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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00045) website: www.hshgroup.com

2020 Annual Results

FINANCIAL HIGHLIGHTS

HK$m	2020	2019	% change
Revenue	**2,710**	5,874	(54%)
EBITDA	**(61)**	1,390	n/a
(Loss)/profit attributable to shareholders	**(1,940)**	494	n/a
Underlying (loss)/profit	**(864)**	480	n/a
Shareholders' funds	**36,844**	39,054	(6%)
Net external borrowings	**10,662**	6,827	56%
(Loss)/earnings per share (HK$)	**(1.18)**	0.30	n/a
Underlying (loss)/earnings per share (HK$)	**(0.53)**	0.30	n/a
Audited net assets per share (HK$)	**22.34**	23.90	(7%)
Adjusted net assets share per share (HK$)	**24.63**	26.20	(6%)

- Results severely impacted by COVID-19, with several of our hotel properties closed for prolonged periods this year.

- The loss attributable to shareholders includes a property valuation deficit of HK$732 million and impairment provisions of HK$329 million relating to The Peninsula Istanbul and The Peninsula Manila.

- Construction of The Peninsula London, The Peninsula Istanbul and The Peninsula Yangon has been delayed due to COVID-related disruption of the construction workforce and supply chains. Despite COVID delays, we continue to make progress and The Peninsula London and The Peninsula Istanbul are expected to open in 2022. In Myanmar, political developments on 1 February 2021 led to the military declaring a state of emergency for a period of one year. We have noted the recent violence and chaos with great concern and we continue to evaluate both the immediate actions required and the longer-term decisions that need to be made in respect of this project.

- The Group has sufficient committed facilities to cover all of its capital commitments (including the new hotel projects) as well as provide a liquidity cover of well over two years at current cash burn levels.

- Following a restructuring of the Thai joint venture arrangements, the group assumed full ownership over The Peninsula Bangkok and its surrounding land and disposed of the Thai Country Club from October 2020.

FINANCIAL HIGHLIGHTS

	2020	2019	Increase/ (Decrease)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS (HK$m)			
Revenue	**2,710**	5,874	(54%)
EBITDA	**(61)**	1,390	n/a
Operating (loss)/profit	**(614)**	801	n/a
(Loss)/profit attributable to shareholders	**(1,940)**	494	n/a
(Loss)/earnings per share (HK$)	**(1.18)**	0.30	n/a
Underlying (loss)/profit*	**(864)**	480	n/a
Dividends	**–**	212	(100%)
Dividends per share (HK cents)	**–**	13	(100%)
Dividend cover (times)**	**n/a**	2.3x	n/a
Interest cover (times)$^{\Delta}$	**–14.6x**	20.5x	n/a
Cash interest cover (times)$^{\Delta\Delta}$	**–1.2x**	10.4x	n/a
Weighted average interest rate	**1.9%**	2.2%	(0.3pp)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**53,679**	53,061	1%
Audited net assets attributable to shareholders	**36,844**	39,054	(6%)
Adjusted net assets attributable to shareholders#	**40,607**	42,808	(5%)
Audited net assets per share (HK$)	**22.34**	23.90	(7%)
Adjusted net assets per share (HK$)#	**24.63**	26.20	(6%)
Net external borrowings	**10,662**	6,827	56%
Funds from operations to net external debt##	**–4%**	18%	n/a
Net external debt to equity attributable to shareholders	**29%**	17%	12pp
Net external debt to total assets	**20%**	13%	7pp
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash (used in)/generated from operations before taxation and working capital movements	**(61)**	1,390	n/a
Capital expenditure on existing assets	**(399)**	(564)	(29%)
Capital expenditure on new projects and investments	**(1,771)**	(1,330)	33%
SHARE INFORMATION (HK$)			
Highest share price	**8.91**	12.08	
Lowest share price	**5.62**	7.35	
Year end closing share price	**6.90**	8.35	

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

** Dividend cover is calculated based on underlying profit divided by dividends.

$^{\Delta}$ Interest cover is calculated based on operating (loss)/profits divided by net financing charges excluding interest on lease liabilities.

$^{\Delta\Delta}$ 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 less tax paid and net cash interest paid as a percentage of net external debt.

pp Denotes percentage points.

CEO'S STRATEGIC REVIEW

1. Managing the COVID-19 Crisis

2020 was an extremely difficult year for our company and none of us could have envisaged that the impact of the COVID-19 coronavirus would be so severe, prolonged and widespread. The global tourism industry has been devastated, with more than 143 million jobs lost during the year, according to the World Travel and Tourism Council (WTTC). Although it is our fundamental belief that demand for high-end luxury hotels will return once the global economy recovers, we expect that global travel restrictions, quarantine and safety concerns will continue to deter people from travelling for the foreseeable future and that a full recovery will take several years.

We have felt the severe impact of the pandemic across almost all of our global portfolio of assets, particularly our hotels and tourism-related assets. Outside of Greater China, our hotels started the year in a strong position but experienced a sharp deterioration in demand as the pandemic began to spread on a global scale. In March 2020, we temporarily closed our hotels in New York, Chicago, Paris, Tokyo, Bangkok and Manila, as well as the Thai Country Club and Quail Lodge & Golf Club. The Peninsula Tokyo and the golf clubs reopened in June; The Peninsula Chicago reopened in July; The Peninsula Bangkok and The Peninsula Manila reopened in November. The Peninsula New York remains closed and The Peninsula Paris reopened in March 2021.

The situation for the hospitality industry was particularly challenging in our home market of Hong Kong, which had already suffered from serious social unrest and mass protests in 2019 and early 2020. As the bulk of our group's earnings are derived from Hong Kong, we had to urgently implement a widespread range of cost savings and financial management measures, including reduction of staff costs, inventory and other operating expenses. Our cost saving efforts amounted to a total cost saving of 38% year-on-year.

The group came into this crisis with low gearing and considerable liquidity, which we bolstered by arranging further facilities to cover our group's operating cash burn. 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 for well over the next two years.

On the operations side, we enhanced and strengthened our stringent hygiene and safety protocols, with our number one priority being the safety of our guests and staff. We endeavoured to stay connected to our guests and to drive local domestic business as much as possible, developing "staycation" packages and offering takeaway meals where local regulations allowed us to do so. To support our local communities, we offered free meals to frontline medical and emergency workers, and we partnered with local charities to implement a global "one meal for one meal" campaign to help the homeless and needy in our local cities.

We had to balance our cost saving efforts with the welfare of our staff and we undertook a detailed review of each market situation and local conditions to analyse how to look after our staff. We recognise that the global pandemic has caused hardship for our people, some of whom have been affected by the virus or lost family members to the disease. During the year we developed virtual training sessions to keep people motivated and engaged, with a strong focus on mental health and managing stress and anxiety, and tips on working from home, staying fit and sharing best practices with regards to hygiene and self-care. 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.

Unfortunately the global hospitality sector was particularly hard hit in terms of unemployment, and, while we did our utmost to preserve as many jobs as possible, it was with great regret that we had to furlough and lay off some of our staff and to request staff to take voluntary unpaid leave during the year. Where possible, if we had to lay off staff, we kept their medical benefits and health insurance active for as long as possible to minimise the financial burden. I would like to express my appreciation for all our staff for their understanding, support and hard work at such a difficult time. For staff who have been furloughed or laid off, we hope that we will be able to re-employ many of them once business demand recovers.

Our company has been through many crises during its long history of more than 150 years. As a long-term investor, we have proven to be resilient and will be able to withstand downturns such as these and I am confident that we will see better years ahead. We remain focused on our development programme, comprising the new Peninsula projects in London, Istanbul and Yangon and the Peak Tram upgrade project, which have suffered some delays due to the pandemic, but our commitment to these projects remains unaffected.

Throughout this difficult and unfortunate year, my colleagues have remained in a very committed and cooperative spirit and I believe we can survive and come through better and stronger than before. Our long-term vision lies at the heart of our business strategy. I will summarise this strategy for our shareholders' reference in the following pages.

2. Our heritage, vision and development strategy

The Hongkong and Shanghai Hotels, Limited has a heritage of more than 150 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.

These values distill into a simple vision: *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 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.

Update on the ownership of The Peninsula Bangkok

In August 2020, we reached an agreement with our Thai partners for our group to assume full ownership over The Peninsula Bangkok and its surrounding land. HSH ceased to have any responsibility over the ownership and operations of the Thai Country Club. This was a difficult decision and one that was taken in the light of the very challenging global and domestic market circumstances and the legal dispute between the partners. We are sad to no longer own and operate Thai Country Club and would like to express our heartfelt appreciation for the staff's support, hard work and dedication to making the Club one of the finest golf clubs in the country over the past 24 years of operation. We remain deeply committed to The Peninsula Bangkok as a long-term investment.

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. We are in the midst of an ambitious expansion programme, with investment in three new Peninsula hotel development projects in London, Istanbul and Yangon.

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.

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 six new retail outlets in 2020.

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$734 million upgrade project which is being funded by our company and will be completed in 2021.

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. 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$24.63 per share in 2020.

We are currently investing for the future and our focus for the next year will be on the successful delivery of our new Peninsula hotel developments in London, Istanbul and Yangon 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$5.8 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 20%, 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 highly unfavourable set of financial results for 2020. The company's combined EBITDA loss, including the group's effective share of EBITDA of our associates and joint ventures, amounted to HK$53 million compared to an EBITDA gain of HK$1,510 million last year. The company's loss attributable to shareholders amounted to HK$1,940 million compared to a profit attributable to shareholders of HK$494 million over the same period. The current year loss is inclusive of the revaluation loss on the group's investment properties, impairment provision of The Peninsula Manila and the group's share of impairment provision in respect of the hotel development project in Istanbul, which totalled HK$1,061 million. Excluding the post-tax effects of the revaluation movements of investment properties and impairment provisions, our underlying loss amounted to HK$864 million, compared to an underlying profit of HK$480 million in 2019.

5. 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 closed for business, and we developed innovative new online promotions 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 promotions for local cuisine, art, fashion and culture, wellness and the local community.

In June, we launched a dedicated website page highlighting our COVID-19 hygiene and safety protocols to support the safety, health and wellbeing of our guests and our employees, such as the distancing of tables, face masks worn by employees and temperature checks.

In the second half of 2020, "The Peninsula Promise" was introduced including a range of new special offers such as "Peninsula Time," which provides guests a newly extended and flexible schedule for check-in and check-out. Other benefits include a new collection of eco-friendly, bespoke scented guestroom amenities, guaranteed connecting rooms at the time of booking on peninsula.com, reservation flexibility, a new online platform for gift cards, and contactless services.

For the second year in a row we achieved the coveted Forbes 5-star rating for all ten of The Peninsula Hotels in operation. We are pleased that our efforts to look after our guests are recognised in the numerous accolades we receive for our services from prestigious publications and organisations.

In addition to the personal touch, we recognise that guests require access to the most up-to-date technology and platforms to make their experience and journey with us as seamless as possible. We operate our own in-house research and development facility which designs bespoke in-room technology for our guestrooms. In 2016 we set up a Technology Steering Committee with a wide brief including exploring and developing the "hotel room of the future", looking at robotics and data analytics, air purification systems and behavioural analysis for enhanced personalisation. We have been focusing on hygiene and safety technology during 2020 and we will continue to explore how to integrate technology into our business while keeping the personal touch that our guests expect.

The relatively small size of our hotels means that we can personalise the attention we give to guests and cater to each guest arrival and their individual preferences. However, we understand that we must continually improve and in 2020 we continued our major review of The Peninsula service standards. Our previous standards have been updated into a new set of Peninsula Service Principles, focusing on serving guests from the heart rather than a rigid list of checkboxes and standards, with the objective of empowering our staff to go above and beyond to engage with guests. This programme is being rolled out in early 2021.

Increasing guest engagement and direct business remains a key goal of sales and marketing with preparations to launch a global CRM programme this year. Particular emphasis is being focused on Greater China with a customised CRM programme offering incentives across our Greater China hotels, shopping arcades and Peninsula boutique retail shops. 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.

6. 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 Chief Financial Officer, 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 2020, the global COVID-19 pandemic produced a far-reaching impact on the risk landscape by creating new organisational risks and elevating existing ones. Our GRC will continue to focus on enhancement of internal controls to manage the strategic risks of the group, especially those leading to the recovery from the pandemic as well as our development projects. 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.

7. Our people

2020 has been a particularly challenging year for our Human Resources team and as mentioned, we have been working hard to ensure the wellbeing of our staff during this very difficult year.

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 three new hotel projects.

The travel and tourism sector often experiences a high turnover of staff, however, we are pleased to report a relatively low voluntary staff turnover rate compared with the industry. Unfortunately in 2020 our involuntary turnover rate increased significantly due to the unfortunate situation of the pandemic, when we had to lay off and furlough some of our staff.

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

As of 31 December 2020, there were 5,609 full time employees in the group as compared to 7,451 a year ago. The substantial drop is due to a combination of layoffs and furloughs across the group as a result of the pandemic, a hiring freeze and natural attrition, and the change in ownership of Thai Country Club.

