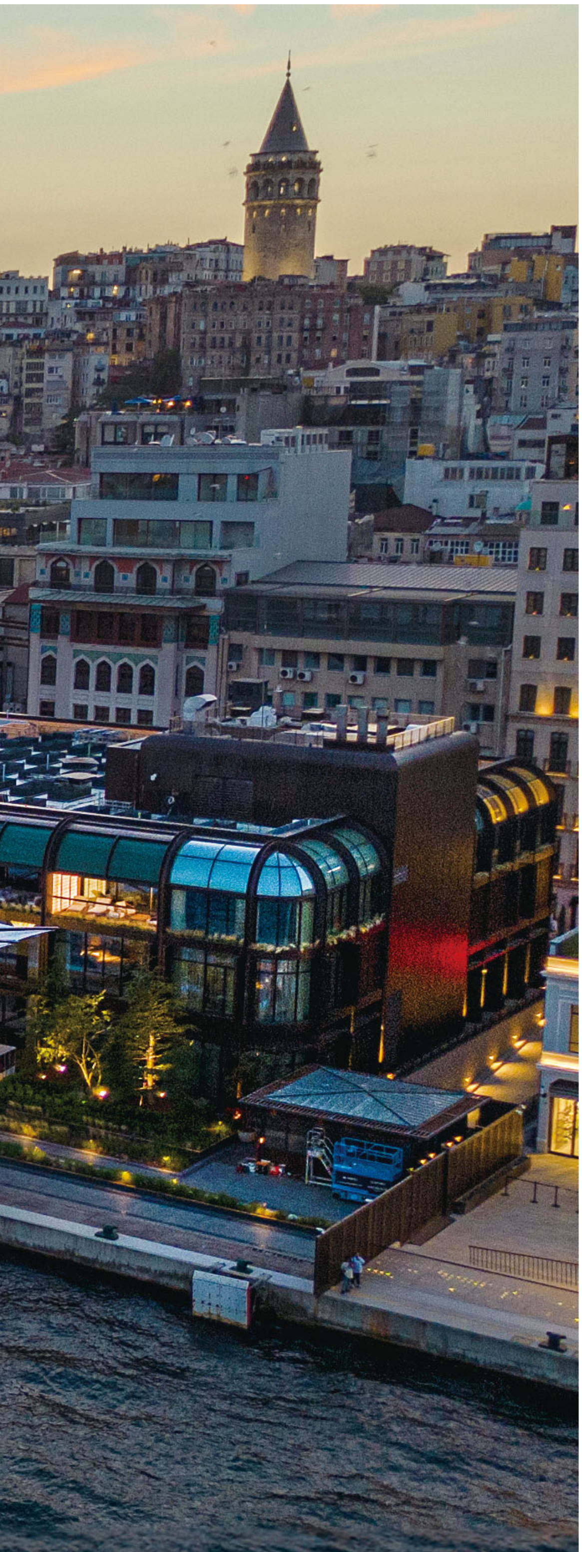
The Hongkong and Shanghai Hotels, Limited
香港上海大酒店有限公司

Interim Report 2023 中期報告

Contents



The Peninsula Istanbul is the newest addition to The Peninsula's portfolio and officially opened on 14 February 2023. The hotel comprises four exquisite buildings, three of which are historic and have been meticulously restored, and features 177 guestrooms, a ballroom with sweeping views of the Bosphorus, indoor and outdoor swimming pools, a Spa and a verdant garden area on the waterfront. The property has been designed through a series of creative partnerships that showcase the finest Turkish craftsmanship, which perfectly embodies Turkish style and the classic elegance of The Peninsula.

半島酒店集團最新成員伊斯坦堡半島酒店已於2023年2月14日正式開業。伊斯坦堡半島酒店由四座精美的建築組成，其中三座歷史悠久的建築經過修復呈現煥然一新的外觀，並設有177間客房，一間可俯瞰博斯普魯斯海峽景色的宴會廳、室內和室外游泳池、水療中心，以及海濱翠綠花園區域。伊斯坦堡半島酒店體現了土耳其藝術家團隊的創意和工藝，不單糅合土耳其獨有風格，更突顯半島酒店的經典優雅。

Company at a Glance

Number of Rooms | Ownership

HOTELS

Established: 1928 300 | 100%

THE PENINSULA HONG KONG

Established: 2009 235 | 50%

THE PENINSULA SHANGHAI

Acquired: 1989 230 | 76.6%

THE PENINSULA BEIJING

Established: 2007 314 | 100%

THE PENINSULA TOKYO

Established: 1998 370 | 100%

THE PENINSULA BANGKOK

Acquired: 1976 351 | 77.4%

THE PENINSULA MANILA

Acquired: 1988 233 | 100%

THE PENINSULA NEW YORK

Established: 2001 339 | 100%

THE PENINSULA CHICAGO

Established: 1991 195 | 20%

THE PENINSULA BEVERLY HILLS

Established: 2014 200 | 20%

THE PENINSULA PARIS

Established: 2023 177 | 50%

THE PENINSULA ISTANBUL

GFA (sq. ft.) | Ownership

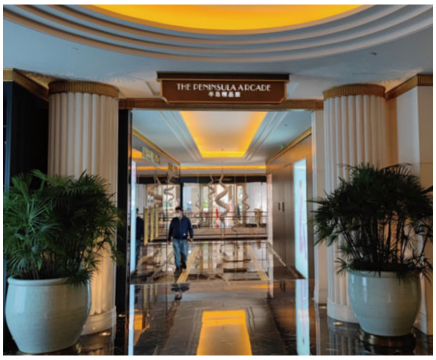
THE PENINSULA ARCADES

77,654 | 100%

THE PENINSULA HONG KONG

84,230 | 50%

THE PENINSULA SHANGHAI



96,216 | 76.6%

THE PENINSULA BEIJING

Ownership

PROJECTS UNDER DEVELOPMENT

THE PENINSULA LONDON | 100%

Company at a Glance

GFA (sq. ft.) | Ownership

COMMERCIAL PROPERTIES

Established: 1994 79,651 | 100%

THE PENINSULA OFFICE TOWER
HONG KONG

Established: 1976 & 1989 1,058,455 | 100%

THE REPULSE BAY
HONG KONG (residential and arcade)

