The Peninsula Beverly Hills (20%)	**–**	**–**	**195**	**–**	**–**	**195**	194
The Peninsula Paris (20%)	**–**	**–**	**–**	**401**	**–**	**401**	427
Non-consolidated borrowings	**–**	**483**	**195**	**401**	**–**	**1,079**	1,125
Consolidated and non-consolidated gross borrowings	**3,618**	**3,044**	**693**	**930**	**6,173**	**14,458**	12,307

* *Represents HSH's attributable share of borrowings*

Foreign Exchange

The group reports its financial results in Hong Kong dollars and does not hedge US dollar exposures in the light of the HK-US dollar peg. The group generally uses cross currency swaps, foreign exchange swaps or forward exchange contracts to hedge foreign exchange exposure.

During the year, the group had also entered into forward exchange contracts to hedge Euro exposures against GBP, TRY exposures against EUR arising from construction payments for The Peninsula London and The Peninsula Istanbul projects.

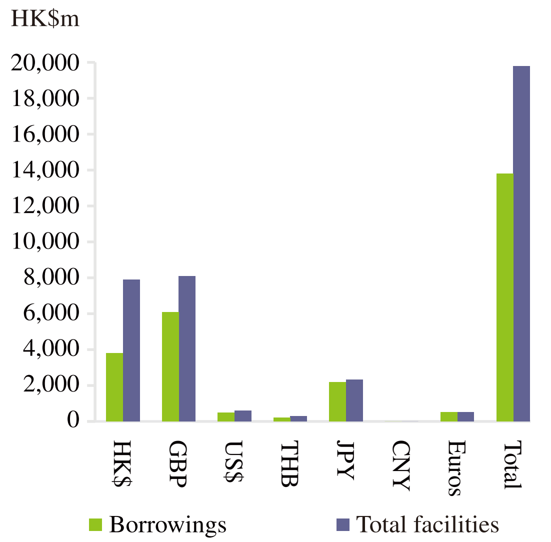
All of the group's borrowings are denominated in the functional currency of the operations to which they relate. As at 31 December 2021, GBP, HK dollar and Japanese yen borrowings represented 46%, 27% and 18% of total borrowings, respectively. Other balances were in other local currencies of the group's entities.

Interest rate risk

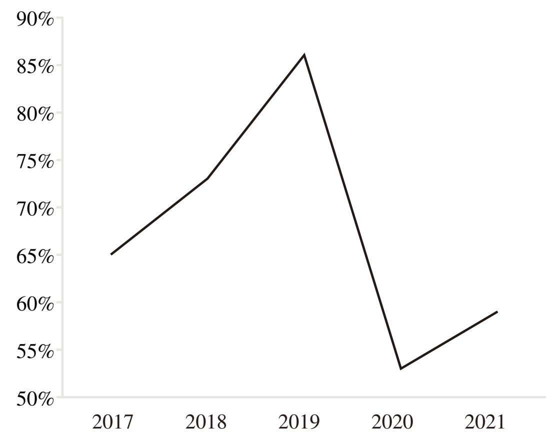
The group has an interest rate risk management policy which focuses on reducing the group's exposure to changes in interest rates by maintaining a prudent mix of fixed and floating rate liabilities. In addition to raising funds directly on a fixed rate basis, the group also uses interest rate swaps or cross currency interest rate swaps in managing its long-term interest rate exposure.

As at 31 December 2021, the group has increased the fixed to floating interest rate ratio to 59% (2020: 53%) based on signs of global tightening of interest rates. The weighted average gross interest rate for the year decreased from 1.9% to 1.5%.

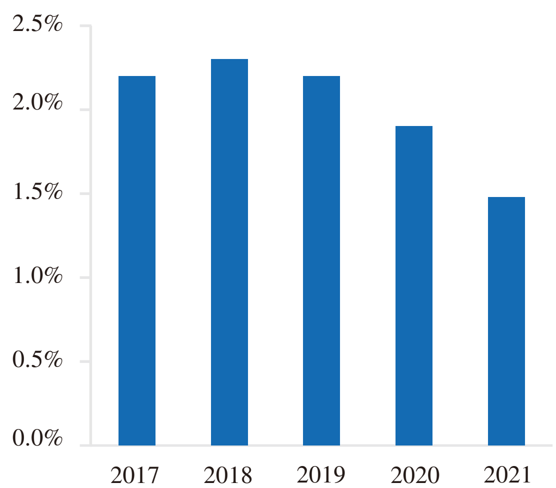
Banking Facilities and Borrowings (by currency)



Percentage of Fixed Borrowings to Total Borrowings (adjusted for the hedging effect)



Weighted Average Gross Interest Rate



Credit risk

The group manages its exposure to non-performance of counterparties by transacting with lenders with a credit rating of at least investment grade. However, in developing countries, it may be necessary to deal with lenders of lower credit ratings.

Due to long term risk profiles, derivatives are used solely for hedging purposes and not for speculation and the group only enters into such derivative transactions with counterparties with investment grade ratings only.