8. A new vision for sustainable luxury

We are committed to sustainability in an environmental as well as a business context. We believe that our long-term success is linked to the success of the cities and the communities in which we live and work. With our current sustainability strategy *Vision 2020*, we have created awareness and buy-in towards sustainability throughout our company, and we believe it has become a topic that matters personally to our employees and is integral to how we conduct all our businesses and operations. We also approach sustainability in a way that makes business sense where possible. We calculate paybacks and returns on investments in environmental initiatives, and we look at what overall value our sustainability initiatives could contribute. We believe we have the opportunity to offer our guests sustainable choices without compromising on the high quality of our products and services. In 2020, over 91% of the goals set in *Sustainable Luxury Vision 2020* were on track to be achieved.

Moving beyond 2020, we have developed our updated sustainability strategy, which we are calling *Sustainable Luxury Vision 2030*, with a focus on further business integration. As we seek to deliver sustainable luxury and follow on from the groundwork laid by *Sustainable Luxury Vision 2020*, the key topics which we think will have the most impact on business and the societies in which we operate, and which we address in *Vision 2030* are:

- diminishing natural resources such as energy, food and water;
- climate change; and
- growing social and political instabilities and inequalities.

We will seek to address these interlinking issues and pursue our *Vision 2030* by focusing on our three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by 10 key commitments as set out in our vision.

9. Outlook

The COVID-19 pandemic continues to have a devastating impact in almost all countries where we operate, although mainland China is seeing some recovery. We believe we will continue to see a substantial negative impact on our business for the foreseeable future, unless there is a significant turnaround in the coronavirus situation. We have implemented emergency measures to keep our staff and guests safe as a priority, and financial management and stringent cost controls are continuing for the year ahead. We have reviewed our group's liquidity position and we can confirm that we have a significant buffer in place even if the impact of the virus continues for some time. However, despite these cost control efforts, it is expected that the group may sustain an operating loss in 2021 due to the ongoing effects of the coronavirus and its devastating impact on tourism.

Besides the COVID-19 pandemic, various other geopolitical uncertainties may continue to affect our business, including the US-China trade war, the impact of Brexit, social unrest in Thailand, and political developments in Myanmar which have led to the military declaring a state of emergency for one year. We have noted the recent violence and chaos with great concern and we continue to evaluate both the immediate actions required and the longer-term decisions that need to be made in respect of this project.

In these challenging times, our priority is to maintain a strong financial position for the group in order to fund our large capital commitments for The Peninsula London, The Peninsula Istanbul and The Peninsula Yangon new hotel projects, as well as the Peak Tram expansion. Our commitment to the long-term development of the group and in particular the Peninsula brand remains unchanged. We take a very long-term view of the investments that we make and we expect the new hotels in London, Istanbul and Yangon to enhance our brand presence when they open from 2022 onwards, and to create value for stakeholders over time.

On the property side, we are working with our tenants in the retail arcades at The Peninsula Hotels in Hong Kong, Shanghai and Beijing to find solutions to the significant drop in visitors and we recognise they are also suffering. We have offered some rental concessions on a case by case basis. We are currently experiencing stable demand for our luxury residential lettings in Hong Kong. The Peak Tram business will continue to be negatively impacted in 2021 as it will undergo the second phase of suspension during its expansion programme that was previously announced to shareholders. However, once the expansion project is completed, the capacity of each tramcar will almost double and we believe it will significantly improve the visitor experience and enhance Hong Kong's tourism image.

Overall, our company remains in a stable financial position. In early 2021, we have further obtained committed facilities to ensure the group's capital commitments are fully funded and that we have sufficient liquidity to cover our project commitments and support us through this challenging time.

We have a highly motivated and dedicated team of management and loyal staff who are committed to our long-term vision. I am proud that despite the significant challenges we are facing, our company consistently lives up to its unique brand proposition. I am confident that if we continue to focus on offering excellent service to our guests, business recovery will follow in due course. I would like to thank each member of my team who contributes to our company's success year after year.

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**	**Variance**	
	HK$m	**In HK$**	**In Local Currency**
Consolidated hotels			
The Peninsula Hong Kong	603	–45%	–45%
The Peninsula Beijing	193	–40%	–41%
The Peninsula New York	192	–73%	–73%
The Peninsula Chicago	162	–75%	–75%
The Peninsula Tokyo	305	–65%	–66%
The Peninsula Bangkok	60	–80%	–79%
The Peninsula Manila	42	–82%	–82%
Non-consolidated hotels			
The Peninsula Shanghai	336	–38%	–38%
The Peninsula Beverly Hills	234	–61%	–61%
The Peninsula Paris	112	–81%	–80%

The Peninsula Hong Kong

The Peninsula Hong Kong		
Revenue	HK$603m	–45%
Occupancy		–27pp
Average Room Rate		–42%
RevPAR		–73%

The Peninsula Hong Kong's operating results were severely impacted by the Hong Kong SAR Government's stringent travel restrictions and lengthy quarantine measures in Hong Kong, which led to a decline of 94% in overall arrivals to the city year-on-year. The Government also implemented strict social distancing measures with limited operating hours for restaurants, bars, Spas and swimming pools to be closed, which affected our ability to attract guests.

Nevertheless, we focused on the local domestic market and developed a number of "staycation" offers and marketing promotions including "The Eight Loves of The Peninsula Hong Kong" to promote art, culture and dining to local residents. Food and beverage revenue declined due to social distancing measures imposed by the Hong Kong Government and we temporarily closed the Spa, *The Verandah, Gaddi's* and *Felix* at various times throughout the year. At the time of writing, all dine-in service at restaurants remains restricted by the government and bars remain closed, although spas have reopened.

The Peninsula Office Tower was 95% occupied in 2020, with a stable immediate outlook. The Peninsula Arcade occupancy was 78% as the overall environment in Hong Kong for luxury retail has remained soft. We are taking the opportunity to renovate The Peninsula Arcade at a cost of around HK$140 million, which includes a repositioning of the basement arcade to create a more open and attractive lifestyle retail and food and beverage area. We have already signed a number of new retail and F&B tenants as well as a luxury male grooming salon. In addition, a new Peninsula Boutique incorporating a café will be unveiled in 2021, designed by Conran and Partners.

It is thanks to the efforts of our colleagues that The Peninsula Hong Kong received many accolades including "Best Business Hotel in the World" by *Business Traveller UK*, "No 1 Top Ten Hotels in Hong Kong" by *Conde Nast Traveler Reader's Choice Awards*; "Number 2 Best City Hotel in Hong Kong" by *Travel + Leisure* magazine, and "No 1 Best Hotels and Resorts in Hong Kong" by *DestinAsian Readers Choice* Awards.

We were delighted that *Gaddi's* achieved a Michelin star for the second year and our Cantonese restaurant *Spring Moon* achieved its Michelin star for the fifth consecutive year.

We are supporting the local community by partnering with local charity 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	RMB296m	–38%
Occupancy		–27pp
Average Room Rate		–13%
RevPAR		–48%

Despite being negatively impacted in the earlier months of 2020 due to the effects of the COVID-19 coronavirus, **The Peninsula Shanghai** remained the market leader in average room rates in the city. We are pleased to report that business improved in the second half of the year as life gradually returned to normal in mainland China's key cities. We focused our marketing strategies on the domestic market and the hotel remains the venue of choice for society events and luxury brands.

Catering business was significantly disrupted due to government advisories and *Sir Elly's*, *Compass Bar* and *Salon de Ning* as well as *No 1 Waitanyuan* had to be temporarily closed, but we started to see some recovery from June onwards.

We were delighted to be named as the Number 1 "Top City Hotel in Shanghai" by *Travel + Leisure* magazine, and The Peninsula Shanghai remains the only hotel in mainland China to have two restaurants with Michelin stars.

Due to ongoing travel restrictions, the domestic Chinese mainland market remained our largest revenue driver and we focused on driving business through Chinese social media and online channels.

The Peninsula Arcade was 95% occupied during 2020. As previously agreed by both parties, we ceased management of *No 1 Waitanyuan* in June upon reaching the end of the management agreement.

The group owns a 50% interest in The Peninsula Shanghai Complex which comprises a hotel, a shopping arcade and a residential tower of 39 apartments. As at 31 December 2020, a total of 31 units have been sold, including two during 2020. This generated gross proceeds of RMB238 million, which was utilised for loan repayment and working capital of the joint venture entity.

The Peninsula Beijing

The Peninsula Beijing		
Revenue	RMB169m	–41%
Occupancy		–31pp
Average Room Rate		–21%
RevPAR		–58%

The Peninsula Beijing was negatively impacted by international travel restrictions and city-wide lockdowns, particularly in the first half of 2020. Business started to improve in the second half and we were grateful to be able to host events during the festive season, as life gradually started to return to normal in the capital city. To capitalise on the resurgence of demand, we launched various staycation offers, including "The Eight Loves of The Peninsula Beijing", as well as dining promotions to attract the domestic market.

We were delighted to receive the recognition of "Best Business Hotel" by *National Geographic Traveller* and "Luxury Hotel of the Year" by *China Daily*.

In The Peninsula Arcade, business remained healthy with anchor tenants performing well. We are pleased to have secured a new luxury lifestyle tenant that will be taking the entire lower level two of the hotel, which comprises a space of approximately 3,000 sqm. We expect that this lifestyle living space, which will open in summer 2021, will further position The Peninsula Arcade as the best luxury shopping destination in Beijing, and will also significantly enhance our retail occupancy in 2021.

The Peninsula Tokyo

The Peninsula Tokyo		
Revenue	JPY4.21b	–66%
Occupancy		–45pp*
Average Room Rate		–21%
RevPAR		–67%*

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

The Peninsula Tokyo had a strong start to 2020 although we began to receive cancellations just before the peak sakura (cherry blossom) season. The effects of the global coronavirus pandemic started to affect Tokyo in early 2020 which eventually led to the cancellation of the Tokyo Olympics. This was a major disappointment for our group business which had been fully booked for the event and surrounding months.

We temporarily closed the hotel on 28 March 2020 with health and safety considerations for our guests and staff as a top priority. The hotel reopened in June amidst strict global travel restrictions which resulted in a shift in our business mix from 90% international guests to an almost entirely domestic market.

Despite some of the business limitations imposed by the Japanese Government which restricted dining hours and limited capacity for banquets and events, we were supported by ongoing government subsidies for furloughed staff which helped reduce our overall payroll costs. In addition, the government's highly successful travel and dining campaign called "Go To Travel" generated 25 million overnight stays nationwide in the third quarter, before being cancelled in December due to the rising number of Covid-19 cases in Japan.

We continue to find opportunities to improve our overall food and beverage offerings to guests by utilising newly created spaces in the hotel. In addition to *Sushi Wakon* which opened in 2019, we have opened a new teppanyaki fine dining restaurant, *HIBIYA mon cher ton ton*, on 1 October 2020.

We continue to monitor the situation in Tokyo and as at the time of writing are awaiting news on the rescheduled Olympics.

The Peninsula Bangkok

The Peninsula Bangkok		
Revenue	THB240m	–79%
Occupancy		–38pp*
Average Room Rate		+8%
RevPAR		–51%*

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

The Peninsula Bangkok temporarily closed on 28 March 2020 following the guidance of the Thai Government, which issued an emergency decree in response to the COVID-19 crisis, and no foreigners have been allowed to enter Thailand since March 2020. The hotel reopened in November 2020.

We are currently focusing on building up our Meetings, Incentives, Conventions and Exhibitions (MICE) business from the local domestic market, as well as encouraging wellness and health packages which we believe will be increasingly important in the future as we move towards a post-COVID-19 environment. We are positioning the hotel as an urban wellness retreat with a focus on plant-based food, mindfulness practices and better sleep and we are actively driving staycations and spa packages.

We were delighted to receive the accolade of "No 1 Best Hotel in Bangkok" and "No 5 Top 50 Best Hotels in the World" from *Conde Nast Traveler*.

In August 2020 we reached an agreement with our Thai partners for our group to assume full ownership over The Peninsula Bangkok and its surrounding land. We remain deeply committed to The Peninsula Bangkok as a long-term investment.

The Peninsula Manila

The Peninsula Manila		
Revenue	Php273m	–82%
Occupancy		–44pp*
Average Room Rate		+14%
RevPAR		–50%*

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

The Peninsula Manila achieved higher average room rates following the completion of its guestroom renovation and the opening of a new executive Club Lounge in early 2020. Unfortunately, due to the outbreak of the pandemic, the hotel temporarily closed in March 2020 following the guidance from the Philippine Government on "Enhanced Community Quarantine". We were able to generate some revenue with takeout and delivery services from *The Peninsula Boutique*, *The Lobby* and *Spices* which was well received by the local community. The hotel reopened for business in November 2020 and we are currently focusing on the local staycation market and special dining promotions to attract local guests, as travel restrictions remain in place for the Philippines.