Established: 1996 116,768 | 100%

THE PEAK TOWER
HONG KONG (retail)

Acquired: 2013 44,218 | 100%

21 AVENUE KLÉBER
PARIS, FRANCE (office and retail)

Established: 1983 71,400 | 100%

ST. JOHN'S BUILDING
HONG KONG (office)

Established: 1994 176,808 | 70%

THE LANDMARK
HO CHI MINH CITY, VIETNAM
(office and residential)

Ownership

CLUBS AND SERVICES

Established: 1888 **100%**

THE PEAK TRAM
HONG KONG

Acquired: 1997 **100%**

QUAIL LODGE & GOLF CLUB
CARMEL, USA

Established: 1977 **100%**

PENINSULA CLUBS AND
CONSULTANCY SERVICES

Established: 2003 **100%**

PENINSULA MERCHANDISING

Established: 1980 **100%**

TAI PAN LAUNDRY HONG KONG

Financial Highlights

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	2023 vs 2022
PROFIT OR LOSS HIGHLIGHTS (HK$m)			
Combined revenue^	**2,704**	1,834	47%
Revenue	**2,445**	1,662	47%
EBITDA before pre-opening and project expenses	**498**	109	357%
EBITDA	**362**	65	457%
Profit attributable to shareholders	**94**	134	(30%)
Earnings per share (HK$)	**0.06**	0.08	(30%)
Underlying profit/(loss)*	**25**	(254)	n/a
Interim dividend	**–**	–	–
Cash interest cover (times)**	**1.0x**	-0.2x	n/a
Weighted average gross interest rate	**4.01%**	1.7%	2pp

	As at 30 June 2023	As at 31 December 2022	2023 vs 2022
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**58,469**	56,581	3%
Net assets attributable to shareholders	**36,163**	36,016	0%
Adjusted net assets attributable to shareholders#	**40,587**	40,341	1%
Net assets per share (HK$)	**21.93**	21.84	0%
Adjusted net assets per share (HK$)#	**24.61**	24.46	1%
Net external borrowings	**16,303**	14,607	12%
Funds from operations to net external debt##	**4%**	3%	1pp
Net external debt to equity attributable to shareholders	**45%**	41%	4pp
Net external debt to total assets	**28%**	26%	2pp

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	2023 vs 2022
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from operating activities	**335**	76	341%
Normal capital expenditure on operating assets	**(98)**	(60)	(63%)
Capital expenditure on the Peak Tram upgrade project	**(52)**	(94)	45%
Capital expenditure on new hotel projects	**(1,251)**	(1,112)	(13%)
SHARE INFORMATION (HK$)			
Highest share price	**8.93**	9.26	
Lowest share price	**6.78**	6.63	
Period end closing share price	**6.90**	7.22	

^ Including the group's effective share of revenue of associates and joint ventures

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

** Cash interest cover is calculated based on EBITDA less lease payments divided by net interest on bank loans paid

Adjusted net assets attributable to shareholders and adjusted net assets per share are calculated by reference to the revaluation of the group's hotels and golf courses which is conducted annually by independent property valuers

Being annualised EBITDA as a percentage of net external debt

pp Denotes percentage points

CEO's Review

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

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

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

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

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

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

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

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

CEO's Review

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

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

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

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

Business Performance

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

Hotels Division

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

The Peninsula Hong Kong

THE PENINSULA
HONG KONG

Revenue HK$472m	Occupancy	Average Room Rate	RevPAR
+72%	+24pp	+76%	+333%

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

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

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

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

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

CEO's Review

The Peninsula Shanghai

THE PENINSULA SHANGHAI	Revenue RMB184m	Occupancy	Average Room Rate	RevPAR
	+98%	+38pp	+12%	+244%

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

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

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

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

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

The Peninsula Beijing

THE PENINSULA BEIJING	Revenue RMB134m	Occupancy	Average Room Rate	RevPAR
	+84%	+39pp	+3%	+293%

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

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

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

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

The Peninsula Tokyo

THE PENINSULA TOKYO	Revenue JPY6.28b	Occupancy	Average Room Rate	RevPAR
	+129%	+16pp	+148%	+251%

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

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

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

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

The Peninsula Bangkok

THE PENINSULA BANGKOK	Revenue THB442m	Occupancy	Average Room Rate	RevPAR
	+153%	+29pp	+57%	+291%

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

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

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

CEO's Review

The Peninsula Manila

THE PENINSULA MANILA	Revenue PHP752m	Occupancy	Average Room Rate	RevPAR
	+97%	+21pp	+30%	+103%

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

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

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

The Peninsula New York

THE PENINSULA NEW YORK	Revenue US$43m	Occupancy	Average Room Rate	RevPAR
	+12%	+5pp	+3%	+12%

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

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

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

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

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

The Peninsula Chicago

THE PENINSULA CHICAGO	Revenue US$35m	Occupancy	Average Room Rate	RevPAR
	+15%	+6pp	–3%	+8%

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

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

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

The Peninsula Beverly Hills

THE PENINSULA BEVERLY HILLS	Revenue US$41m	Occupancy	Average Room Rate	RevPAR
	–3%	–7pp	+5%	–6%