As at 31 December 2021, derivatives with a notional amount of HK$5,450 million (2020: HK$3,243 million) were transacted.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (HK$m)

	Note	Year ended 31 December 2021	2020
Revenue	2	**3,461**	2,710
Cost of inventories		**(310)**	(213)
Staff costs and related expenses		**(1,562)**	(1,511)
Rent and utilities		**(373)**	(373)
Other operating expenses		**(822)**	(674)
Operating profit/(loss) before interest, taxation, depreciation and amortisation (EBITDA)		**394**	(61)
Depreciation and amortisation		**(499)**	(553)
Operating loss		**(105)**	(614)
Interest income		**4**	5
Financing charges		**(157)**	(149)
Net financing charges		**(153)**	(144)
Loss after net financing charges		**(258)**	(758)
Share of results of joint ventures	9	**(4)**	(269)
Share of results of associates	10	**(11)**	(97)
Provision for impairment	7(a)	**(679)**	(93)
Increase/(decrease) in fair value of investment properties	7(a)	**670**	(732)
Loss before taxation		**(282)**	(1,949)
Taxation			
Current tax	3	**(78)**	(62)
Deferred tax	3	**41**	31
Loss for the year		**(319)**	(1,980)
Loss attributable to:			
Shareholders of the company		**(120)**	(1,940)
Non-controlling interests		**(199)**	(40)
Loss for the year		**(319)**	(1,980)
Loss per share, basic and diluted (HK$)	4	**(0.07)**	(1.18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$m)

	Year ended 31 December 2021	2020
Loss for the year	**(319)**	(1,980)
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**96**	217
– financial statements of joint ventures	**(21)**	90
– financial statements of and loans to an associate	**(40)**	48
– hotel operating rights	**(35)**	41
	–	396
Cash flow hedges:		
– effective portion of changes in fair values	**21**	(2)
– transfer from equity to profit or loss	**18**	21
– transfer to exchange reserve	**–**	9
	39	424
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations	**(1)**	1
Other comprehensive income	**38**	425
Total comprehensive income for the year	**(281)**	(1,555)
Total comprehensive income attributable to:		
Shareholders of the company	**(82)**	(1,490)
Non-controlling interests	**(199)**	(65)
Total comprehensive income for the year	**(281)**	(1,555)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)

	Note	As at 31 December 2021	As at 31 December 2020
Non-current assets			
Investment properties		**33,077**	32,407
Other properties, plant and equipment		**13,748**	13,249
	7	**46,825**	45,656
Properties under development for sale	8	**4,954**	4,264
Interest in joint ventures	9	**1,349**	1,265
Interest in associates	10	**520**	560
Hotel operating rights	11	**483**	532
Derivative financial instruments		**53**	–
Deferred tax assets		**110**	70
		54,294	52,347
Current assets			
Inventories		**75**	84
Trade and other receivables	12	**775**	669
Amount due from a joint venture		**62**	59
Cash at banks and in hand	13(a)	**479**	520
		1,391	1,332
Current liabilities			
Trade and other payables	14	**(1,529)**	(1,289)
Interest-bearing borrowings	15	**(2,015)**	(1,897)
Derivative financial instruments		**(9)**	(5)
Current taxation		**(42)**	(34)
Lease liabilities	16	**(163)**	(143)
		(3,758)	(3,368)
Net current liabilities		**(2,367)**	(2,036)
Total assets less current liabilities		**51,927**	50,311
Non-current liabilities			
Interest-bearing borrowings	15	**(11,364)**	(9,285)
Trade and other payables	14	**(120)**	(117)
Net defined benefit retirement obligations		**(24)**	(22)
Derivative financial instruments		**(6)**	(5)
Deferred tax liabilities		**(608)**	(607)
Lease liabilities	16	**(2,940)**	(3,123)
		(15,062)	(13,159)
Net assets		**36,865**	37,152
Capital and reserves			
Share capital	17	**5,837**	5,837
Reserves		**30,925**	31,007
Total equity attributable to shareholders of the company		**36,762**	36,844
Non-controlling interests		**103**	308
Total equity		**36,865**	37,152

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (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
At 1 January 2020		5,732	(38)	(345)	33,705	33,322	39,054	675	39,729
Changes in equity for 2020:									
Loss for the year		–	–	–	(1,940)	(1,940)	(1,940)	(40)	(1,980)
Other comprehensive income		–	28	422	–	450	450	(25)	425
Total comprehensive income for the year		–	28	422	(1,940)	(1,490)	(1,490)	(65)	(1,555)
Dividends approved in respect of the previous year	5	105	–	–	(147)	(147)	(42)	–	(42)
Dividend paid to non-controlling interests		–	–	–	–	–	–	(5)	(5)
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	30	30
Transaction with non-controlling shareholders		–	–	–	(678)	(678)	(678)	–	(678)
Reduction of non-controlling interests resulting from deconsolidation of a subsidiary		–	–	–	–	–	–	(327)	(327)
Balance at 31 December 2020 and 1 January 2021		**5,837**	**(10)**	**77**	**30,940**	**31,007**	**36,844**	**308**	**37,152**
Changes in equity for 2021:									
Loss for the year		**–**	**–**	**–**	**(120)**	**(120)**	**(120)**	**(199)**	**(319)**
Other comprehensive income		**–**	**39**	**(1)**	**–**	**38**	**38**	**–**	**38**
Total comprehensive income for the year		**–**	**39**	**(1)**	**(120)**	**(82)**	**(82)**	**(199)**	**(281)**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Balance at 31 December 2021		**5,837**	**29**	**76**	**30,820**	**30,925**	**36,762**	**103**	**36,865**

CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)

	Note	Year ended 31 December 2021	2020
Operating activities			
Loss after net financing charges		**(258)**	(758)
Adjustments for:			
Depreciation	7(a)	**485**	539
Amortisation of hotel operating rights	11	**14**	14
Interest income		**(4)**	(5)
Financing charges		**157**	149
EBITDA		**394**	(61)
Changes in other working capital		**(6)**	(197)
Cash generated from/(used in) operations		**388**	(258)
Net tax paid:			
Hong Kong profits tax		**(61)**	(165)
Overseas tax		**(9)**	(14)
Net cash generated from/(used in) operating activities		**318**	(437)
Investing activities			
Development costs for The Peninsula London Residences		**(646)**	(425)
Capital expenditure on the Peninsula hotels in London and Yangon		**(1,499)**	(1,088)
Capital injection into The Peninsula Istanbul joint venture		**(109)**	(258)
Capital expenditure on existing assets		**(334)**	(399)
Cash injected from the non-controlling shareholder of The Peninsula Yangon		**–**	30
Advance to associates		**(11)**	(21)
Cash consideration paid and other acquisition costs for additional interest in The Peninsula Bangkok		**–**	(571)
Net cash used in investing activities		**(2,599)**	(2,732)
Financing activities			
Drawdown of term loans		**3,660**	2,216
Repayment of term loans		**(1,490)**	(1,044)
Net increase in revolving loans		**372**	2,167
Net withdrawal of interest-bearing bank deposits with maturity of more than three months		**1**	3
Interest paid and other financing charges		**(159)**	(168)
Interest received		**4**	3
Capital element of lease rental paid		**(41)**	(44)
Interest element of lease rental paid		**(100)**	(100)
Dividends paid to shareholders of the company		**–**	(42)
Dividends paid to holders of non-controlling interests		**(6)**	(5)
Net cash generated from financing activities		**2,241**	2,986
Net decrease in cash and cash equivalents		**(40)**	(183)
Cash and cash equivalents at 1 January		**506**	680
Effect of changes in foreign exchange rates		**–**	9
Cash and cash equivalents at 31 December	13(a)	**466**	506

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results does not constitute the company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course.

The company's auditor has reported on the financial statements of the group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the group. Note 20 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

2. Revenue (HK$m)

The company is an investment holding company; its subsidiary companies, joint ventures and associates are engaged in the ownership, management and operation of hotels, commercial properties and clubs and services.

Revenue represents the consideration expected to be received in respect of the transfer of goods and services in accordance with HKFRS 15, *Revenue from contracts with customers* and rental income derived from the hotels' shopping arcade and offices and commercial properties recognised in accordance with HKFRS 16, *Leases*. Set out below is a breakdown of the group's revenue for the years ended 31 December 2021 and 2020:

	2021				2020			
	Recognise at a point in time	**Recognise over-time**	**Rental income on leases**	**Total**	Recognise at a point in time	Recognise over-time	Rental income on leases	Total
Hotels								
– Rooms	**–**	**808**	**–**	**808**	–	470	–	470
– Food and beverage	**683**	**–**	**–**	**683**	448	–	–	448
– Shopping arcades and offices	**–**	**35**	**484**	**519**	–	33	478	511
– Others	**173**	**80**	**–**	**253**	130	35	–	165
	856	**923**	**484**	**2,263**	578	538	478	1,594
Commercial properties								
– Residential properties	**–**	**42**	**380**	**422**	–	53	439	492
– Offices	**–**	**10**	**91**	**101**	–	10	92	102
– Shopping arcades and others	**76**	**34**	**65**	**175**	68	30	85	183
	76	**86**	**536**	**698**	68	93	616	777
Clubs and Services								
– Golf clubs	**100**	**73**	**–**	**173**	45	60	–	105
– Peak Tram operation	**13**	**–**	**–**	**13**	21	–	–	21
– Peninsula Merchandising	**275**	**–**	**–**	**275**	179	–	–	179
– Others	**35**	**4**	**–**	**39**	28	6	–	34
	423	**77**	**–**	**500**	273	66	–	339
				3,461				2,710

3. Income tax in the consolidated statement of profit or loss (HK$m)

	2021	2020
Current tax – Hong Kong profits tax		
Provision for the year	**62**	56
Under/(over)-provision in respect of prior years	**1**	(1)
	63	55
Current tax – Overseas		
Provision for the year	**11**	7
Under-provision in respect of prior years	**4**	–
	15	7
	78	62
Deferred tax		
Decrease in net deferred tax liabilities relating to revaluation of overseas investment properties	**(5)**	(31)
Increase in net deferred tax liabilities relating to other temporary differences	**(36)**	–
	(41)	(31)
Total	**37**	31