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

The Peninsula New York

The Peninsula New York		
Revenue	US$25m	–73%
Occupancy		–21pp*
Average Room Rate		–11%
RevPAR		–35%*

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

The Peninsula New York started the year in a strong position as a RevPAR market leader in January, with robust food and beverage revenue and strong diplomatic business. We were pleased to win the accolade of "No 1 Best Hotel in New York City" by *US News & World Report* as a testament to the excellent service offered by our staff when the hotel was operating as usual. However, due to the effects of the pandemic, the hotel temporarily closed on 20 March 2020 for the rest of the year. The hotel remains closed. We have regrettably had to lay off or furlough the majority of our staff. We kept all staff's medical insurance benefits active until the end of the year to help ease the financial burden on our affected colleagues.

The Peninsula Chicago

The Peninsula Chicago		
Revenue	US$21m	–75%
Occupancy		–43pp*
Average Room Rate		–6%
RevPAR		–63%*

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

Chicago is traditionally heavily reliant on the conventions business. The effects of the COVID-19 coronavirus were devastating for the city, with an estimated deficit for the city of over US$2 billion due to cancellations of major conventions and events. **The Peninsula Chicago** was inevitably affected, despite having enjoyed a strong start to the year with the best results in its history in the first two months of 2020. However, due to the worsening pandemic in the state of Illinois, the hotel temporarily closed from March 2020 until July 2020.

During the closure, the hotel implemented various charitable and community initiatives such as live music broadcast from the *Z Bar* terrace on social media. We were pleased to receive the accolade of "No 1 City Hotel in Chicago" by *Travel + Leisure* as well as "No 1 Best Hotel in Chicago" and "No 3 Best Hotel in the United States" by *US World & News Report*.

We launched "The Seven Loves of The Peninsula Chicago" to drive bookings from the US domestic market. We have placed a number of staff on furlough and had to implement stringent and painful cost saving measures, including layoffs of a significant percentage of our staff. We kept all staff's medical insurance benefits active until the end of the year to help ease the financial burden for our colleagues.

In early 2021, we saw a mild recovery at The Peninsula Chicago and we are hoping for a continued recovery in the coming months.

The Peninsula Beverly Hills

The Peninsula Beverly Hills		
Revenue	US$30m	–61%
Occupancy		–47pp
Average Room Rate		–5%
RevPAR		–60%

Despite the challenging operating environment, **The Peninsula Beverly Hills** achieved significant accolades in 2020 including "The Best Hotel in the US" by *Global Traveler* magazine, "No. 1 hotel in Los Angeles" by *Tripadvisor*, and the hotel has achieved AAA Five Diamond and Forbes Five Star ratings every year since 1993.

For the majority of the year, The Peninsula Beverly Hills was significantly impacted by the coronavirus Shelter-in-Place restrictions implemented by the California state government. Following a satisfactory first quarter of 2020 during the traditional peak awards season, the effects of the pandemic began to be felt from mid-March onwards. All food and beverage outlets were temporarily closed from March to May 2020, and again from November 2020 onwards, as the epidemic situation worsened in the Los Angeles area. The Spa also had to be closed several times throughout the year according to government restrictions. All events were cancelled and the situation resulted in a significant decline in rooms revenue and food and beverage revenue.

We launched *Le Petit Belvedere* in July 2020 which was a very popular feature with our guests, allowing them to enjoy al fresco dining with a French menu and designs inspired by French luxury fashion brand Lanvin on our terrace. Unfortunately exterior and interior dining were banned from November which affected our service offering. During the year we offered takeaway and delivery services within the scope of the government regulations and when it was possible to do so.

With regret, we had to place a significant number of staff on furlough as well as lay off a number of our employees, although we continued their health insurance benefits until the end of 2020 to try to mitigate the financial burden on the affected colleagues. We also supplied groceries to the affected colleagues on furlough.

To benefit the local community, we implemented a "one meal for one meal" policy and delivered free takeaway meals to frontline medical and emergency workers and those in need in the community.

The Peninsula Paris

The Peninsula Paris		
Revenue	EUR13m	–80%
Occupancy		–21pp*
Average Room Rate		–5%
RevPAR		–39%*

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

France has been significantly negatively impacted by the effects of the coronavirus as well as travel restrictions in Europe. **The Peninsula Paris** started to see an impact in February and March and our hotel closed on 14 March 2020 due to French government directives. We reopened *La Terrasse Kléber* and *L'Oiseau Blanc* in the second half and we reopened the hotel for rooms business in March 2021.

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

Commercial Properties Division

Commercial Properties	Revenue	Variance	
	HK$m	In HK$	In Local Currency
The Repulse Bay Complex	590	–11%	–11%
The Peak Tower	63	–59%	–59%
St. John’s Building	55	–3%	–3%
The Landmark	37	–6%	–5%
21 avenue Kléber	22	–5%	–6%

Hong Kong’s luxury leasing market was negatively impacted by the weak economic environment. Our largest residential property, **The Repulse Bay Complex** reported weaker revenue compared to the previous year, although residential revenue has held up well, declining by only 6% despite the current difficult environment. The immediate outlook remains fairly stable.

The Repulse Bay Shopping Arcade, which offers an eclectic blend of lifestyle amenities, health and wellness facilities and boutiques, was 95% occupied for the year.

The Peak Tower faced significant challenges during 2020. Rental revenue decreased and Sky Terrace 428 experienced a reduction of 86% revenue due to the substantial decline in visitor arrivals to Hong Kong. We have implemented a number of sales and marketing strategies to continue to drive business and to encourage local residents to visit the Peak.

St John’s Building, located at the lower terminus of the Peak Tram, offers an excellent location for office space. The property was 97% occupied during 2020 and revenue remained stable.

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 for the offices slightly increased year-on-year while occupancy remained stable, which was a satisfactory result given the difficult business environment as a result of the global pandemic. However, the revenue for the residential portion was affected by the overall poor business environment and declined by 24%. The Landmark maintains its popularity and leadership in a competitive market and continues to attract awards for its management and facilities.

21 avenue Kléber offers an excellent location immediately adjacent to The Peninsula Paris on Avenue Kléber, near 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 but one of the two retail spaces has been vacated and we have been unable to show the property to potential tenants due to the lockdown in Paris. Revenue was further impacted due to rental concessions to the other retail tenant.

Clubs and Services Division

Clubs and Services	Revenue	Variance	
	HK$m	In HK$	In Local Currency
The Peak Tram	21	–73%	–73%
The Thai Country Club	29	–59%	–58%
Quail Lodge & Golf Club	76	–59%	–59%
Peninsula Clubs & Consultancy Services	6	–	–
Peninsula Merchandising	179	–29%	–29%
Tai Pan Laundry	28	–45%	–45%

The Peak Tram is one of Hong Kong's most popular tourist attractions and has been operated by HSH since 1888. The current upgrade project will result in a fully refurbished lower terminus which features covered queueing and waiting areas with entertainment features for up to 1,300 passengers. The new tramcars will be able to carry 210 passengers instead of 120 at present and visitors' waiting time will be significantly reduced. The full cost of the HK$734 million upgrade project, which is scheduled to be completed in 2021, is being fully funded by HSH.

In 2020, the upgrade project was negatively impacted by unforeseen ground conditions and the COVID-19 pandemic in terms of the sourcing of materials and production delays in Asia and Europe, which affected the manufacturing of our new tramcars and equipment. We believe this will affect the project in terms of its scheduled completion date and we have postponed the second phase of service suspension until end June 2021. The entire upgrade project is now planned to be completed in 2021 completed by December 2021.

As forewarned in the 2019 annual report and the profit warning announcements in February 2020 and July 2020, overall revenue of The Peak Tram decreased by 73%, due to the suspension of the tram and the coronavirus which significantly impacted tourist arrivals in Hong Kong.

The Thai Country Club was temporarily closed due to the Government shutdown of all sports and entertainment facilities from March to May 2020. In August 2020, we reached an agreement with our Thai partners and HSH ceased to have any responsibility for the ownership and operations of the Thai Country Club from 28 October 2020. This was a difficult decision and one that was taken in the light of the very challenging global and domestic market circumstances and the legal dispute between the partners. We are sad to no longer own and operate Thai Country Club and would like to express our heartfelt appreciation for the staff's support, hard work and dedication to making the Club one of the finest golf clubs in the country over the past 24 years of operation.

Quail Lodge & Golf Club revenue decreased by 59% year on year mainly due to the shelter-in-place restrictions in California. The hotel and club facilities temporarily closed in March 2020, although the golf course reopened in May 2020 and the hotel in mid-June 2020. Business has been strong with the "staycation" market in California proving to be popular and the drive-in market was robust. In line with local regulations while still offering services for our guests, we implemented outdoor dining from *Edgar's* at the Quail Lodge deck and the Clubhouse patio. Golf rounds improved in the second half.

We successfully installed a solar farm during 2020 consisting of 1,920 solar panels. It is now operating at 100% capacity with an estimated annual output of 1,600,000 kWh and we expect it will significantly contribute to our cost saving efforts as well as being an important part of our sustainability strategy.

We unfortunately had to cancel both *The Quail Motorcycle Gathering* and *The Quail, A Motorsports Gathering* events, which usually occur in May and August respectively and are considered two of the world's leading concours events for classic motoring *aficionados*. This also negatively affected our revenue for this property.

Peninsula Clubs & Consultancy Services (PCCS) PCCS manages prestigious clubs in Hong Kong including The Hong Kong Club, Hong Kong Bankers Club and The Refinery (formerly Butterfield's). This business reported stable revenue compared to the same period last year, which was a satisfactory result considering the impact of the coronavirus outbreak in Hong Kong. The relocation project of the Hong Kong Bankers Club experienced some delay although the Club successfully reopened in January 2021 in a new location in Central.

Revenue at **Peninsula Merchandising** was 29% lower compared to the previous year, due to softer retail sales and the temporary closure of the Hong Kong International Airport boutique. Despite the weak market sentiment, Peninsula Merchandising's mooncake business was robust. Our wholesale business was satisfactory, driven by good performance from the Chinese mainland and Japan, and our online revenue was strong. Peninsula Merchandising opened The Peninsula Boutique & Café at Isetan Shinjuku and Shin-Marunouchi Building respectively in Tokyo in 2020. Peninsula Merchandising is planning to expand in the Chinese mainland, and will open new boutiques in key cities and drive online sales, widen distribution channels and increase brand awareness to customers in the Greater China region.

Tai Pan Laundry revenue declined by 45% compared to the same period last year due to significantly reduced corporate business as a result of the coronavirus pandemic.

Projects under development

The Peninsula London

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

The property is in a high-profile location at the gateway to Belgravia, overlooking Hyde Park Corner, the Wellington Arch, Green Park and the gardens of Buckingham Palace. We are developing a 189-room Peninsula hotel with 26 luxury Peninsula-branded residential apartments for sale also integrated into the development. The construction budget for the project is in the region of £800 million.

As a result of the coronavirus pandemic, we decided to temporarily close the construction site to ensure the safety of our employees, contractors, and suppliers. The site reopened in May 2020, however, due to the ongoing serious situation and lockdowns in London, we are subject to social distancing requirements which means fewer construction workers are allowed on the site. We are working hard to mitigate the impact of the inevitable delay but we expect there will be a continued impact of the pandemic on the supply chain. Over the last few months, we have achieved a number of significant milestones. These include the conclusion of the basement excavation and the formation of the swimming pools and the entry courtyard. Fit out works continue to progress within the hotel guest rooms, residences and restaurants, and fit out to the hotel Lobby, ballrooms and Spa areas are due to commence shortly. The revised opening date of the hotel is now expected to be in 2022.

The Peninsula Istanbul

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

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

We decided to temporarily close the construction site in April 2020 due to the coronavirus pandemic and while the site has reopened, the closure and social distancing requirements have led to some unforeseen delays. Despite COVID, we have made good progress on construction and two of the four buildings have mostly been handed over for fit-out works, with the remaining two buildings to follow in a few months' time. Completion of the project is currently targeted to be in 2022.

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

The Peninsula Yangon

The company entered into a shareholders' agreement with Yoma Strategic Investments Ltd. ("Yoma") and First Myanmar Investment Public Company Limited ("FMI") in January 2014 to acquire a 70% majority interest for a proposed hotel development on the site of the former headquarters of the Myanmar Railway Company in central Yangon, Myanmar. The existing building is being renovated to become The Peninsula Yangon and will be adjacent to a mixed-use development called Yoma Central, previously known as the Landmark Development. We will also receive branding fees on the sale and management of The Peninsula Residences Yangon, the luxury residential apartments being developed by Meeyahta Development Limited which is a joint venture between our partner Yoma and FMI, Mitsubishi Corporation, Mitsubishi Estate Corporation, Asian Development Bank and International Finance Corporation, adjacent to the hotel.

The Peninsula Yangon will have 88 magnificent guestrooms with high ceilings, surrounded by tropical landscaped gardens with an outdoor swimming pool. The group's overall investment is around US$130 million, including the value of the leasehold interest and estimated development costs. The project has experienced some delays as a result of the COVID-19 pandemic but shell and core works proceeded at a good pace and fit out of the benchmark room is underway.

Political developments on 1 February 2021 led to the military declaring a state of emergency for a period of one year. We have noted the recent violence and chaos with great concern and we continue to evaluate both the immediate actions required and the longer-term decisions that need to be made in respect of this project.