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

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

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

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

CEO's Review

The Peninsula Paris

THE PENINSULA PARIS	Revenue EUR38m	Occupancy	Average Room Rate	RevPAR
	+30%	+0pp	+33%	+34%

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

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

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

The Peninsula Istanbul

THE PENINSULA ISTANBUL	Revenue EUR7m	Occupancy	Average Room Rate	RevPAR
	n/a	+25pp	n/a	n/a

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

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

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

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

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

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

Commercial Properties Division

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

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

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

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

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

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

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

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

CEO's Review

Clubs and Services Division

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

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

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

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

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

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

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

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

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

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

Projects Under Development

The Peninsula London

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

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

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

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

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

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

The Peninsula Yangon

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

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

CEO's Review

Our People

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

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

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

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

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

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

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

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

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

Sustainable Luxury

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

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

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

Outlook

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

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

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

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

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

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

CEO's Review

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

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

Clement Kwok
3 August 2023

Financial Review

The interim report includes the unaudited interim results of the group for the six months ended 30 June 2023. The interim financial report has been reviewed by the company's Audit Committee and the company's Auditor, KPMG, whose independent review report to the Board of Directors is set out on page 59.

Basis of Preparation

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

Summary

Although the group's hotels division saw improvements across most of the markets we operate in, and the group's commercial properties division reported satisfactory revenue growth, our financial results are still not at the level we would have considered to be normal when compared to the years before COVID-19 and the Hong Kong protests. Despite the strong rebound in business in the rest of the world, the majority of our earnings come from Hong Kong, where the recovery remains muted due to the slow recovery of the long-haul market from the US and UK. In addition, our results have been affected by the pre-opening and project costs associated with the openings of our new hotels in London and Istanbul.

Overall, the group's consolidated revenue for the six months ended 30 June 2023 increased by 47% to HK$2,445 million (2022: HK$1,662 million) and the group's EBITDA before pre-opening and project expenses increased by 357% to HK$498 million (2022: HK$109 million). After accounting for the group's share of operating results of joint ventures, associates, depreciation, interest and tax, the group's underlying profit amounted to HK$25 million compared to an underlying loss of HK$254 million in 2022. Breakdowns of the group's revenue and EBITDA by segment are set out on pages 23 to 25.

As at 30 June 2023, the group's financial position remained stable, with net debt to total assets at an acceptable level of 28%. As at 30 June 2023, the group's undrawn committed facilities amounted to HK$2.6 billion. Together with cash and bank balances of HK$623 million, the group's available funds amounted to HK$3.2 billion. Given the group's liquidity position and taking into account of the expected proceeds from the sales of The Peninsula London Residences, the Directors believe that the group will be able to meet the working capital requirements of its existing operations and the group's capital commitments in respect of its development projects in London and Istanbul.

The Group's Underlying Profit or Loss

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

The group's underlying profit attributable to shareholders for the six months ended 30 June 2023 amounted to HK$25 million compared to an underlying loss of HK$254 million in the same period last year. The underlying profit/(loss) figure excludes the direct costs incurred in respect of the project teams hired specifically to support The Peninsula London and The Peninsula Istanbul development projects and the pre-opening costs of those hotel projects. Such costs were unrelated to the group's operating hotels and properties and were non-recurring in nature.

Financial Review

HK$m	For the six months ended 30 June **2023**	2022
Profit attributable to shareholders	**94**	134
Net revaluation gain of investment properties*	**(224)**	(434)
Pre-opening and project expenses**	**155**	46
Underlying profit/(loss)	**25**	(254)

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

** Pre-opening and project expenses are unrelated to the group's operating hotels and properties and are non-recurring in nature. Pre-opening expenses represent the recruitment, payroll, marketing, and administrative expenses incurred by the pre-opening offices of The Peninsula London and The Peninsula Istanbul. Project expenses represent the specific expenses incurred by the group to support the development of the two hotel projects, including payroll of the project teams specifically hired for the local project offices, travelling and accommodation, and other administrative expenses incurred by the project teams.

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 course are stated at depreciated cost less accumulated impairment losses, if any, and not at fair value. If these assets were to be stated at fair value, the group's net assets attributable to shareholders would increase by 12% to HK$40,587 million as indicated in the table below.

HK$m	**As at 30 June 2023**		As at 31 December 2022	
Net assets attributable to shareholders per statement of financial position		**36,163**		36,016
Adjusting the value of hotels and golf courses to fair value	**4,774**		4,672	
Less: Related deferred tax and non-controlling interests	**(350)**		(347)	
		4,424		4,325
Adjusted net assets attributable to shareholders		**40,587**		40,341
Net assets per share (HK$)		**21.93**		21.84
Adjusted net assets per share (HK$)		**24.61**		24.46

Statement of Profit or Loss

The group's consolidated statement of profit or loss for the six months ended 30 June 2023 is set out on page 38. The following table summarises the key components of the group's profit attributable to shareholders.

	For the six months ended 30 June		
HK$m	**2023**	2022	2023 vs 2022
Revenue	**2,445**	1,662	47%
Operating costs	**(1,947)**	(1,553)	–25%
EBITDA before pre-opening and project expenses	**498**	109	357%
Pre-opening and project expenses	**(136)**	(44)	–209%
EBITDA	**362**	65	457%
Depreciation and amortisation	**(233)**	(230)	–1%
Net financing charges	**(129)**	(89)	–45%
Share of results of joint ventures	**(71)**	(40)	–78%
Share of results of associates	**(8)**	(7)	–14%
Increase in fair value of investment properties	**222**	426	–48%
Taxation	**(48)**	10	n/a
Profit for the period	**95**	135	–30%
Non-controlling interests	**(1)**	(1)	0%
Profit attributable to shareholders	**94**	134	–30%

As mentioned above, the pre-opening and project expenses have been incurred to support The Peninsula London and The Peninsula Istanbul projects and are unrelated to the group's operating hotels and properties and are non-recurring in nature.