The provision for Hong Kong profits tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

4. Loss per share

(a) Loss per share – basic

	2021	2020
Loss attributable to shareholders of the company (HK$m)	**(120)**	(1,940)
Weighted average number of shares in issue (million shares)	**1,649**	1,642
Loss per share (HK$)	**(0.07)**	(1.18)

4. Loss per share *continued*

(a) Loss per share – basic *continued*

	2021 (million shares)	*2020 (million shares)*
Issued shares at 1 January	***1,649***	*1,634*
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	**–**	*8*
Weighted average number of shares at 31 December	***1,649***	*1,642*

(b) Loss per share – diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2021 and 2020 and hence the diluted loss per share is the same as the basic loss per share.

5. Dividends (HK$m)

(a) Dividend policy

The company adopts a dividend policy of providing its shareholders with a stable and sustainable dividend stream, which is linked to the cash flows from operating activities and underlying earnings achieved. The company also offers a scrip dividend alternative to its shareholders. The total amount of scrip dividends in respect of the new shares issued under the scrip dividend scheme is retained as capital of the company.

(b) Dividends payable to shareholders of the company attributable to the year

	2021	2020
Interim dividend declared and paid (2020: Nil)	**–**	–
Final dividend proposed after the end of the reporting period (2020: Nil)	**–**	–
	–	–

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

	2021	2020
Final dividend in respect of the previous financial year, approved and paid during the year (2020: 9 HK cents per share)	**–**	147

6. 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.

(a) Segment results

The results of the group's reportable segments for the years ended 31 December 2021 and 2020 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Reportable segment revenue*	**2,263**	1,594	**698**	777	**500**	339	**3,461**	2,710
Reportable segment operating profit/(loss) before interest, taxation, depreciation and amortisation (EBITDA)	**58**	(452)	**327**	452	**72**	(11)	**457**	(11)
Depreciation and amortisation	**(451)**	(494)	**(26)**	(26)	**(22)**	(33)	**(499)**	(553)
Pre-opening and project expenses	**(63)**	(50)	**–**	–	**–**	–	**(63)**	(50)
Segment operating (loss)/profit	**(456)**	(996)	**301**	426	**50**	(44)	**(105)**	(614)
Provision for impairment loss	**(679)**	(93)	**–**	–	**–**	–	**(679)**	(93)

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

* *Analysis of segment revenue is disclosed in note 2*

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

(b) Segment assets

Segment assets include all tangible and current assets and hotel operating rights held directly by the respective segments. The group's segment assets and unallocated assets as at 31 December 2021 and 2020 are set out as follows:

	Note	**2021**	2020
Reportable segment assets			
Hotels		**26,623**	26,190
Commercial properties		**27,321**	26,029
Clubs and services		**1,037**	811
		54,981	53,030
Unallocated assets			
Derivative financial instruments		**53**	–
Deferred tax assets		**110**	70
Amount due from a joint venture		**62**	59
Cash at banks and in hand	13(a)	**479**	520
Consolidated total assets		**55,685**	53,679

(c) Geographical information

The following table sets out information about the geographical location of (i) the group's revenue from external customers and (ii) the group's total reportable non-current assets.

	Revenue from external customers		**Reportable non-current assets**	
	2021	2020	**2021**	2020
Hong Kong	**1,678**	1,548	**31,580**	30,750
Other Asia *	**733**	697	**6,167**	7,263
United States of America and Europe	**1,050**	465	**16,384**	14,264
	3,461	2,710	**54,131**	52,277

* *Other Asia includes Mainland China, Japan, Thailand, the Philippines, Vietnam and Myanmar*