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 2020 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

The outbreak of the COVID-19 coronavirus has placed substantial pressure on the group's operating performance, in particular the hotels division. From March 2020, six Peninsula hotels in New York, Chicago, Paris, Tokyo, Bangkok and Manila were temporarily closed due to global travel restrictions, public health concerns, quarantine and social distancing arrangements. The ongoing COVID-19 pandemic has also impacted the group's commercial properties division and clubs and services division due to the deterioration of the general economic environment. As a result, the group's consolidated revenue for the year ended 31 December 2020 decreased by 54% to HK$2,710 million.

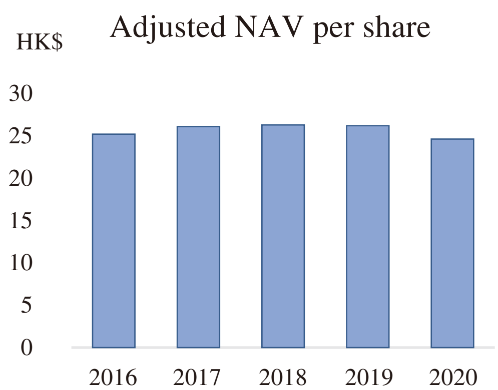
Despite major efforts to contain costs and government subsidies made available to some of our operations, the group sustained an EBITDA loss and underlying loss of HK$61 million and HK$864 million respectively for the year ended 31 December 2020. However, the group's financial position as at 31 December 2020 remained robust. With undrawn committed facilities and cash at banks of HK$7 billion, the Directors believe that the group will be able to meet the working capital requirements of its existing operations as well as the group's capital commitments, including the hotel development projects in London, Yangon and Istanbul, as well as the Peak Tram upgrade project.

The group's adjusted net asset value

In the financial statements, the group's hotels (other than shopping arcades and offices within the hotels) and golf courses are stated at depreciated cost less accumulated impairment losses, if any, 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 2020, the details of which are set out on page 33. If these assets were to be stated at fair value, the group's net assets attributable to shareholders would increase by 10% to HK$40,607 million as indicated in the table on the following page.

Adjusted NAV
HK$40,607m ↓5%

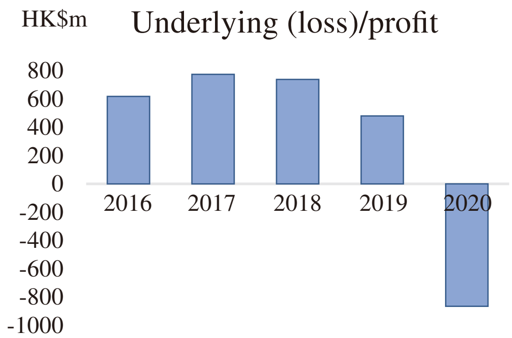


HK$m		2020		2019
Net asset value attributable to shareholders per the audited statement of financial position		**36,844**		39,054
Adjusting the value of hotels and golf courses to fair value	**3,892**		4,109	
Less: Related deferred tax and non-controlling interests	**(129)**		(355)	
		3,763		3,754
Adjusted net asset attributable to shareholders		**40,607**		42,808
Audited net asset per share (HK$)		**22.34**		23.90
Adjusted net asset per share (HK$)		**24.63**		26.20

The group's underlying (loss)/profit

Underlying loss

HK$864m



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

The group's underlying loss attributable to shareholders for the year ended 31 December 2020 amounted to HK$864 million compared to an underlying profit of HK$480 million for the year ended 31 December 2019.

HK$m	**2020**	2019
(Loss)/profit attributable to shareholders	**(1,940)**	494
Revaluation loss/(gain) of investment properties#	**708**	(14)
Impairment provisions*	**329**	–
Share of revaluation gains on apartments sold by the Peninsula Shanghai Waitan Hotel Company Limited (PSW)Δ	**39**	–
Underlying (loss)/profit	**(864)**	480

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

* *Including the group's share of impairment of HK$236 million 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)/profit is calculated by excluding the post-tax effect of unrealised property revaluation movements, including those relating to the apartments held by PSW. On disposal of such apartments, the unrealised revaluation gains became realised gains and were therefore added back to arrive at the underlying (loss)/profit.*

Statement of profit or loss

The group's consolidated statement of profit or loss for the year ended 31 December 2020 is set out on page 43. The following table summarises the key components of the group's (loss)/profit attributable to shareholders. This table should be read in conjunction with the commentary set out on pages 26 to 31 of this Financial Review.

HK$m	**2020**	2019	2020 vs 2019 favourable/ (unfavourable)
Revenue	**2,710**	5,874	(54%)
Operating costs	**(2,771)**	(4,484)	38%
EBITDA	**(61)**	1,390	n/a
Depreciation and amortisation	**(553)**	(589)	6%
Net financing charges	**(144)**	(140)	(3%)
Share of results of joint ventures*	**(269)**	(17)	(1,482%)
Share of results of associates	**(97)**	(32)	(203%)
(Decrease)/increase in fair value of investment properties	**(732)**	83	n/a
Impairment provision in respect of The Peninsula Manila**	**(93)**	–	n/a
Taxation	**(31)**	(192)	84%
(Loss)/profit for the year	**(1,980)**	503	n/a
Non-controlling interests	**40**	(9)	n/a
(Loss)/profit attributable to shareholders	**(1,940)**	494	n/a

* *Including the group's share of revaluation loss of the Peninsula Arcade in Shanghai, net of tax, of HK$10 million and the group's share of impairment provision in respect of The Peninsula Istanbul of HK$236 million. The details of the latter are set out on page 31*

** *Details of the impairment provision in respect of The Peninsula Manila are set out on page 30*

Revenue

The group has interests in ten luxury hotels under The Peninsula brand in Asia, the US and Europe, two of which are held by the group's associates and one by a joint venture. In addition to the hotels 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.

The outbreak of the COVID-19 coronavirus has had a devastating impact on the group's operations, particularly the hotels division and clubs and services division. Total revenue, including the group's effective share of revenue of associates and joint venture, decreased by 54% to HK$2,947 million.

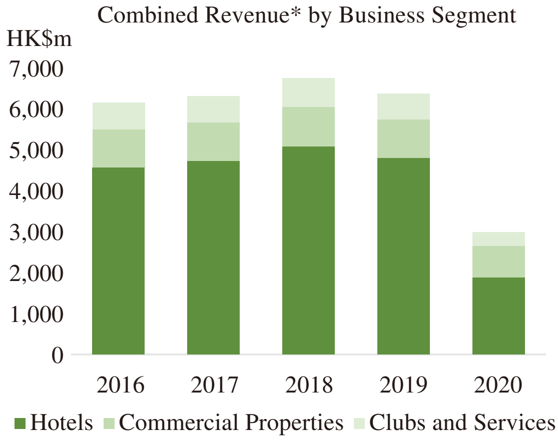
A breakdown of the group's total revenue, including its effective share of revenue of associates and joint venture by business segment and geographical segment is set out in the tables on the following page.

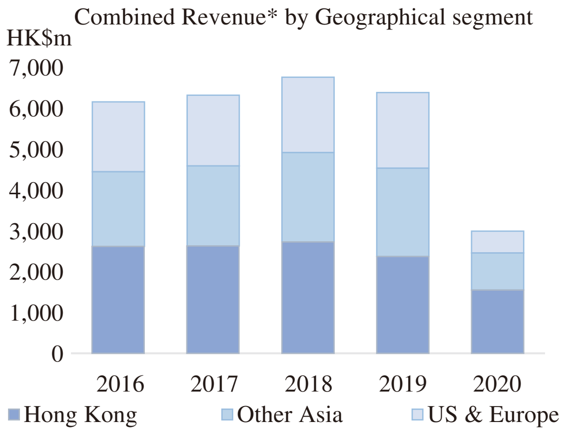
Consolidated Revenue
HK$2,710m ↓54%

Hotels
HK$1,594m ↓63%

Commercial Properties
HK$777m ↓18%

Clubs and Services
HK$339m ↓47%





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

Revenue by business segment

HK$m	2020			2019			2020 vs 2019
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**1,594**	**237***	**1,831**	4,288	504*	4,792	(62%)
Commercial Properties	**777**	**–**	**777**	946	–	946	(18%)
Clubs and Services	**339**	**–**	**339**	640	–	640	(47%)
	2,710	**237**	**2,947**	5,874	504	6,378	(54%)

* *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	2020			2019			2020 vs 2019
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**1,548**	**–**	**1,548**	2,368	–	2,368	(35%)
Other Asia	**697**	**168***	**865**	1,889	270*	2,159	(60%)
US and Europe	**465**	**69**	**534**	1,617	234	1,851	(71%)
	2,710	**237**	**2,947**	5,874	504	6,378	(54%)

* *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 to the group's combined revenue. Due to public health concerns, travel bans, government directives and community lockdowns, six Peninsula hotels in New York, Chicago, Paris, Tokyo, Bangkok and Manila were temporarily closed from March 2020. As at 31 December 2020, The Peninsula New York and The Peninsula Paris remained closed. Whilst the Peninsula hotels in Hong Kong, Beijing, Shanghai and Beverly Hills continued to operate throughout the year, the RevPAR and food and beverage revenues of these hotels were significantly lower than 2019. The rental revenues of the Peninsula Arcades in Hong Kong, Beijing, Shanghai and New York were also significantly lower due to rental concessions given to tenants. As a result, the combined revenue of the hotels division declined by 62% to HK$1,831 million.

Revenue of the commercial properties division decreased by 18%, principally 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 76% of the division's revenue. Due to the ongoing COVID-19 pandemic, the luxury residential market experienced a decline in demand, resulting in a decrease in rental revenue at TRB. Food and beverage and catering revenue at TRB also decreased due to social distancing arrangements and restrictions imposed on bars and restaurants by Hong Kong government. At TPT, due to rental concessions granted to tenants and the sharp decrease in visitors to the Sky Terrace, the property reported a 59% decrease in revenue.

The decrease in revenue of the clubs and services division of 47% was mainly due to the sharp decline in fare income experienced by the Peak Tram, softer mooncake sales for the Peninsula Merchandising and the temporary closure of Quail Lodge & Golf Club.

Details of the operating performances of the group's individual operations are set out on pages 11 to 20 of the Operational Review.

Operating costs

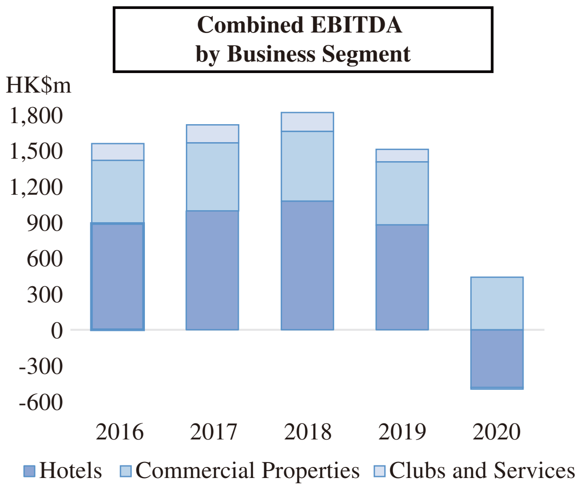
To combat the severe downturn in revenue, we have instigated stringent cost reduction measures across the group, including significant staff cost reduction. As a result, despite the increase in project-related spending for the three Peninsula hotels under development, the group's operating costs decreased by 38% to HK$2,771 million in 2020 (2019: HK$4,484 million). The following table summarises the key components of the group's operating costs, showing the reductions achieved.

HK$m	**2020**	2019	2020 vs 2019
Cost of inventories	**213**	457	(53%)
Staff costs and related expenses	**1,511**	2,294	(34%)
Rent and utilities	**373**	441	(15%)
Advertising and promotions	**74**	198	(63%)
Credit card and room commissions	**73**	205	(64%)
Guest supplies and laundry expenses	**97**	210	(54%)
IT and telecommunication expenses	**76**	94	(19%)
Property maintenance and insurance	**150**	208	(28%)
Other operating expenses	**204**	377	(46%)
	2,771	4,484	(38%)

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$130 million (2019: HK$nil) in employment related subsidies was received by the Hong Kong and Asian properties. The group achieved savings during the year through voluntary unpaid leave arrangements, a hiring freeze, and placing employees of the closed hotels on furlough. As a result, payroll and related expenses for the year reduced by 34% to HK$1,511 million (2019: HK$2,294 million), representing 55% (2019: 51%) of the group's operating costs.

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 tables on the following page.