The group's share of pre-opening and project expenses of The Peninsula Istanbul amounting to HK$19 million (2022: HK$2 million) are included in share of results of joint ventures.

Revenue

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

The hotels division is the largest contributor of the group's combined revenue. During the first half of the year, most of our hotels reported overall improved results. A pleasing recovery was seen in Hong Kong and Tokyo following the resumption of cross-border travelling and return of international visitors. The improved trading results coupled with the inclusion of the group's share of revenue of The Peninsula Istanbul which opened for business on 14 February 2023, the combined revenue of the hotels division increased by 53% to HK$2,114 million.

Revenue from the commercial properties division increased by 14% to HK$380 million, mainly due to the favourable performances of The Repulse Bay Complex (TRB) and The Peak Tower (TPT). TRB is the largest contributor of revenue, accounting for 70% of the division's revenue. Banquet businesses at TRB picked up gradually as all the social distancing measures were lifted. Revenue at TPT increased by 245%, mainly due to the increase in visitors to the Sky Terrace following the resumption of cross-border travelling.

Revenue of the clubs and services division increased by 71% to HK$210 million, mainly attributable to the Peak Tram as it benefitted from the recovery of tourism in Hong Kong.

A breakdown of revenue by business segment and geographical segment is set out in the tables in the next page.

Financial Review

Revenue by business segment

HK$m	For the six months ended 30 June 2023 Group's subsidiaries	2023 Associates and joint ventures (effective share)	2023 Combined total	2022 Group's subsidiaries	2022 Associates and joint venture (effective share)	2022 Combined total	2023 vs 2022
Hotels	**1,855**	**259**	**2,114**	1,206	172	1,378	53%
Commercial Properties	**380**	**–**	**380**	333	–	333	14%
Clubs and Services	**210**	**–**	**210**	123	–	123	71%
	2,445	**259**	**2,704**	1,662	172	1,834	47%

Revenue by geographical segment

HK$m	For the six months ended 30 June 2023 Group's subsidiaries	2023 Associates and joint ventures (effective share)	2023 Combined total	2022 Group's subsidiaries	2022 Associates and joint venture (effective share)	2022 Combined total	2023 vs 2022
Hong Kong	**960**	**–**	**960**	629	–	629	53%
Other Asia	**766**	**103**	**869**	390	57	447	94%
US and Europe	**719**	**156**	**875**	643	115	758	15%
	2,445	**259**	**2,704**	1,662	172	1,834	47%

Details of the operating performances of the group's individual operations are set out on pages 9 to 16 of the CEO's Review.

EBITDA* and EBITDA* Margin

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

The group's overall EBITDA for the six months ended 30 June 2023 increased by 357% to HK$498 million, mainly driven by the improved performances achieved by the group's hotels in Hong Kong and Asia as well as the Peak Tram.

EBITDA* by business segment

HK$m	2023 Group's subsidiaries	2023 Associates and joint ventures (effective share)	2023 Combined total	2022 Group's subsidiaries	2022 Associates and joint venture (effective share)	2022 Combined total	2023 vs 2022
Hotels	**330**	**34**	**364**	(8)	21	13	2,700%
Commercial Properties	**190**	**–**	**190**	158	–	158	20%
Clubs and Services	**(22)**	**–**	**(22)**	(41)	–	(41)	46%
	498	**34**	**532**	109	21	130	309%

EBITDA* by geographical segment

HK$m	2023 Group's subsidiaries	2023 Associates and joint ventures (effective share)	2023 Combined total	2022 Group's subsidiaries	2022 Associates and joint venture (effective share)	2022 Combined total	2023 vs 2022
Hong Kong	**316**	**–**	**316**	155	–	155	104%
Other Asia	**128**	**22**	**150**	(79)	–	(79)	n/a
US and Europe	**54**	**12**	**66**	33	21	54	22%
	498	**34**	**532**	109	21	130	309%

EBITDA* margin

	2023 Group's subsidiaries	2023 Associates and joint ventures (effective share)	2023 Combined total	2022 Group's subsidiaries	2022 Associates and joint venture (effective share)	2022 Combined total
Hotels	**18%**	**13%**	**17%**	(1%)	12%	1%
Commercial Properties	**50%**	**–**	**50%**	47%	–	47%
Clubs and Services	**(11%)**	**–**	**(11%)**	(33%)	–	(33%)
Overall EBITDA* margin	**20%**	**13%**	**20%**	7%	12%	7%
By region						
Hong Kong	**33%**	**–**	**33%**	25%	–	25%
Other Asia	**17%**	**21%**	**17%**	(20%)	–	(18%)
US and Europe	**8%**	**8%**	**8%**	5%	18%	7%

* Excluding pre-opening and project expenses

Financial Review

Increase in Fair Value of Investment Properties

The investment properties of the group were revalued as at 30 June 2023 by independent firms of valuers based on an income capitalisation approach. The revaluation surplus of HK$222 million was principally attributable to increase in the appraised market value of the shopping arcade at The Peninsula Hong Kong and The Repulse Bay Complex (TRB).

Share of Results of Joint Ventures

The group, through its joint venture The Peninsula Shanghai Waitan Hotel Company Limited (PSW), owns a 50% interest in The Peninsula Shanghai Complex, which comprises The Peninsula Shanghai Hotel and shopping arcade and the adjoining Peninsula Residences apartment tower of 39 apartments, of which a total of 32 apartment units have been sold as at 30 June 2023. Inclusive of hotel and arcade operations and residential leasing income, PSW generated a positive EBITDA of HK$46 million in the first half of 2023 (2022: negative EBITDA of HK$1 million). The Peninsula Shanghai Hotel experienced a gradual recovery compared to the previous year, having benefited from the lifting of government social distancing measure. After accounting for depreciation and interest, PSW sustained an accounting loss of HK$22 million (2022: HK$75 million), inclusive of an unrealised loss on revaluation of the hotel shopping arcade of HK$7 million (2022: Nil), and the group’s share of loss amounted to HK$14 million (2022: HK$38 million).