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

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

	Land	Right-of-use assets *(note 7(c))*	Hotel and other buildings held for own use	Motor vehicles, plant and equipment	Construction in progress	Sub-total	Investment properties *(note 7(b))*	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	(10)	118	178	54	134	474	111	585
Additions	–	44	25	97	1,362	1,528	101	1,629
Disposals	(205)	(20)	(247)	(99)	–	(571)	(354)	(925)
Transfer	–	–	(105)	60	(38)	(83)	62	(21)
Fair value adjustment	–	–	–	–	–	–	(732)	(732)
At 31 December 2020	735	3,263	8,832	5,119	4,571	22,520	32,407	54,927
Representing:								
Cost	735	3,263	8,832	5,119	4,571	22,520	–	22,520
Valuation – 2020	–	–	–	–	–	–	32,407	32,407
	735	3,263	8,832	5,119	4,571	22,520	32,407	54,927
At 1 January 2021	**735**	**3,263**	**8,832**	**5,119**	**4,571**	**22,520**	**32,407**	**54,927**
Exchange adjustments	**(40)**	**(180)**	**(293)**	**(108)**	**(49)**	**(670)**	**(49)**	**(719)**
Additions	**–**	**55**	**15**	**66**	**1,918**	**2,054**	**51**	**2,105**
Disposals	**–**	**(5)**	**(7)**	**(148)**	**–**	**(160)**	**(2)**	**(162)**
Transfer	**–**	**–**	**62**	**–**	**(62)**	**–**	**–**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**670**	**670**
At 31 December 2021	**695**	**3,133**	**8,609**	**4,929**	**6,378**	**23,744**	**33,077**	**56,821**
Representing:								
Cost	**695**	**3,133**	**8,609**	**4,929**	**6,378**	**23,744**	**–**	**23,744**
Valuation – 2021	**–**	**–**	**–**	**–**	**–**	**–**	**33,077**	**33,077**
	695	**3,133**	**8,609**	**4,929**	**6,378**	**23,744**	**33,077**	**56,821**
Accumulated depreciation and impairment losses:								
At 1 January 2020	384	270	4,349	3,855	–	8,858	–	8,858
Exchange adjustments	(6)	6	58	39	–	97	–	97
Charge for the year	–	63	196	280	–	539	–	539
Written back on disposals	(100)	(16)	(105)	(74)	–	(295)	–	(295)
Transfer	–	–	(36)	15	–	(21)	–	(21)
Impairment	–	–	67	26	–	93	–	93
At 31 December 2020	278	323	4,529	4,141	–	9,271	–	9,271
At 1 January 2021	**278**	**323**	**4,529**	**4,141**	**–**	**9,271**	**–**	**9,271**
Exchange adjustments	**(24)**	**(13)**	**(150)**	**(92)**	**–**	**(279)**	**–**	**(279)**
Charge for the year	**–**	**58**	**175**	**252**	**–**	**485**	**–**	**485**
Written back on disposals	**–**	**(5)**	**(7)**	**(148)**	**–**	**(160)**	**–**	**(160)**
Impairment	**–**	**–**	**–**	**–**	**679**	**679**	**–**	**679**
At 31 December 2021	**254**	**363**	**4,547**	**4,153**	**679**	**9,996**	**–**	**9,996**
Net book value:								
At 31 December 2021	**441**	**2,770**	**4,062**	**776**	**5,699**	**13,748**	**33,077**	**46,825**
At 31 December 2020	457	2,940	4,303	978	4,571	13,249	32,407	45,656

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

continued

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

continued

During the year, the group acquired items of fixed assets for its existing operations with a cost of HK$335 million, of which HK$201 million related to the Peak Tram upgrade project. The group also incurred development costs for the hotel projects in London and Yangon amounting to HK$1,599 million and HK$116 million respectively. Given the substantial uncertainty in the economic and business environment in Myanmar since 1 February 2021, the group agreed with the joint venture partners to stop work on the Yangon projects in June 2021.

The net book for other items of properties, plant and equipment disposed of during the year ended 31 December 2021 was insignificant in value.

The group assessed the recoverable amounts of its other properties, plant and equipment and construction in progress at the reporting date in accordance with the accounting policy. Based on the assessment, the directors considered that, due to the substantial uncertainty in the economic and business environment in Myanmar since 1 February 2021, the recoverable amount of The Peninsula Yangon was lower than its carrying value. As a result, the carrying value of the corresponding construction in progress was written down to its recoverable amount and an impairment loss of HK$679 million was recognised for the year ended 31 December 2021. The recoverable amount of The Peninsula Yangon was estimated based on its fair value less cost of disposal under income capitalisation approach by applying a discount rate of 11% and terminal growth rate of 2%.

The Peninsula Manila is subject to a land lease which is due to expired in 2026. Pursuant to an agreement entered into between the group and the landlord in January 2021, the land lease is extended by four years to 2030. For the year ended 31 December 2020, due to the disruption of business by the outbreak of the COVID-19 coronavirus and in view of the relatively short remaining lease term, 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 amount and an impairment loss of HK$93 million was recognised.

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.

(b) All investment properties of the group were revalued as at 31 December 2021. The changes in fair value of the investment properties during the year 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 experience in the location and category of the property being valued. Discussions have been held with the valuers on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

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

continued

(c) Right-of-use assets

The group is the lessee in respect of a number of properties which are leased from third party landlords. Pursuant to its accounting policy, the group capitalises the present value of the future minimum lease payments of its leased properties as right-of-use assets. A majority of the carrying value of the right-of-use assets is attributable to the hotel in New York which has a lease term of 90 years commencing in 1988, the hotel in Tokyo which has a lease term of 70 years commencing in 2015 and the development project in London which has a lease term of 146 years commencing in 2016. The right-of-use assets are depreciated on a straight line basis from the lease commencement date to the earlier of the end of their respective useful life or the end of the lease term.

The net book value of right-of-use assets by class of underlying asset is analysed as follows:

	2021	2020
Classified as properties leased for own use, carried at depreciated cost	**2,770**	2,940
Included in construction in progress	**117**	117
	2,887	3,057

8. Properties under development for sale (HK$m)

	2021	2020
At 1 January	**4,264**	3,624
Addition	**717**	489
Exchange adjustment	**(27)**	151
At 31 December	**4,954**	4,264

Properties under development for sale comprise 25 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 paid by buyers of the apartments are 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.