EBITDA by business segment

HK$m	2020			2019			2020 vs 2019
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**(487)**	**8***	**(479)**	758	120*	878	n/a
Commercial Properties	**440**	**–**	**440**	527	–	527	(17%)
Clubs and Services	**(14)**	**–**	**(14)**	105	–	105	n/a
	(61)	**8**	**(53)**	1,390	120	1,510	n/a

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

EBITDA by geographical segment

HK$m	2020			2019			2020 vs 2019
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**557**	**–**	**557**	950	–	950	(41%)
Other Asia	**(264)**	**40***	**(224)**	322	85*	407	n/a
US and Europe	**(354)**	**(32)**	**(386)**	118	35	153	n/a
	(61)	**8**	**(53)**	1,390	120	1,510	n/a

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

EBITDA margin

	2020			2019		
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total
Hotels	**–31%**	**3%***	**–26%**	18%	24%*	18%
Commercial Properties	**57%**	**–**	**57%**	56%	–	56%
Clubs and Services	**–4%**	**–**	**–4%**	16%	–	16%
Overall EBITDA margin	**–2%**	**3%**	**–2%**	24%	24%	24%
By region						
Hong Kong	**36%**	**–**	**36%**	40%	–	40%
Other Asia	**–38%**	**24%***	**–26%**	17%	31%*	19%
US and Europe	**–76%**	**–46%**	**–72%**	7%	15%	8%

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

A majority of the group's operating costs is fixed in nature, including payroll and related expenses, real estate taxes, insurance and certain contracted services. As explained in the previous section, with the introduction of various cost control measures and the receipt of certain government subsidies, the group's operating costs decreased by 38%. However, the decrease was insufficient to offset the revenue shortfall of sustained by the group. Overall, the group reported a combined EBITDA loss of HK$53 million.

(Decrease)/increase in fair value of investment properties

The investment properties of the group were revalued as at 31 December 2020 by independent firms of valuers based on an income capitalisation approach. The revaluation deficit of HK$732 million (2019: revaluation gain of HK$83 million) was principally attributable to the decrease in the appraised market value of The Repulse Bay Complex, Peninsula arcades in Hong Kong, Beijing and New York as well as The Peak Tower. The decrease in appraised market value of these investment properties was a reflection of the current subdued market environment for luxury residential and retail, as well as the depressed economy and outlook.

Impairment provision in respect of The Peninsula Manila

The Peninsula Manila is subject to a land lease with a relatively short remaining lease term. In view of the short remaining lease term and the severe economic slowdown from the pandemic, an impairment review was conducted by management and an independent valuer was engaged to appraise the fair market value of the hotel at the interim period ended 30 June 2020. Given the hotel's appraised value was lower than its book value as at 30 June 2020, the Directors considered it appropriate to write down the hotel's value resulting in an impairment provision of HK$93 million. Subsequent to the year ended 31 December 2020, the land lease was extended by four years to 31 December 2030. However, it is expected that the lease extension will not significantly impact on the hotel's appraised value. Accordingly, no adjustments to impairment provision has been made at the year end.

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. The Peninsula Shanghai is the market leader in terms of average room rate in its competitor set. PSW also earns leasing income from the residential apartments as well as sales proceeds when the apartments are sold. In 2020, two (2019: nil) apartments were sold for HK$266 million (2019: HK$nil) with a realised gain on disposal of HK$96 million (2019: HK$nil) and the group's share of the gain amounted to HK$48 million (2019: HK$nil). At the end of 2020, 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 25 of this Financial Review.

Inclusive of hotel and arcade operations, and residential leasing and sales, PSW generated an EBITDA of HK$97 million (2019: HK$169 million). However, after accounting for depreciation, interest and the unrealised loss on revaluation of the hotel shopping arcade, PSW sustained an accounting loss amounting to HK$67 million (2019: HK$35 million) and the group's share of loss amounted to HK$33 million (2019: HK$17 million).

Details of the operating performance of The Peninsula Shanghai are set out in the Operational Review section on pages 12 and 13.

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

Share of results of associates

The group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The group's share of net loss of these hotels amounted to HK$97 million (2019: HK$32 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 16 and 17.

Statement of financial position

The consolidated statement of financial position of the group as at 31 December 2020 is presented on page 45 and the key components of the group's assets and liabilities are set out in the following table. Despite the loss attributable to shareholders of HK$1,940 million incurred during the year, the group's financial position as at 31 December 2020 remained robust with shareholders' funds amounting to HK$36,844 million, representing a per share value of HK$22.34.

HK$m	**2020**	2019	2020 vs 2019
Fixed assets	**45,656**	45,533	–
Properties under development for sale	**4,264**	3,624	18%
Other long-term assets	**2,427**	2,351	3%
Cash at banks and in hand	**520**	697	(25%)
Other assets	**812**	856	(5%)
	53,679	53,061	1%
Interest-bearing borrowings	**(11,182)**	(7,524)	49%
Lease liabilities	**(3,266)**	(3,149)	4%
Other liabilities	**(2,079)**	(2,659)	(22%)
	(16,527)	(13,332)	24%
Net assets	**37,152**	39,729	(6%)
Represented by			
Shareholders' funds	**36,844**	39,054	(6%)
Non-controlling interests	**308**	675	(54%)
Total equity	**37,152**	39,729	(6%)

Summary of hotel, commercial and other properties

The group has interests in ten operating hotels in Asia, US and Europe and three 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 2020.

A summary of the group's hotel, commercial and other properties showing both the book value and the fair value as at 31 December 2020 is set out in the table on the following page.

	2020 Group's interest	2020 Fair value valuation	2020 Book value	2019 Fair value valuation	2019 Book value
		Value of 100% of the property (HK$m)			
Hotel properties *					
The Peninsula Hong Kong	100%	**11,968**	**9,639**	12,252	9,919
The Peninsula New York	100%	**2,075**	**1,576**	2,278	1,686
The Peninsula Beijing	76.6%Δ	**1,363**	**1,361**	1,449	1,439
The Peninsula Tokyo	100%	**1,737**	**1,504**	1,726	1,487
The Peninsula Chicago	100%	**1,200**	**1,150**	1,332	1,207
The Peninsula Bangkok	100%**	**715**	**669**	744	668
The Peninsula Manila	77.4%	**50**	**47**	140	134
The Peninsula Shanghai#	50%	**3,016**	**2,455**	2,878	2,410
The Peninsula Paris#	20%	**5,158**	**5,082**	5,125	4,828
The Peninsula Beverly Hills#	20%	**2,449**	**328**	2,632	390
		29,731	**23,811**	30,556	24,168
Commercial properties					
The Repulse Bay Complex	100%	**17,792**	**17,792**	17,921	17,921
The Peak Tower	100%	**1,348**	**1,348**	1,445	1,445
St. John's Building	100%	**1,197**	**1,197**	1,207	1,207
Apartments in Shanghai	100%	**403**	**403**	394	394
21 avenue Kléber	100%	**743**	**743**	698	698
The Landmark	70%ΔΔ	**46**	**46**	52	52
		21,529	**21,529**	21,717	21,717
Other properties					
Thai Country Club golf course	n/a**	**n/a**	**n/a**	261	289
Quail Lodge resort, golf course and vacant land	100%	**286**	**276**	298	284
Vacant land in Thailand	100%**	**100**	**100**	472	472
Others	100%	**381**	**205**	390	210
		767	**581**	1,421	1,255
Properties under development##					
The Peninsula London	100%	**7,656**	**7,656**	5,856	5,856
The Peninsula Yangon	70%	**679**	**679**	534	534
The Peninsula Istanbul#	50%	**799**	**799**	843	843
		9,134	**9,134**	7,233	7,233
Total market/book value		**61,161**	**55,055**	60,927	54,373

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

** *The group's interest in Thai Country Club and its adjacent land was held indirectly through a Thai subsidiary, Town and Country Sport Club Company Limited (TCS). Following a restructuring of the Thai joint venture arrangements, TCS was deconsolidated on 28 October 2020. Details of the transaction are set out on page 34 of this Financial review.*

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 26 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 2020, the balance of properties under development for sale amounted to HK$4,264 million (2019: HK$3,624 million) and such amount will either be recovered through sales completions or 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.

Restructuring of joint venture arrangements in Thailand

The company's wholly-owned subsidiary, Peninsula International Investment Holdings Limited (PIIHL) and the Phataraprasit family, the Thai joint venture partners, had entered into 50/50 joint venture arrangements since 1997 in HSH-Siam Chaophraya Holdings Company Limited (HSH-SCH) to own and for Peninsula to manage The Peninsula Bangkok (PBK) and the Thai Country Club (TCC). On 8 October 2020, PIIHL entered into transaction agreements with the Phataraprasit family to terminate the joint venture relationship and to restructure the parties' respective shareholdings in the assets of HSH-SCH. To acquire the 50% remaining interest in PBK and the surrounding land from the Phataraprasit family, the company agreed to pay a total consideration of the 50% economic interest in TCC and its adjacent land and a cash consideration of US$70 million (HK$546 million). The total consideration was arrived at after arm's length negotiations among the parties and having regard to the market values of PBK and its surrounding land, the market values of TCC and its land parcels and consideration to resolve all existing and contingent disputes between the company and Thai partners.

On 28 October 2020, all conditions precedent under the transaction agreements were satisfied and the joint venture relationship was terminated. As a result of the restructuring, the company's indirect interest in PBK increased to 100% whereas TCC was deconsolidated from the company's consolidated financial statements. As set out in the statement of changes in equity on page 46 of the company's consolidated financial statements, the restructuring has resulted in a reduction of equity attributed to shareholders of the company by HK$678 million and a reduction of non-controlling interests by HK$327 million respectively. It should be noted that the aforesaid reduction in equity attributable to shareholders was calculated in accordance with the applicable accounting standards using the existing book value, instead of the fair market value, of PBK and its surrounding land. The amount of reduction would be substantially less if PBK and its surrounding land were adjusted to fair market value.

Other long-term assets

The other long-term assets as at 31 December 2020 of HK$2,427 million (2019: HK$2,351 million) comprise 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 2020, the group's cash at banks and in hand and interest-bearing borrowings amounted to HK$520 million (2019: HK$697 million) and HK$11,182 million (2019: HK$7,524 million) respectively, resulting in a net borrowings of HK$10,662 million (2019: HK$6,827 million). The increase in net borrowings was mainly due to the capital expenditure in relation to the group's existing assets, the ongoing projects under development and the restructuring of the joint venture arrangements in Thailand. A breakdown of the group's capital expenditure for the year ended 31 December 2020 is set out on pages 35 and 36.

Cash flows

The consolidated statement of cash flows of the group for the year ended 31 December 2020 is set out on page 47. The following table summarises the key cash movements for the year ended 31 December 2020.

HK$m	**2020**	2019
EBITDA	**(61)**	1,390
Tax payment*	**(179)**	(17)
Net cash (used in)/generated from operating activities before net working capital movement	**(240)**	1,373
Changes in working capital**	**(197)**	(7)
Capital expenditure on existing assets	**(399)**	(564)
Net cash (outflow)/inflow after normal capital expenditure	**(836)**	802
Capital expenditure on new projects	**(1,771)**	(1,330)
Net cash outflow before dividends and other payments	**(2,607)**	(528)
Dividends paid	**(47)**	(107)
Cash consideration and other related costs in respect of the restructuring of the joint venture arrangements in Thailand	**(571)**	–
Net interest and other payments	**(300)**	(159)
Net cash outflow before borrowings	**(3,525)**	(794)

* *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 spending on its existing assets is analysed below.

HK$m	**2020**	2019
Hotels		
The Peninsula Hong Kong	**91**	63
The Peninsula Beijing	**5**	72
Others	**97**	190
Commercial properties	**29**	42
Clubs and services		
Peak Tram	**161**	169
Others	**16**	28
	399	564

The breakdown of the group's spending on new projects and investments is analysed below.

HK$m	**2020**	2019
The Peninsula London	**1,378**	1,074
The Peninsula Yangon	**135**	114
Capital injection into the joint venture in Turkey	**258**	142
	1,771	1,330

Due to the outbreak of the COVID-19 coronavirus, there were inevitable delays in the progress of our hotel projects in London, Istanbul and Yangon. Construction sites were temporarily closed and supply chains were disrupted, leading to a lower than expected spend in 2020. We are working with our contractors and suppliers to mitigate the impact of these delays as much as possible.

For the Peninsula hotels in London and Istanbul, completion of development is expected to be in 2022. For The Peninsula Yangon, as explained in the "non-adjusting event after the balance sheet date" section on page 37, we temporarily suspended all site works on 1 February 2021 to ensure the safety and security of our staff and contractors. We are closely monitoring the political developments in Myanmar and it is too early to accurately predict how the construction timetable might be affected.

Capital commitments

The global hospitality sector has been very negatively affected by the COVID-19 pandemic. Despite the short-term turmoil, our commitment to the long-term development of the group remains unchanged. In addition to improving our existing assets, we will continue to invest in the development of the highest quality hotels in selected locations.

With three new hotels under development in London, Istanbul and Yangon as well as the Peak Tram upgrade project, the company has committed to its most significant capital expenditure programme in its history. The group's budgeted investment in respect of the hotel development projects in London, Istanbul, and Yangon are approximately GBP800 million, EUR150 million and USD130 million respectively. All of these projects have been materially affected by disruptions to the contruction labour force and supply chains due to the COVID-19 coronavirus outbreak. We have managed the projects tightly to try to mitigate the cost and programme impacts of these disruptions but are still working with our contractors and cost consultants to assess the cost impact. Further details on the status of the group's hotel development projects are set out on pages 20 to 22 of the Operational Review.