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 Türkiye. The Peninsula Istanbul is subject to a 30-year fixed term lease agreement granted by our partners who in turn have a 30 year operating right over the entire Galataport Istanbul commencing February 2014. In January 2023, our partners have secured an extension of the operating right by 19 years to 49 years from February 2014 and a corresponding extension was granted by our partners to PIT upon payment of the apportioned premium for the extension. The Peninsula Istanbul had its soft opening in February 2023. During the first half of 2023, PIT incurred pre-opening expenses amounting to HK$38 million (2022: HK$4 million) of which, HK$19 million (2022: HK$2 million) was shared by the group.

A summary of the operating performances of The Peninsula Shanghai and The Peninsula Istanbul is set out in the CEO’s Review section on pages 10 and 14 respectively.

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$8 million (2022: HK$7 million).

A summary of the operating performances of The Peninsula Beverly Hills and The Peninsula Paris are set out in the CEO’s Review section on pages 13 and 14.

Statement of Financial Position

The group's financial position as at 30 June 2023 remained strong and net assets attributable to shareholders amounted to HK$36,163 million, representing a per share value of HK$21.93 compared to HK$21.84 as at 31 December 2022. The key components of the group's assets and liabilities as at 30 June 2023 and 31 December 2022 are set out in the table below.

HK$m	**As at 30 June 2023**	As at 31 December 2022	2023 vs 2022
Fixed assets	**48,217**	47,130	2%
Properties under development for sale	**5,854**	5,169	13%
Other long-term assets	**2,424**	2,435	0%
Derivative financial instruments	**409**	349	17%
Cash at banks and in hand	**623**	585	6%
Other assets	**942**	913	3%
	58,469	56,581	3%
Interest-bearing borrowings	**(16,926)**	(15,192)	–11%
Lease liabilities	**(2,715)**	(2,792)	3%
Other liabilities	**(2,560)**	(2,477)	–3%
	(22,201)	(20,461)	–9%
Net assets	**36,268**	36,120	0%
Represented by:			
Shareholders' fund	**36,163**	36,016	0%
Non-controlling interests	**105**	104	1%
Total equity	**36,268**	36,120	0%

During the six months ended 30 June 2023, the group acquired items of fixed assets with a cost of HK$934 million, mainly attributable to the capital expenditure in respect of the hotel development project in London. In addition, the group recognised a net surplus on revaluation of investment properties of HK$222 million as at 30 June 2023.

During the six months ended 30 June 2023, an amount of HK$1,460 million bank borrowings was drawn by the group, mainly to fund the progress payments of its projects in London and Istanbul. The unrealised exchange loss on translation of the group's GBP loans also contributed to the increase in bank borrowings.

Financial Review

Summary of Hotel, Commercial and Other Properties

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

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

		30 June 2023		31 December 2022	
		Value of 100% of the property (HK$m)			
	Group's interest	**Fair value valuation****	**Book value**	Fair value valuation**	Book value
Hotel properties*					
The Peninsula Hong Kong	100%	**12,169**	**9,618**	12,053	9,533
The Peninsula New York	100%	**2,118**	**1,568**	2,118	1,574
The Peninsula Beijing	76.6%[Δ]	**1,126**	**1,055**	1,163	1,123
The Peninsula Tokyo	100%	**1,344**	**997**	1,459	1,103
The Peninsula Chicago	100%	**1,253**	**1,016**	1,253	1,038
The Peninsula Bangkok	100%	**617**	**533**	632	549
The Peninsula Manila	77.4%	**43**	**25**	42	28
The Peninsula Shanghai[#]	50%	**2,684**	**2,043**	2,787	2,157
The Peninsula Istanbul[#]	50%	**1,690**	**1,666**	1,517	1,517
The Peninsula Paris[#]	20%	**4,447**	**4,131**	4,338	4,110
The Peninsula Beverly Hills[#]	20%	**2,784**	**254**	2,784	260
		30,275	**22,906**	30,146	22,992
Commercial properties					
The Repulse Bay Complex	100%	**18,578**	**18,578**	18,468	18,468
The Peak Tower	100%	**1,351**	**1,351**	1,308	1,308
St. John's Building	100%	**1,185**	**1,185**	1,203	1,203
Apartments in Shanghai	100%	**367**	**367**	380	380
21 avenue Kléber	100%	**659**	**659**	647	647
The Landmark	70%[ΔΔ]	**19**	**19**	25	25
		22,159	**22,159**	22,031	22,031
Other properties					
Quail Lodge resort, golf course and vacant land	100%	**287**	**273**	287	270
Vacant land in Thailand	100%	**88**	**88**	90	90
Other properties for own use	100%	**396**	**189**	395	191
		771	**550**	772	551
Properties under development##					
The Peninsula London Hotel	100%	**7,204**	**7,204**	6,043	6,043
The Peninsula London Residences	100%	**5,854**	**5,854**	5,169	5,169
The Peninsula Yangon	70%	**128**	**128**	128	128
		13,186	**13,186**	11,340	11,340
Total market/book value		**66,391**	**58,801**	64,289	56,914

* The hotel properties (other than shopping arcades and offices within the hotels) and golf course are stated at cost less accumulated depreciation and any provision for impairment losses in the financial statements. Revaluation of these assets is conducted on an annual basis. The Directors consider that the fair values of these assets as at 30 June 2023 were not materially different from those as at 31 December 2022

** Including the shopping arcades and offices within the hotels

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

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

\# These properties are held by associates/joint ventures

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

Properties Under Development for Sale

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

During the period, an amount of HK$401 million (GBP42 million) construction in progress was incurred, bringing the cumulative cost of properties under development to HK$5,854 million (31 December 2022: HK$5,169 million) and such amount will be recovered through sales completions and be recognised as cost of inventories.