9. Interest in joint ventures (HK$m)

	2021	2020
Share of net assets	**828**	744
Loans to PSW	**521**	521
	1,349	1,265

(a) Details of the joint ventures, 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
The Peninsula Shanghai Waitan Hotel Company Limited (PSW)	Incorporated	PRC	US$117,500,000 (31 December 2020: US$117,500,000)	50%	Hotel investment and apartments held for sale
PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT)*	Incorporated	Turkey	TRY1,161,618,600 (31 December 2020: TRY921,251,400)	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, intends to redevelop the property into The Peninsula Istanbul. The net assets of PIT at 31 December 2021 mainly comprised property under development and cash at bank and in hand of HK$1,000 million (2020: HK$799 million) and HK$75 million (2020: HK$97 million) respectively.*

(b) For the year ended 31 December 2020, an impairment provision amounting to HK$472 million was 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 outbreak of the COVID-19 coronavirus. The group's share of impairment provision amounting to HK$236 million was included in share of results of joint ventures in the consolidated statement of profit or loss in 2020.

(c) PSW has pledged its properties inclusive of the land use rights as security for an initial loan facility amounting to RMB2,500 million (HK$3,060 million) (2020: RMB2,500 million (HK$2,971 million)). As at 31 December 2021, the loan drawdown amounted to RMB789 million (HK$966 million) (2020: RMB849 million (HK$1,009 million)). The net carrying amount of these pledged assets amounted to RMB2,445 million (HK$2,993 million) (2020: RMB2,535 million (HK$3,013 million)).

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

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

Statement of financial position	2021	2020
Non-current assets	**2,585**	2,617
Cash at bank and in hand	**156**	128
Apartments held for sale and other current assets	**457**	472
Current liabilities	**(429)**	(389)
Non-current liabilities	**(2,291)**	(2,386)
Net assets	**478**	442

Statement of profit or loss	2021	2020
Proceeds from sale of apartments	**–**	266
Hotel revenue and rental income	**489**	336
	489	602
Carrying value of apartments sold	**–**	(248)
Hotel cost of inventories and operating expenses	**(332)**	(257)
	(332)	(505)
EBITDA	**157**	97
Depreciation	**(98)**	(92)
Net financing charges	**(55)**	(52)
Profit/(loss) before non-operating items	**4**	(47)
Non-operating items, net of tax *	**(11)**	(20)
Loss for the year	**(7)**	(67)
The group's share of result of PSW	**(4)**	(33)

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

(e) The group's share of results of joint ventures are summarised below:

	2021	2020
Share of result of PSW	**(4)**	(33)
Share of impairment provision of PIT	**–**	(236)
	(4)	(269)

10. Interest in associates (HK$m)

	2021	2020
Interest in associates	**520**	560

(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 long-term unsecured loans to 19 Holding of HK$464 million (2020: HK$496 million). These loans were made pro rata to the group's shareholding in 19 Holding and are interest bearing at 3.25%. The loans are repayable on 31 December 2022 and expecting to renew for more than 1 year.

(c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR227 million (HK$2,005 million) (2020: EUR224 million (HK$2,136 million)). As at 31 December 2021, the loan drawdown amounted to EUR227 million (HK$2,005 million) (2020: EUR224 million (HK$2,136 million)). As at 31 December 2021, the net carrying amount of the pledged asset amounted to EUR514 million (HK$4,539 million) (2020: EUR533 million (HK$5,082 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) (2020: US$145 million (HK$1,131 million)). As at 31 December 2021, the loan drawdown amounted to US$125 million (HK$975 million) (2020: US$125 million (HK$975 million)). The net carrying amount of the pledged asset amounted to US$36 million (HK$284 million) (2020: US$42 million (HK$328 million)).

10. 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:

	2021	2020
EBITDA	**264**	(162)
Depreciation	**(230)**	(243)
Interest	**(86)**	(81)
Net loss from continuing operations	**(52)**	(486)
Other comprehensive income	**–**	–
Total comprehensive income	**(52)**	(486)
The group's share of results of the associates	**(11)**	(97)

11. Hotel operating rights (HK$m)

	2021	2020
Cost		
At 1 January	**735**	688
Exchange adjustments	**(41)**	47
At 31 December	**694**	735
Accumulated amortisation		
At 1 January	**(203)**	(183)
Exchange adjustments	**6**	(6)
Amortisation for the year	**(14)**	(14)
At 31 December	**(211)**	(203)
Net book value	**483**	532

Hotel operating rights represent the cost attributable to securing the group's rights to operate The Peninsula Beverly Hills and The Peninsula Paris which will expire in 2036 and 2064 respectively.

The amortisation charge for the year is included in "Depreciation and amortisation" in the consolidated statement of profit or loss.