For the Peak Tram upgrade project, the original budget was estimated to be HK$684 million. Due to the disruption to the supply chains in Asia and Europe caused by the COVID-19 pandemic, manufacturing of our new tramcars and procurement of new equipment have been negatively affected. In addition, construction of the lower terminus has been delayed due to unforeseen underground, structural and MEP conditions which required additional approvals from various government authorities as well as extra works on the foundation and substructure. Despite various value-engineering measures, the delays have resulted in an increase in the project budget by HK$50 million to HK$734 million.

As at 31 December 2020, the group's total spending on the three hotel projects and the Peak Tram upgrade project amounted to approximately HK$6.7 billion (including interest and expenses capitalised) and the projected remaining capital expenditure for these major projects is expected to be approximately HK$5.8 billion (including interest and expenses to be capitalised). As mentioned above, we are still reviewing the cost impact of the delays for the group's hotel projects in London, Istanbul and Yangon and the remaining capital expenditure in respect of these projects may be subject to adjustments.

As at 31 December 2020, the group's total capital commitments, including the group's share of capital commitments of joint ventures and associates, amounted to HK$6,004 million (2019: HK$7,936 million) which represents about 11% of the group's total assets. The company has been able to pursue such a significant capital expenditure programme in part due to the scale of its asset base and the relatively low level of leverage.

The group's total capital commitments as at 31 December 2020 are summarised in the table below.

HK$m	**2020**	2019
Normal capital expenditures in respect of existing properties, including the group's share of capital expenditures of a joint venture and associates	**216**	607
New and special projects		
– The Peak Tram upgrade	**332**	441
– The Peninsula London	**4,044**	5,211
– The Peninsula Yangon	**705**	849
– The Peninsula Istanbul	**707**	828
	6,004	7,936

As at 31 December 2020, the group's undrawn committed facilities and cash at banks amounted to HK$7.0 billion (2019: HK$7.6 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.

Non-adjusting event after the balance sheet date

On 1 February 2021, political developments in Myanmar led to the military declaring a state of emergency for a period of one year. We have noted the recent violence and chaos with great concern and we continue to evaluate both the immediate actions required and the longer-term decisions that need to be made in respect of this project.

Capital and treasury management

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

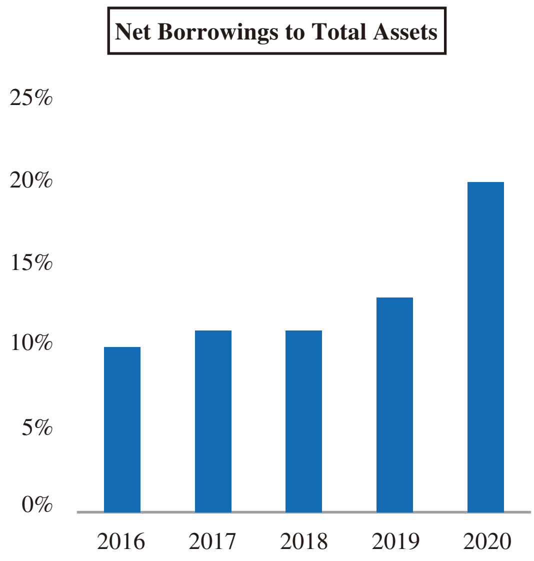
The group manages treasury activities centrally at its corporate office in Hong Kong. The group also regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure there is ample headroom for its obligations and commitments. In 2020, the group set up a notional cash pooling structure that allowed global unrestricted cash to be directed to head office. 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.

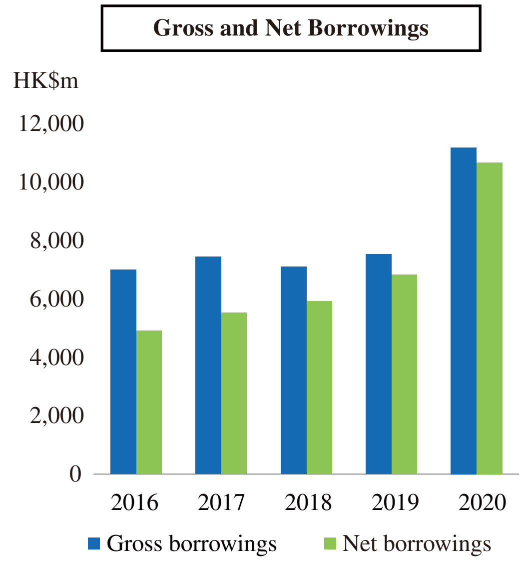
Liquidity and Financing

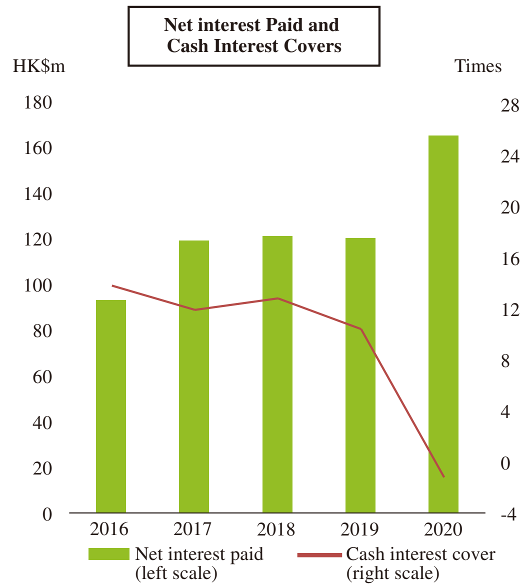
In 2020, the group obtained additional committed facilities of GBP 120 million to cater for the increased development budget for The Peninsula London and HK$2.3 billion equivalent of facilities to support group capital expenditures and general working capital.

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 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 2020, gross borrowings increased to HK$11,182 million (2019: HK$7,524 million) mainly due to construction payments for The Peninsula London and the impact of COVID-19 coronavirus on operations. Consolidated net debt increased to HK$10,662 million as compared to HK$6,827 million in 2019. As at December 2020 the group had HK$6.5 billion of unused committed facilities. The group's net borrowings to total assets increased to 20% as compared to 13% in 2019. The ratio continues to reflect a healthy financial position for the group.

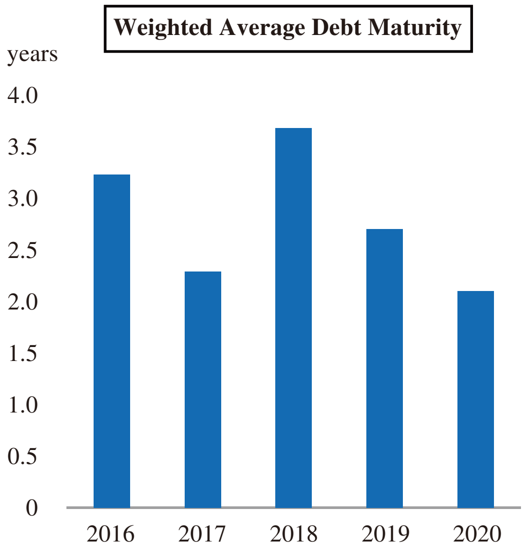


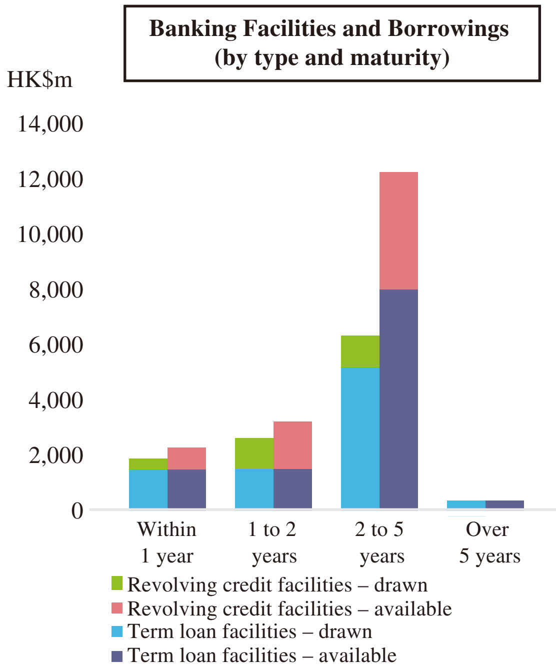




During the year, the group also refinanced its maturing loans (primarily denominated in US dollar and JPY) with new maturity tenors of 1 to 5 years. The average debt maturity for the year decreased from 2.7 years to 2.1 years.

Net interest paid in 2020 increased to HK$165 million (2019: HK$120 million) as a result of higher net borrowings offset by lowering of interest rates globally. Cash interest cover (EBITDA less lease payments divided by net interest paid) was –1.2 times (2019: 10.4) due to the loss sustained in 2020.





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

The consolidated and non-consolidated borrowings as at 31 December 2020 are summarised as follows:

HK$m	**2020**						2019
	Hong Kong	**Other Asia**	**United States of America**	**Europe**	**UK**	**Total**	Total
Consolidated gross borrowings	**3,039**	**2,694**	**866**	**571**	**4,012**	**11,182**	7,524
Non-consolidated gross borrowings attributable to the group*:							
The Peninsula Shanghai (50%)	**–**	**504**	**–**	**–**	**–**	**504**	531
The Peninsula Beverly Hills (20%)	**–**	**–**	**194**	**–**	**–**	**194**	197
The Peninsula Paris (20%)	**–**	**–**	**–**	**427**	**–**	**427**	391
Non-consolidated borrowings	**–**	**504**	**194**	**427**	**–**	**1,125**	1,119
Consolidated and non-consolidated gross borrowings	**3,039**	**3,198**	**1,060**	**998**	**4,012**	**12,307**	8,643

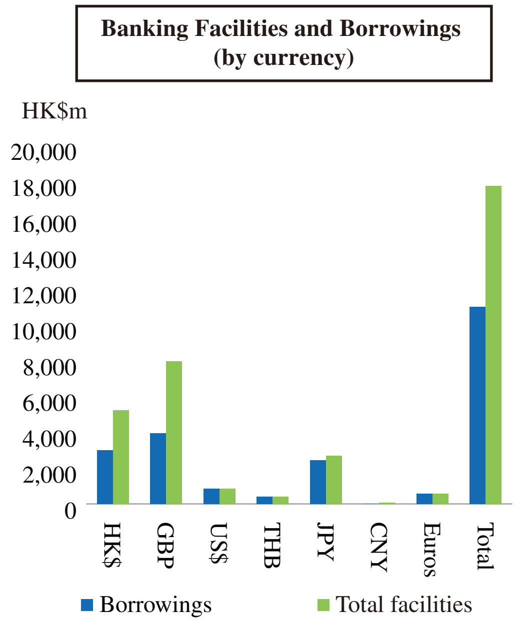
* *Represents HSH's attributable share of borrowings*

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 also entered into forward exchange contracts to hedge Euro exposures against GBP arising from construction payments for The Peninsula London project.

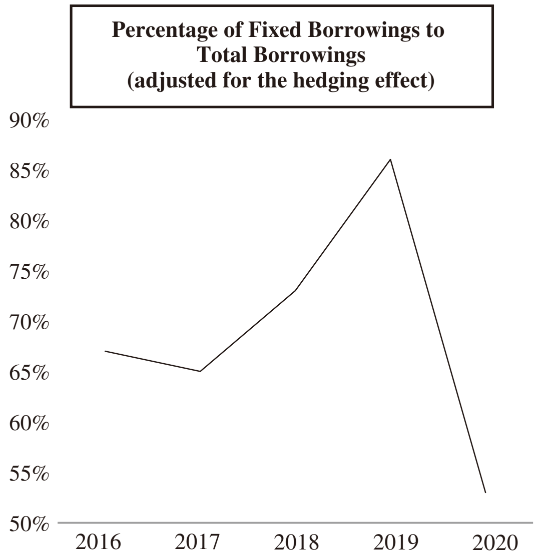
All of the group's borrowings are denominated in the functional currency of the operations to which they relate. As at 31 December 2020, GBP, HK dollar and Japanese yen borrowings represented 36%, 27% and 22% of total borrowings, respectively. Other balances were mainly in US dollars, and other local currencies of the group's entities.

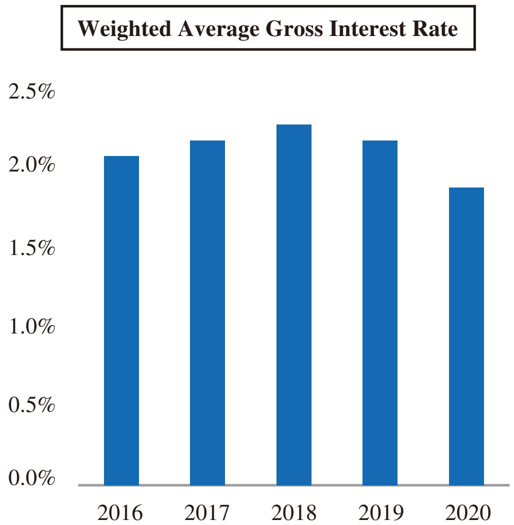


Interest rate risk

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 2020, the group reduced its fixed to floating interest rate ratio to 53% (2019: 86%) due to the lower rate interest rate environment. The weighted average gross interest rate for the year decreased from 2.2% to 1.9%.