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

Other Long-Term Assets

The other long-term assets as at 30 June 2023 of HK$2,424 million (31 December 2022: HK$2,435 million) mainly comprised the group's 50% interest in The Peninsula Shanghai, the group's 50% interest in The Peninsula Istanbul, the group's 20% interest and the value of its operating right in The Peninsula Beverly Hills and the group's 20% interest and the value of its operating right in The Peninsula Paris.

Derivatives Financial Instruments

Derivative financial instruments represent the fair value of interest rate swaps contracts entered into by the group with financial institutions for hedging purposes. Under the interest rate swap arrangements, the group receives floating interest income and pays fixed interest expense.

Financial Review

Statement of Cash Flows

The condensed consolidated statement of cash flows of the group for the six months ended 30 June 2023 is set out on page 42. The following table summarises the key cash movements for the first six months of 2023.

	For the six months ended 30 June	
HK$m	**2023**	2022
Operating EBITDA (before pre-opening and project expenses)	**498**	109
Tax payment	**(20)**	(13)
Net cash generated from operating activities before net working capital movement	**478**	96
Changes in working capital	**(7)**	24
Normal capital expenditure on operating assets	**(98)**	(60)
Net cash inflow after normal capital expenditure	**373**	60
Project related cash flows		
Capital expenditure on new projects and investment		
– The Peak Tram	**(52)**	(94)
– The Peninsula London	**(982)**	(1,040)
– The Peninsula Yangon	**–**	(5)
– Capital injection into the Istanbul joint venture	**(269)**	(67)
Pre-opening and project expenses	**(136)**	(44)
Cash outflow for projects	**(1,439)**	(1,250)
Net cash outflow before dividends, other payments and financing activities	**(1,066)**	(1,190)

Treasury Management

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

The company manages its liquidity risk by constantly monitoring its loan portfolio and ensure there are sufficient borrowing facilities to meet its obligations and commitments. The company is in a robust funding position with HK$2.6 billion of unused committed facilities as at end of June 2023.

During the period, net borrowings, excluding lease liabilities, increased to HK$16.3 billion (31 December 2022: HK$14.6 billion) with average committed facility maturity at 1.9 years (31 December 2022: 2.2 years). The increase in net borrowings was mainly due to the progress payments made by the group for its two hotel projects. As at 30 June 2023, the group's net external debt to total assets remained moderate at 28% (31 December 2022: 26%).

As at end of June 2023, 57% of our total facilities are classified as green loans or sustainability linked loans. The company is committed to sustainable luxury and will continuously look for opportunities to establish green financing.

In addition to the group's consolidated borrowings, The Peninsula Beverly Hills (20% owned), The Peninsula Shanghai (50% owned) and The Peninsula Paris (20% owned) have non-recourse bank borrowings, which are not consolidated in the statement of financial position as the entities owning the assets are not subsidiaries of the company. Including the group's share of the gross debt of these non-consolidated entities, total gross borrowings, excluding lease liabilities, would amount to HK$17.4 billion at 30 June 2023 (31 December 2022: HK$16.3 billion).

The Peninsula Istanbul (50% owned) is exposed to operating costs which are mainly denominated in Lira and its lease obligation in EUR, whereas we consider its revenue to be EUR-based for rooms and businesses from overseas guests and Lira-based for local food and beverage businesses. We seek to match the cash flows to these two currencies as much as possible.

As at 30 June 2023, the group's fixed-to-floating interest rate ratio remained as at 46% (31 December 2022: 46%). The weighted average gross interest rate for the period increased to 4% (31 December 2022: 2.15%) after taking hedging activities into account.

Liquidity and Capital Commitments

As at 30 June 2023, the group's undrawn committed facilities and cash at banks and in hand amounted to HK$2.6 billion and HK$623 million respectively.

Given the group's liquidity position and taking into account the expected proceeds from the sales of The Peninsula London Residences, 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 in respect of its two hotel projects in London and Istanbul.

Corporate Governance and Other Information

Corporate Governance

The Board of Directors believes that our strong corporate culture, which is aligned with our purpose, values and strategy, is key to the economic success and sustainable growth of the group. The culture and values of the company provide a strong foundation for its core governance structure and work in tandem to sustain the group over the long term through business challenges, changing regulatory and market environment. By putting in place the right governance framework and ensuring strong emphasis on culture in the recruitment and conduct of senior management, our Board has incorporated a culture of integrity, accountability and transparency that permeates throughout the group. This in turn fosters productivity, strong branding and reputation which ultimately generates positive long-term shareholder value. The Governance section in the 2022 Annual Report reinforces the commitment of the Board of Directors and senior management to the high standards of the group's corporate governance, which supports the development of strong corporate culture throughout the group.

The Stock Exchange's Corporate Governance Code in Appendix 14 of the Listing Rules (CG Code) forms the basis of the HSH Corporate Governance Code (HSH Code). Our Board recognises the principles underlying the CG Code and has applied these principles to our corporate governance structure and practices which was disclosed in the Governance section in the 2022 Annual Report. Throughout the six months ended 30 June 2023, we have complied with all of the code provisions and recommended best practices in the CG Code, save for the publication of quarterly financial results and disclosure of individual senior management remuneration, as set out in the Corporate Governance Report on page 160 of the 2022 Annual Report.