12. Trade and other receivables (HK$m)

	2021	2020
Trade debtors	**311**	240
Rental deposits, payments in advance and other receivables	**459**	425
Tax recoverable	**5**	4
	775	669

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$185 million (2020: HK$167 million). All the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade debtors is as follows:

	2021	2020
Current	**287**	220
Less than one month past due	**13**	13
One to three months past due	**5**	3
More than three months but less than 12 months past due	**6**	4
Amounts past due	**24**	20
	311	240

13. Cash and cash equivalents and other cash flow information (HK$m)

(a) Cash at banks and in hand

	2021	2020
Interest-bearing bank deposits	**182**	340
Cash at banks and in hand	**297**	180
Total cash at banks and in hand	**479**	520
Less: Bank deposits with maturity of more than three months	**(13)**	(14)
Cash and cash equivalents in the consolidated statement of cash flows	**466**	506

Cash at banks and in hand at the end of the reporting period include amounts of HK$234 million (2020: HK$267 million) held by overseas subsidiaries which are subject to regulatory and foreign exchange restrictions.

13. Cash and cash equivalents and other cash flow information (HK$m) *continued*

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings (note 15)	Lease liabilities (note 16)	Derivative financial instruments	Interest payable (note 14)	Total
As at 1 January 2020	7,524	3,149	29	8	10,710
Changes from financing cashflows					
Drawdown of term loans	2,216	–	–	–	2,216
Repayment of term loans	(1,044)	–	–	–	(1,044)
Net increase in revolving loans	2,167	–	–	–	2,167
Interest paid and other financing charges	(22)	(100)	–	(146)	(268)
Capital element of lease rental paid	–	(44)	–	–	(44)
Changes in fair value					
Effective portion of changes in fair values	–	–	2	–	2
Other changes					
Exchange difference	313	115	–	–	428
Financing charges	28	102	–	19	149
Capitalised borrowing costs	–	44	–	126	170
Transfer from equity to profit or loss	–	–	(21)	–	(21)
As at 31 December 2020 and 1 January 2021	**11,182**	**3,266**	**10**	**7**	**14,465**
Changes from financing cashflows					
Drawdown of term loans	**3,660**	**–**	**–**	**–**	**3,660**
Repayment of term loans	**(1,490)**	**–**	**–**	**–**	**(1,490)**
Net increase in revolving loans	**372**	**–**	**–**	**–**	**372**
Interest paid and other financing charges	**(13)**	**(100)**	**–**	**(146)**	**(259)**
Capital element of lease rental paid	**–**	**(41)**	**–**	**–**	**(41)**
Changes in fair value					
Effective portion of changes in fair values	**–**	**–**	**(48)**	**–**	**(48)**
Other changes					
Exchange difference	**(364)**	**(176)**	**–**	**–**	**(540)**
Financing charges	**32**	**100**	**–**	**25**	**157**
Capitalised borrowing costs	**–**	**49**	**–**	**125**	**174**
Increase in lease liabilities from entering into new leases during the year	**–**	**5**	**–**	**–**	**5**
Transfer from equity to profit or loss	**–**	**–**	**–**	**–**	**–**
As at 31 December 2021	**13,379**	**3,103**	**(38)**	**11**	**16,455**

14. Trade and other payables (HK$m)

	2021	2020
Trade creditors	**123**	79
Interest payable	**11**	7
Accruals for properties, plant and equipment and properties under development for sale	**359**	243
Tenants' deposits	**308**	320
Guest deposits and gift vouchers	**171**	176
Other payables	**677**	581
Financial liabilities measured at amortised cost	**1,649**	1,406
Less: Non-current portion of trade and other payables	**(120)**	(117)
Current portion of trade and other payables	**1,529**	1,289

As at 31 December 2021, trade and other payables of the group expected to be settled or recognised as income after more than one year amounted to HK$257 million (2020: HK$210 million). The other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The Directors consider that the carrying amount of all trade and other payables approximates their fair value.

The ageing analysis of trade creditors is as follows:

	2021	2020
Less than three months	**117**	73
Three to six months	**5**	3
More than six months	**1**	3
	123	79

15. Interest-bearing borrowings (HK$m)

	2021	2020
Total facilities available:		
Term loans and revolving credits	**19,390**	17,750
Uncommitted facilities, including bank overdrafts	**390**	416
	19,780	18,166
Utilised at 31 December:		
Term loans and revolving credits	**13,270**	11,234
Uncommitted facilities, including bank overdrafts	**160**	13
	13,430	11,247
Less: Unamortised financing charges	**(51)**	(65)
	13,379	11,182
Represented by:		
Long-term bank loans, repayable within one year	**2,015**	1,897
Short-term bank loans and overdrafts, repayable on demand	**–**	–
	2,015	1,897
Long-term bank loans, repayable:		
Between one and two years	**8,818**	2,640
Between two and five years	**2,597**	6,334
Over five years	**–**	376
	11,415	9,350
Less: Unamortised financing charges	**(51)**	(65)
Non-current portion of long-term bank loans	**11,364**	9,285
Total interest-bearing borrowings	**13,379**	11,182

All of the interest-bearing borrowings are unsecured. The group intends to refinance these loan facilities upon their maturities.