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 invest grade ratings only.

As at 31 December 2020, derivatives with a notional amount of HK$3,243 million (2019: HK$3,442 million) were transacted.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (HK$m)

	Note	Year ended 31 December 2020	2019
Revenue	2	**2,710**	5,874
Cost of inventories		**(213)**	(457)
Staff costs and related expenses		**(1,511)**	(2,294)
Rent and utilities		**(373)**	(441)
Other operating expenses		**(674)**	(1,292)
Operating (loss)/profit before interest, taxation, depreciation and amortisation (EBITDA)		**(61)**	1,390
Depreciation and amortisation		**(553)**	(589)
Operating (loss)/profit		**(614)**	801
Interest income		**5**	14
Financing charges		**(149)**	(154)
Net financing charges		**(144)**	(140)
(Loss)/profit after net financing charges		**(758)**	661
Share of results of joint ventures	9	**(269)**	(17)
Share of results of associates	10	**(97)**	(32)
Provision for impairment	7(a)	**(93)**	–
(Decrease)/increase in fair value of investment properties	7(a)	**(732)**	83
(Loss)/profit before taxation		**(1,949)**	695
Taxation			
Current tax	3	**(62)**	(146)
Deferred tax	3	**31**	(46)
(Loss)/profit for the year		**(1,980)**	503
(Loss)/profit attributable to:			
Shareholders of the company		**(1,940)**	494
Non-controlling interests		**(40)**	9
(Loss)/profit for the year		**(1,980)**	503
(Loss)/earnings per share, basic and diluted (HK$)	4	**(1.18)**	0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$m)

	Year ended 31 December 2020	2019
(Loss)/profit for the year	**(1,980)**	503
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	**217**	106
– financial statements of joint ventures	**90**	(27)
– financial statements of and loans to an associate	**48**	(15)
– hotel operating rights	**41**	(12)
	396	52
Cash flow hedges:		
– effective portion of changes in fair values	**(2)**	(29)
– transfer from equity to profit or loss	**21**	7
– transfer to exchange reserve	**9**	–
	424	30
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations	**1**	–
Other comprehensive income	**425**	30
Total comprehensive income for the year	**(1,555)**	533
Total comprehensive income attributable to:		
Shareholders of the company	**(1,490)**	490
Non-controlling interests	**(65)**	43
Total comprehensive income for the year	**(1,555)**	533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)

	Note	**As at 31 December 2020**	As at 31 December 2019
Non-current assets			
Investment properties		**32,407**	33,219
Other properties, plant and equipment		**13,249**	12,314
	7	**45,656**	45,533
Properties under development for sale	8	**4,264**	3,624
Interest in joint ventures	9	**1,265**	1,186
Interest in associates	10	**560**	588
Hotel operating rights	11	**532**	505
Deferred tax assets		**70**	72
		52,347	51,508
Current assets			
Inventories		**84**	89
Trade and other receivables	12	**669**	711
Amount due from a joint venture		**59**	56
Cash at banks and in hand	13(a)	**520**	697
		1,332	1,553
Current liabilities			
Trade and other payables	14	**(1,289)**	(1,480)
Interest-bearing borrowings	15	**(1,897)**	(1,114)
Derivative financial instruments		**(5)**	(8)
Current taxation		**(34)**	(152)
Lease liabilities	16	**(143)**	(143)
		(3,368)	(2,897)
Net current liabilities		**(2,036)**	(1,344)
Total assets less current liabilities		**50,311**	50,164
Non-current liabilities			
Interest-bearing borrowings	15	**(9,285)**	(6,410)
Trade and other payables	14	**(117)**	(234)
Net defined benefit retirement obligations		**(22)**	(27)
Derivative financial instruments		**(5)**	(21)
Deferred tax liabilities		**(607)**	(737)
Lease liabilities	16	**(3,123)**	(3,006)
		(13,159)	(10,435)
Net assets		**37,152**	39,729
Capital and reserves			
Share capital	17	**5,837**	5,732
Reserves		**31,007**	33,322
Total equity attributable to shareholders of the company		**36,844**	39,054
Non-controlling interests		**308**	675
Total equity		**37,152**	39,729

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 2019		5,509	(16)	(363)	33,534	33,155	38,664	536	39,200
Changes in equity for 2019:									
Profit for the year		–	–	–	494	494	494	9	503
Other comprehensive income		–	(22)	18	–	(4)	(4)	34	30
Total comprehensive income for the year		–	(22)	18	494	490	490	43	533
Dividends approved in respect of the previous year	5	179	–	–	(258)	(258)	(79)	–	(79)
Dividends approved in respect of the current year	5	44	–	–	(65)	(65)	(21)	–	(21)
Dividend paid to non-controlling interests		–	–	–	–	–	–	(7)	(7)
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	103	103
Balance at 31 December 2019 and 1 January 2020		5,732	(38)	(345)	33,705	33,322	39,054	675	39,729
Changes in equity for 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		**5,837**	**(10)**	**77**	**30,940**	**31,007**	**36,844**	**308**	**37,152**

CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)

	Note	Year ended 31 December 2020	2019
Operating activities			
(Loss)/profit after net financing charges		**(758)**	661
Adjustments for:			
Depreciation	7(a)	**539**	576
Amortisation of hotel operating rights	11	**14**	13
Interest income		**(5)**	(14)
Financing charges		**149**	154
Operating (loss)/profit before changes in working capital		**(61)**	1,390
Payment for the development of properties under development for sale		**(425)**	(366)
Changes in other working capital		**(197)**	(7)
Cash (used in)/generated from operations		**(683)**	1,017
Net tax paid:			
Hong Kong profits tax		**(165)**	(1)
Overseas tax		**(14)**	(16)
Net cash (used in)/generated from operating activities		**(862)**	1,000
Investing activities			
Capital expenditure on properties, plant and equipment and investment properties		**(399)**	(564)
Capital expenditure on projects under development		**(1,088)**	(822)
Cash injected from a non-controlling shareholder		**30**	103
(Advance to)/distribution from associates		**(21)**	3
Capital injection into a joint venture		**(258)**	(142)
Cash consideration paid and other acquisition costs for additional interest in a subsidiary		**(571)**	–
Net cash used in investing activities		**(2,307)**	(1,422)
Financing activities			
Drawdown of term loans		**2,216**	1,388
Repayment of term loans		**(1,044)**	(398)
Net increase/(decrease) in revolving loans		**2,167**	(671)
Net withdrawal of interest-bearing bank deposits with maturity of more than three months		**3**	59
Interest paid and other financing charges		**(168)**	(135)
Interest received		**3**	15
Capital element of lease rental paid		**(44)**	(51)
Interest element of lease rental paid		**(100)**	(94)
Dividends paid to shareholders of the company		**(42)**	(100)
Dividends paid to holders of non-controlling interests		**(5)**	(7)
Net cash generated from financing activities		**2,986**	6
Net decrease in cash and cash equivalents		**(183)**	(416)
Cash and cash equivalents at 1 January		**680**	1,098
Effect of changes in foreign exchange rates		**9**	(2)
Cash and cash equivalents at 31 December	13(a)	**506**	680

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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. The group has not applied any new standards or interpretations that are not yet effective for the current accounting year.

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.

2. Revenue (HK$m) *continued*

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*. The amount of each significant category of revenue recognised during the year is as follows:

	2020	2019
Hotels		
– Rooms	**470**	2,014
– Food and beverage	**448**	1,229
– Shopping arcades and offices	**511**	618
– Others	**165**	427
	1,594	4,288
Commercial properties		
– Residential properties	**492**	526
– Offices	**102**	103
– Shopping arcades	**183**	317
	777	946
Clubs and Services		
– Golf clubs	**105**	255
– Peak Tram operation	**21**	76
– Peninsula Merchandising	**179**	253
– Others	**34**	56
	339	640
	2,710	5,874

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

	2020	2019
Current tax – Hong Kong profits tax		
Provision for the year	**56**	122
Over-provision in respect of prior years	**(1)**	(1)
	55	121
Current tax – Overseas		
Provision for the year	**7**	23
Under provision in respect of prior years	**–**	2
	7	25
	62	146
Deferred tax		
Decrease in net deferred tax liabilities relating to revaluation of overseas investment properties	**(31)**	(7)
Increase in net deferred tax liabilities relating to other temporary differences	**–**	53
	(31)	46
Total	**31**	192

The provision for Hong Kong profits tax for 2020 is calculated at 16.5% (2019: 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)/earnings per share

(a) (Loss)/earnings per share – basic

	2020	2019
(Loss)/profit attributable to shareholders of the company (HK$m)	**(1,940)**	494
Weighted average number of shares in issue (million shares)	**1,642**	1,623
(Loss)/earnings per share (HK$)	**(1.18)**	0.30

	2020 (million shares)	*2019 (million shares)*
Issued shares at 1 January	***1,634***	*1,613*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2019 final dividend	***8***	*10*
Weighted average number of shares at 31 December	***1,642***	*1,623*

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

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2020 and 2019 and hence the diluted (loss)/earnings per share is the same as the basic (loss)/earnings 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 consideration 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

	2020	2019
Interim dividend declared and paid (2019: 4 HK cents per share)	**–**	65
Final dividend proposed after the end of the reporting period (2019: 9 HK cents per share)	**–**	147
	–	212

5. Dividends (HK$m) *continued*

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

	2020	2019
Final dividend in respect of the previous financial year, approved and paid during the year, of 9 HK cents per share (2019: 16 HK cents per share)	**147**	258

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 2020 and 2019 are set out as follows:

	Hotels		**Commercial Properties**		**Clubs and Services**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Reportable segment revenue*	**1,594**	4,288	**777**	946	**339**	640	**2,710**	5,874
Reportable segment operating (loss)/ profit before interest, taxation, depreciation and amortisation (EBITDA)	**(487)**	758	**440**	527	**(14)**	105	**(61)**	1,390
Depreciation and amortisation	**(494)**	(512)	**(26)**	(24)	**(33)**	(53)	**(553)**	(589)
Segment operating (loss)/profit	**(981)**	246	**414**	503	**(47)**	52	**(614)**	801
Provision for impairment loss	**(93)**	–	**–**	–	**–**	–	**(93)**	–

Reconciliation of segment operating (loss)/profit to the (loss)/profit 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)/profit 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 2020 and 2019 are set out as follows:

	Note	**As at 31 December 2020**	As at 31 December 2019
Reportable segment assets			
Hotels		**26,190**	25,231
Commercial properties		**26,029**	25,677
Clubs and services		**811**	1,328
		53,030	52,236
Unallocated assets			
Deferred tax assets		**70**	72
Amount due from a joint venture		**59**	56
Cash at banks and in hand	13(a)	**520**	697
Consolidated total assets		**53,679**	53,061

(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**	
	2020	2019	**2020**	2019
Hong Kong	**1,548**	2,368	**30,750**	31,142
Other Asia *	**697**	1,889	**7,263**	7,847
United States of America and Europe	**465**	1,617	**14,264**	12,447
	2,710	5,874	**52,277**	51,436

* *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 *(notes 7(b))*	Total
Cost or valuation:								
At 1 January 2019	905	3,004	8,756	4,805	1,953	19,423	33,077	52,500
Exchange adjustments	45	37	131	42	68	323	(3)	320
Additions	–	134	86	203	1,105	1,528	62	1,590
Disposals	–	(54)	–	(48)	–	(102)	–	(102)
Transfer	–	–	8	5	(13)	–	–	–
Fair value adjustment	–	–	–	–	–	–	83	83
At 31 December 2019	950	3,121	8,981	5,007	3,113	21,172	33,219	54,391
Representing:								
Cost	950	3,121	8,981	5,007	3,113	21,172	–	21,172
Valuation – 2019	–	–	–	–	–	–	33,219	33,219
	950	3,121	8,981	5,007	3,113	21,172	33,219	54,391
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**
Accumulated depreciation and impairment losses:								
At 1 January 2019	358	251	4,072	3,543	–	8,224	–	8,224
Exchange adjustments	26	2	91	40	–	159	–	159
Charge for the year	–	70	186	320	–	576	–	576
Written back on disposals	–	(53)	–	(48)	–	(101)	–	(101)
At 31 December 2019	384	270	4,349	3,855	–	8,858	–	8,858
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**
Net book value:								
At 31 December 2020	**457**	**2,940**	**4,303**	**978**	**4,571**	**13,249**	**32,407**	**45,656**
At 31 December 2019	566	2,851	4,632	1,152	3,113	12,314	33,219	45,533

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 with a cost of HK$1,585 million, of which HK$1,172 million related to development costs incurred for the hotel projects in London and Yangon and HK$172 million for the Peak Tram upgrade project.

The group disposed of its entire interest in the Thai Country Club (TCC) as part of the restructuring of the joint venture arrangements in Thailand during the year ended 31 December 2020. The net book value for investment properties and items of properties, plant and equipment relating to TCC and its surrounding land disposed of during the year amounted to HK$619 million. The net book for other items of properties, plant and equipment disposed of during the year ended 31 December 2020 was insignificant in value.