Risk Management and Internal Control

Effective risk management plays an integral role in the overall achievement of the group's strategic objectives which are to ensure the resilience of our business for the long term, enhance the quality of our asset portfolio, deliver the highest standards of luxury, and to preserve the tradition of integrity and respect for our heritage. Details of the group's approach to risk governance and principal risks have been disclosed in the Governance section of the 2022 Annual Report.

The Board has considered and confirmed the Audit Committee's assessment of the effectiveness of risk management and internal control systems in the group. In particular, for the first half of 2023 no areas of concern which might materially affect the effectiveness of the group's operational, financial reporting and compliance controls were identified, and the existing risk management and internal control systems remained effective and adequate.

Corporate Responsibility and Sustainability

The group's *Sustainable Luxury Vision 2030 (Vision 2030)* guides us in responding to our environmental and social challenges in the coming decade. This strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention. We seek to address key issues we are facing in our business and in society through *Vision 2030* by focusing on our three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by 10 key commitments. Details can be found in our online 2022 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 in reference to the updated Global Reporting Initiative Sustainability Reporting Standards (GRI Standards). The CRS Report also references the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the Sustainability Accounting Standard Board (SASB). KPMG was commissioned to conduct limited 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.

Board and Board Committees

On 31 March 2023, Mr William E. Mocatta retired as a Non-Executive Director of the company, Mr Christopher S.M. Ip resigned as an Executive Director and the Chief Financial Officer of the company and Mr Diego A. González Morales was appointed as a Non-Executive Director of the company. The company is in the process of recruiting a suitable candidate to fill in the vacancy of the position of Chief Financial Officer and will publish further announcement once such appointment is confirmed.

Save for the above changes, the composition of the Board and Board committees as at the date of this Report is set out below:

Non-Executive Directors	Executive Directors	Independent Non-Executive Directors
The Hon. Sir Michael Kadoorie Ⓝ Ⓔ *Non-Executive Chairman* Andrew C.W. Brandler Ⓐ Ⓡ Ⓔ Ⓕ *Non-Executive Deputy Chairman* John A.H. Leigh Ⓔ Ⓕ Nicholas T.J. Colfer James L. Lewis Philip L. Kadoorie Diego A. González Morales	Clement K.M. Kwok Ⓔ Ⓕ *Managing Director and Chief Executive Officer* Peter C. Borer *Chief Operating Officer*	Dr the Hon. Sir David K.P. Li Ⓝ Patrick B. Paul Ⓐ Ⓡ Pierre R. Boppe Dr William K.L. Fung Ⓝ Dr Rosanna Y.M. Wong Ⓡ Dr Kim L. Winser Ada K.H. Tse Ⓐ

Governance Board Committees
Ⓐ Audit Committee
Ⓝ Nomination Committee
Ⓡ Remuneration Committee
● Chairman of the Committee

Other Board Committees
Ⓔ Executive Committee
Ⓕ Finance Committee
● Chairman of the Committee

Senior Management

There were no changes to the senior management composition during the reporting period and up to the date of this report. Biographical details of all senior management members are available on the company's website.

Disclosure under Rule 13.51B(1) of the Listing Rules

(a) Directors' remuneration

With effect from 1 January 2023, the basic compensation of the three Executive Directors was increased by 4%. The basis for determining the Directors' bonuses, incentives and retirement benefits remains unchanged.

The Board in December 2022 approved the recommendation of the Remuneration Committee on an increase of the fees payable to Chairman and members of Audit Committee to HK$200,000 and HK$165,000 respectively per annum. The revised fees took effect on 1 January 2023.

(b) Directors' information

Mr Nicholas Colfer was appointed as an Independent Non-Executive Director and a member of Audit Committee, Remuneration Committee and Nomination Committee of Nanyang Holdings Limited on 22 March 2023.

Save as disclosed above, as at 3 August 2023, being the date of approval of the company's Interim Report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of Directors are available on the company's website.

Corporate Governance and Other Information

Interests of Directors

As at 30 June 2023, the interests or short positions of the Directors of the company in the shares, underlying shares and debentures of the company or any associated corporation, within the meaning of Part XV of the Securities and Futures Ordinance (SFO), as recorded in the register required to be kept under section 352 of the SFO, are as follows:

Long position in shares of the company

	Capacity	Number of shares held in the company	% of total number of shares in issue of the company
The Hon. Sir Michael Kadoorie	Note (a)	848,805,369	51.460
Mr Clement K.M. Kwok	Beneficial Owner	760,122	0.046
Mr Peter C. Borer	Beneficial Owner	378,936	0.023
Mr John A.H. Leigh	Note (b)	84,170,232	5.103
Mr Philip L. Kadoorie	Note (c)	848,805,369	51.460
Dr the Hon. Sir David K.P. Li	Beneficial Owner	1,137,146	0.069
Mr Pierre R. Boppe	Beneficial Owner	30,000	0.002

Notes:

(a) The Hon. Sir Michael Kadoorie was deemed (by virtue of the SFO) to be interested in 848,805,369 shares in the company. These shares were held in the following capacity:

(i) 356,666,831 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder; and

(ii) 492,138,538 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary beneficiaries and the founder.

(b) Mr John A.H. Leigh was deemed (by virtue of the SFO) to be interested in 84,170,232 shares in the company. These shares were ultimately held by a discretionary trust. Mr John A.H. Leigh was deemed to be interested in such 84,170,232 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 84,170,232 shares.

(c) Mr Philip L. Kadoorie was deemed (by virtue of the SFO) to be interested in 848,805,369 shares in the company. These shares were held in the following capacity:

(i) 356,666,831 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries; and

(ii) 492,138,538 shares were ultimately held by a discretionary trust, of which Mr Philip L. Kadoorie is one of the discretionary beneficiaries.