16. Lease liabilities (HK$m)

The group is the lessee in respect of a number of properties which are leased from third party landlords. Pursuant to its accounting policy, the group capitalises the present value of the future minimum lease payments of its leased properties as right-of-use assets (note 7(c)) and the corresponding credit is recognised as lease liabilities. The group remeasures its lease liabilities at each accounting period end to reflect the interest accrued on the outstanding lease liabilities and the lease payments made.

The following table shows the remaining contractual maturities of the group's minimum lease liabilities at the end of the current and previous reporting periods:

	2021	2020
Carrying value		
Current portion	**163**	143
Non-current portion	**2,940**	3,123
	3,103	3,266
Contractual undiscounted cash outflow		
Within one year	**163**	143
After one year but within two years	**156**	168
After two years but within five years	**312**	322
After five years	**12,970**	13,497
	13,601	14,130

17. Share capital

	2021 No. of shares (million)	**2021** HK$m	**2020** No. of shares (million)	**2020** HK$m
Ordinary shares, issued and fully paid:				
At 1 January	**1,649**	**5,837**	1,634	5,732
Shares issued under scrip dividend scheme	**–**	**–**	15	105
At 31 December	**1,649**	**5,837**	1,649	5,837

In accordance with Section 135 of the Companies Ordinance, the ordinary shares of the company do not have a par value.

All ordinary shares issued during 2020 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. Commitments (HK$m)

Capital commitments outstanding as at 31 December 2021 and 2020 not provided for in the financial statements were as follows:

	2021 Contracted for	**2021** Authorised but not contracted for	**2021** Total	2020 Contracted for	2020 Authorised but not contracted for	2020 Total
Capital commitments in respect of existing properties and new projects	**1,471**	**1,639**	**3,110**	3,141	2,154	5,295
The group's share of capital commitments of joint ventures and associates	**362**	**218**	**580**	375	334	709
	1,833	**1,857**	**3,690**	3,516	2,488	6,004

The group's capital commitments mainly comprise the outstanding development costs for The Peninsula London and the outstanding capital expenditure in respect of the Peak Tram major upgrade project.

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

19. Contingent liabilities

The Directors consider that there being no material contingent liabilities for the group as at 31 December 2021 and 2020.

20. Changes in accounting policies

The group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

Other 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. Impacts of the adoption of the amended HKFRSs are discussed below:

20. Changes in accounting policies *continued*

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)*

The group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The amendments do not have an impact on these financial statements.

OTHER CORPORATE INFORMATION

Corporate Governance

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the group. A strong culture will endure in times of stress and help maintain resilience in challenging times, such as those we have faced over the last two years. A healthy corporate culture both protects and prioritises the company's goals and the values in which they are to be achieved. The culture and values of the company set the tone for the governance structure and they work hand-in-hand in sustaining the group over the long term through changing regulatory, market environment and business challenges. The Board of Directors sees corporate governance as an integral part of our business strategy. By putting in place the right governance framework and ensuring strong emphasis on culture when senior management is recruited, the Board of Director has incorporated a culture of integrity, accountability and transparency that permeates throughout the group. This in turn fosters productivity, strong branding and reputation which ultimately generates positive long-term shareholder value.

The Governance section in the 2021 Annual Report reinforces the commitment of the Board of Directors and senior management to the high standards of the group's corporate governance, which supports the development of strong corporate 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 2021, the company has complied with all of the code provisions and recommended best practices in the CG Code, save for the recommended best practices including publication of quarterly financial results and disclosure of individual senior management remuneration, as set out in the Corporate Governance Report.

Corporate Responsibility and Sustainability

In 2021, it marks the inaugural launch of *Sustainable Luxury Vision 2030 (Vision 2030)*, which incorporates a deeper focus on business integration and using regenerative and proactive approaches. Our new strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention, scaling positive benefits from our offering, while effectively reducing our negative impacts. *Vision 2030* seeks to address these issues by focusing on our three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by our 10 key commitments. With the rising environmental and social risks coming to fore, *Vision 2030* is our blueprint to navigate the volatile environment of the coming decade. Details can be found in our online 2021 Corporate Responsibility and Sustainability Report (CRS Report).

The CRS Report 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. The CRS Report 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 Standard 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 ESG Guide. The CRS Report is available on the websites of the company and the Stock Exchange together with the 2021 Annual Report.

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 year 2021.

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 year 2021. 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 throughout the year 2021.

Final Dividend

Given the underlying loss of the company, the Board has resolved that the company would not declare a dividend for the year ended 31 December 2021 (2020: Nil).

Closure of Register of Members

The register of members of the company will be closed from Thursday, 5 May 2022 to Wednesday, 11 May 2022, both days inclusive, during which period the registration of transfer of shares will be suspended. To be entitled to attend, speak and vote at the forthcoming Annual General Meeting (AGM), all transfer documents accompanied by the relevant share certificates must be lodged with the company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30pm on Wednesday, 4 May 2022.

AGM and Annual Report

The AGM will be held on 11 May 2022 at 12:00 noon. The Notice of AGM and 2021 Annual Report will be dispatched to the shareholders as well as published on the websites of the company and the Stock Exchange on or about 4 April 2022.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 16 March 2022

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
Christopher Shih Ming Ip

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