The group assessed the recoverable amounts of its other properties, plant and equipment at the reporting date in accordance with the accounting policy. Based on the assessment, the Directors considered that, due to the disruption of business by the outbreak of the COVID-19 coronavirus and a 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 for the year ended 31 December 2020. The recoverable amount of this hotel is the higher of its value in use and its fair value less costs of disposal based on the opinion of independent firms of professional valuers obtained by the group using the income capitalisation approach with an assumed RevPAR of approximately Peso 3,100 and inflation rate of 2% per annum. 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 2020. 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:

	2020	2019
Classified as properties leased for own use, carried at depreciated cost	**2,940**	2,851
Included in construction in progress	**117**	117
	3,057	2,968

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

	2020	2019
At 1 January	**3,624**	3,121
Addition	**489**	407
Exchange adjustment	**151**	96
At 31 December	**4,264**	3,624

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

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

Reservation fees and pre-sale deposits 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)

	As at 31 December 2020	As at 31 December 2019
Share of net assets	**744**	665
Loans to PSW	**521**	521
	1,265	1,186

(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 2019: US$117,500,000)	50%	Hotel investment and apartments held for sale
PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT)*	Incorporated	Turkey	TRY921,251,400 (31 December 2019: TRY487,800,000)	50%	Hotel investment

* *PIT was incorporated on 10 February 2016 and the group's interest in this joint venture is held indirectly by the company. PIT has redevelopment and operating rights in respect of a property within the Salıpazarı Port Project Area in Istanbul, Turkey. The group, together with its joint venture partner, intends to redevelop the property into The Peninsula Istanbul. The net assets of PIT at 31 December 2020 mainly comprised property under development and cash at bank and in hand of HK$799 million (2019: HK$843 million) and HK$97 million (2019: HK$5 million) respectively.*

(b) The share of results of joint ventures include the impairment provision made by PIT in respect of its development in The Peninsula Istanbul, the progress of which has been affected by unforeseen delays due to the site conditions and the recent outbreak of the COVID-19 coronavirus. Given The Peninsula Istanbul is subject to a 30-year fixed term lease commencing February 2014 and considering the uncertain economic climate, ongoing geopolitical tensions, sharp decline of the local currency, and an expected delay of the hotel opening, management has engaged an independent valuer to re-appraise the value of The Peninsula Istanbul. Following the re-appraisal, the Directors have deemed it appropriate to write down the book value of the project by HK$472 million, representing approximately 20% of the hotel's cost on completion. The group's share of impairment provision amounting to HK$236 million (2019: HK$nil) is included in share of results of joint ventures in the consolidated statement of profit or loss.

(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$2,971 million) (2019: RMB2,500 million (HK$2,786 million)). As at 31 December 2020, the loan drawn down amounted to RMB849 million (HK$1,009 million) (2019: RMB953 million (HK$1,062 million)). The net carrying amount of these pledged assets amounted to RMB2,535 million (HK$3,013 million) (2019: RMB2,653 million (HK$2,957 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:

	As at 31 December 2020	As at 31 December 2019
Non-current assets	**2,617**	2,410
Cash at bank and in hand	**128**	95
Apartments held for sale and other current assets	**472**	607
Current liabilities	**(389)**	(248)
Non-current liabilities	**(2,386)**	(2,447)
Net assets	**442**	417
Proceeds from sale of apartments	**266**	–
Hotel revenue and rental income	**336**	539
	602	539
Carrying value of apartments sold	**(248)**	–
Hotel cost of inventories and operating expenses	**(257)**	(370)
	(505)	(370)
EBITDA	**97**	169
Depreciation	**(92)**	(98)
Net financing charges	**(52)**	(60)
(Loss)/profit before non-operating items	**(47)**	11
Non-operating items, net of tax *	**(20)**	(46)
Loss for the year	**(67)**	(35)
The group's share of result of PSW	**(33)**	(17)

* *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:

	2020	2019
Share of result of PSW	**(33)**	(17)
Share of impairment provision of PIT	**(236)**	–
	(269)	(17)

10. Interest in associates (HK$m)

	2020	2019
Interest in associates	**560**	588

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

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

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

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

BHP holds a 100% interest in The Peninsula Beverly Hills.

(b) Included in the balance of interest in associates are long-term unsecured loans to 19 Holding of HK$496 million (2019: HK$439 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.

(c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR224 million (HK$2,136 million) (2019: EUR224 million (HK$1,956 million)). As at 31 December 2020, the loan drawn down amounted to EUR224 million (HK$2,136 million) (2019: EUR224 million (HK$1,956 million)). As at 31 December 2020, the net carrying amount of the pledged asset amounted to EUR533 million (HK$5,082 million) (2019: EUR553 million (HK$4,828 million)).

(d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US$145 million (HK$1,131 million) (2019: US$145 million (HK$1,131 million)). As at 31 December 2020, the loan drawn down amounted to US$125 million (HK$975 million) (2019: US$127 million (HK$991 million)). The net carrying amount of the pledged asset amounted to US$42 million (HK$328 million) (2019: US$50 million (HK$390 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:

	2020	2019
EBITDA	**(162)**	173
Depreciation	**(243)**	(249)
Interest	**(81)**	(84)
Net loss from continuing operations	**(486)**	(160)
Other comprehensive income	**–**	–
Total comprehensive income	**(486)**	(160)
The group's share of results of the associates	**(97)**	(32)

11. Hotel operating rights (HK$m)

	2020	2019
Cost		
At 1 January	**688**	701
Exchange adjustments	**47**	(13)
At 31 December	**735**	688
Accumulated amortisation		
At 1 January	**(183)**	(171)
Exchange adjustments	**(6)**	1
Amortisation for the year	**(14)**	(13)
At 31 December	**(203)**	(183)
Net book value	**532**	505

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

Hotel operating rights represent the cost attributable to securing the group's rights to operate The Peninsula Beverly Hills and The Peninsula Paris.

12. Trade and other receivables (HK$m)

	As at 31 December 2020	As at 31 December 2019
Trade debtors	**240**	300
Rental deposits, payments in advance and other receivables	**425**	409
Tax recoverable	**4**	2
	669	711

The amount of the group's trade and other receivables expected to be recovered or recognised as expenses after more than one year is HK$167 million (2019: HK$137 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:

	2020	2019
Current	**220**	263
Less than one month past due	**13**	23
One to three months past due	**3**	10
More than three months but less than 12 months past due	**4**	4
Amounts past due	**20**	37
	240	300

Trade debtors are normally due within 30 days from the date of billing.

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

(a) Cash at banks and in hand

	2020	2019
Interest-bearing bank deposits	**340**	397
Cash at banks and in hand	**180**	300
Total cash at banks and in hand	**520**	697
Less: Bank deposits with maturity of more than three months	**(14)**	(17)
Cash and cash equivalents in the consolidated statement of cash flows	**506**	680

Cash at banks and in hand at the end of the reporting period include amounts of HK$267 million (2019: HK$295 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 2019	7,095	3,023	5	8	10,131
Changes from financing cashflows					
Drawdown of term loans	1,388	–	–	–	1,388
Repayment of term loans	(398)	–	–	–	(398)
Net decrease in revolving loans	(671)	–	–	–	(671)
Decrease in bank overdrafts	(4)	–	–	–	(4)
Interest paid and other financing charges	–	(94)	–	(135)	(229)
Capital element of lease rental paid	–	(51)	–	–	(51)
Changes in fair value					
Effective portion of changes in fair values	–	–	31	–	31
Other changes					
Exchange difference	90	36	–	–	126
Financing charges	24	101	–	29	154
Capitalised borrowing costs	–	42	–	106	148
Capitalisation of operating lease	–	92	–	–	92
Transfer from equity to profit or loss	–	–	(7)	–	(7)
As at 31 December 2019 and 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	**11,182**	**3,266**	**10**	**7**	**14,465**

14. Trade and other payables (HK$m)

	2020	2019
Trade creditors	**79**	147
Interest payable	**7**	8
Accruals for properties, plant and equipment and properties under development for sale	**243**	212
Tenants' deposits	**320**	361
Guest deposits and gift vouchers	**176**	228
Golf membership deposits	**–**	84
Other payables	**581**	674
Financial liabilities measured at amortised cost	**1,406**	1,714
Less: Non-current portion of trade and other payables	**(117)**	(234)
Current portion of trade and other payables	**1,289**	1,480

As at 31 December 2020, trade and other payables of the group expected to be settled or recognised as income after more than one year amounted to HK$210 million (2019: HK$328 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:

	2020	2019
Less than three months	**73**	134
Three to six months	**3**	8
More than six months	**3**	5
	79	147

15. Interest-bearing borrowings (HK$m)

	2020	2019
Total facilities available:		
Term loans and revolving credits	**17,750**	14,465
Uncommitted facilities, including bank overdrafts	**416**	407
	18,166	14,872
Utilised at 31 December:		
Term loans and revolving credits	**11,234**	7,587
Uncommitted facilities, including bank overdrafts	**13**	6
	11,247	7,593
Less: Unamortised financing charges	**(65)**	(69)
	11,182	7,524
Represented by:		
Long-term bank loans, repayable within one year	**1,897**	1,114
Short-term bank loans and overdrafts, repayable on demand	**–**	–
	1,897	1,114
Long-term bank loans, repayable:		
Between one and two years	**2,640**	984
Between two and five years	**6,334**	5,137
Over five years	**376**	358
	9,350	6,479
Less: Unamortised financing charges	**(65)**	(69)
Non-current portion of long-term bank loans	**9,285**	6,410
Total interest-bearing borrowings	**11,182**	7,524

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:

	As at 31 December 2020	As at 31 December 2019
Carrying value		
Current portion	**143**	143
Non-current portion	**3,123**	3,006
	3,266	3,149
Contractual undiscounted cash outflow		
Within one year	**143**	143
After one year but within two years	**168**	142
After two years but within five years	**322**	321
After five years	**13,497**	13,267
	14,130	13,873

17. Share capital

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

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 2020 not provided for in the financial statements were as follows:

	2020 Contracted for	2020 Authorised but not contracted for	2020 Total	2019 Contracted for	2019 Authorised but not contracted for	2019 Total
Capital commitments in respect of existing properties and new projects	**3,141**	**2,154**	**5,295**	2,962	4,139	7,101
The group's share of capital commitments of joint ventures and associates	**375**	**334**	**709**	347	488	835
	3,516	**2,488**	**6,004**	3,309	4,627	7,936

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

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

19. Non-adjusting events after the balance sheet date

The construction projects of our Peninsula hotels in London, Istanbul, and Yangon, as well as the Peak Tram upgrade project, have been subject to disruption and delays due to the COVID-19 pandemic. The Directors are still reviewing the cost impact of the delays.

On 1 February 2021, political developments in Myanmar led to the military declaring a state of emergency for a period of one year. We have noted the recent violence and chaos with great concern and we continue to evaluate both the immediate actions required and the longer-term decisions that need to be made in respect of this project.

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:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

The amendment, which became effective for accounting periods beginning on or after 1 June 2020, provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

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

21. Contingent liabilities

The Directors consider that there being no material contingent liabilities for the group as at 31 December 2020 and 2019.

OTHER CORPORATE INFORMATION

Corporate Governance

Good corporate governance sustains the group through the changing regulatory and market environment over the long term, and is all the more important in uncertain times such as 2020. The Board of Directors sees corporate governance as an integral part of the company's business strategy. By putting in place the right governance framework, the Board of Directors has set a culture of integrity, accountability and transparency that permeates throughout the group. This in turn fosters and maintains shareholders' and stakeholders' confidence in the company. The Governance section in the 2020 Annual Report reinforces the commitment of the Board of Directors and senior management to the high standards of the group's corporate governance framework, 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 2020, 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

With the culmination of our *Sustainable Luxury Vision 2020* (*Vision 2020*), we launched our new CRS strategy *Sustainable Luxury Vision 2030* (*Vision 2030*) to help us continue stepping into the next decade as a responsible corporate citizen. The *Vision 2030* focuses 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. Details can be found in our online 2020 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 2020 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 2020.

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

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

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

The company has further extended the Securities Code to specified employees including senior management who may from time to time come across inside information. All specified employees have also confirmed their full compliance with the required standards set out in the adopted Code for Dealing in the Company's Securities by Specified Employees throughout the year 2020.

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 2020 (2019: 9 HK cents per share).

Closure of Register of Members

The register of members of the company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021, 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 Friday, 14 May 2021.

Amendments to the Articles of Association

The Board proposes to amend the Articles of Association of the company (Articles) to allow the company the flexibility to hold general meetings as hybrid meetings where shareholders may participate by means of electronic facilities in addition to physical attendance. The proposed amendments also set out other related powers of the Board and the chairman of the general meeting, including making arrangements for attendance at the meetings. Other minor amendments to the Articles are also made for corresponding as well as housekeeping changes.

The proposed amendments are subject to the approval of the shareholders by way of a special resolution at the AGM. A circular containing, among other things, details of the proposed amendments will be dispatched to the shareholders together with the 2020 Annual Report.

AGM and Annual Report

The AGM will be held at The Peninsula Hong Kong on 21 May 2021 at 12:00 noon. The Notice of AGM and 2020 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 14 April 2021.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 17 March 2021

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