Messrs Andrew Brandler, Nicholas Colfer, James Lewis, Diego González Morales, Patrick Paul; Dr William Fung, Dr Rosanna Wong, Dr Kim Winser and Ms Ada Tse who are Directors of the company have each confirmed that they had no interests in the shares of the company or any of its associated corporations as at 30 June 2023.

Certain Directors held qualifying shares in two subsidiaries of the company, on trust for the parent company of that subsidiaries.

Except as set out above, as at 30 June 2023, none of the Directors of the company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares and debentures of the company or its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept under section 352 of the SFO.

At no time during the period was the company, or its subsidiaries, or its associated companies, a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the company or of any other body corporate.

Interests of Senior Management

As at 30 June 2023, none of the senior management (other than Directors) had any interests in the shares and underlying shares of the company.

Interests of Substantial Shareholders

So far as is known to any Director of the company, as at 30 June 2023, shareholders (other than Directors of the company) who had interests or short positions in the shares and underlying shares of the company as recorded in the register required to be kept under section 336 of the SFO, are as follows:

Long position in shares of the company

(a) Substantial shareholders

	Capacity	Number of shares held in the company	% of total number of shares in issue of the company
Acorn Holdings Corporation	Beneficiary	261,682,888	15.87 (i)
Bermuda Trust Company Limited	Trustee/Interests of controlled corporations	345,853,120	20.97 (i)
Guardian Limited	Beneficiary/Interest of controlled corporation	84,170,232	5.10 (iii)
Harneys Trustees Limited	Trustee/Interests of controlled corporations	932,975,601	56.56 (iii)
Lawrencium Holdings Limited	Beneficiary	492,138,538	29.84 (ii)
Lawrencium Mikado Holdings Limited	Beneficiary	356,666,831	21.62 (ii)
The Magna Foundation	Beneficiary	356,666,831	21.62 (ii)
The Mikado Private Trust Company Limited	Trustee/Interests of controlled corporations	848,805,369	51.46 (ii)
The Oak Private Trust Company Limited	Trustee/Interests of controlled corporations	84,170,232	5.10 (iv)
Oak (Unit Trust) Holdings Limited	Trustee	84,170,232	5.10 (i)
Oak HSH Limited	Beneficiary	84,170,232	5.10 (iv)

Notes:

(i) Bermuda Trust Company Limited was deemed to be interested in the shares in which Acorn Holdings Corporation, Oak (Unit Trust) Holdings Limited and The Oak Private Trust Company Limited were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies.

(ii) The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited and Lawrencium Mikado Holdings Limited were deemed to be interested, either in the capacity as trustee of a discretionary trust and/or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested.

The interests of The Mikado Private Trust Company Limited in the shares of the company include the shares held by a discretionary trust of which The Hon. Sir Michael Kadoorie and/or Mr Philip L. Kadoorie are among the discretionary beneficiaries and/or a founder as disclosed in "Interests of Directors".

(iii) Harneys Trustees Limited was deemed to be interested in the shares in which The Mikado Private Trust Company Limited and Guardian Limited were deemed to be interested, either by virtue of having direct or indirect control over such companies and/or in the capacity as one of the trustees of a discretionary trust.

The shares in which Guardian Limited was deemed to be interested was duplicated within the interests attributed to Mr John A.H. Leigh in his capacity as one of the trustees of a discretionary trust as disclosed in "Interests of Directors".

(iv) The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak HSH Limited was deemed to be interested, either in the capacity as trustee of a discretionary trust and/or by virtue of having direct or indirect control over such company.

Corporate Governance and Other Information

(b) Other substantial shareholders

	Capacity	Number of shares held in the company	% of total number of shares in issue of the company
Mr Ng Chee Siong	Trustee	84,828,218	5.14[(i)]
Mr Philip Ng Chee Tat	Trustee	84,828,218	5.14[(i)]
Sino Hotels (Holdings) Limited	Interests of controlled corporations	84,828,218	5.14[(i)]

Note:

(i) Mr Ng Chee Siong and Mr Philip Ng Chee Tat, had trustee interest in their capacity as the co-executors of the estate of Mr Ng Teng Fong, who controlled Sino Hotels (Holdings) Limited and therefore they were both deemed to be interested in the 84,828,218 shares in which Sino Hotels (Holdings) Limited was deemed to be interested. Hence, the share interests of Mr Ng Chee Siong, Mr Philip Ng Chee Tat and Sino Hotels (Holdings) Limited as disclosed were duplicated.

Except as set out above, as at 30 June 2023, the company had not been notified of any substantial shareholder (other than Directors of the company) who had interests or short positions in the shares or underlying shares of the company that were recorded in the register required to be kept under section 336 of the SFO.

Interests of Any Other Person

As at 30 June 2023, the company had not been notified of any person other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of the company's listed securities by the company or any of its subsidiaries during the six months ended 30 June 2023.

Directors' and Specified Employees' Dealings with company securities

All Directors conducted their dealings in accordance with the company's Code for Dealing in the Company's Securities by Directors (Securities Code) which contains terms no less exacting than the 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). Directors must seek approval before engaging in any dealing.

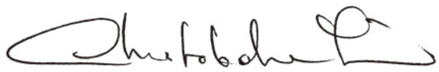
All Directors have confirmed their full compliance with the required standards set out in the Model Code and the Securities Code during the six months ended 30 June 2023.

Our Securities Code is extended to specified employees including senior management and leaders of key functions who may from time to time come across inside information. All specified employees have also confirmed their full compliance with the required standards set out in the adopted Code for Dealing in the Company's Securities by Specified Employees.

Interim Dividend

Given the marginal underlying profit and significant capital commitments of the company, the Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: Nil).

By Order of the Board



Christobelle Liao
Company Secretary
3 August 2023

Interim Financial Report

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

		For the six months ended 30 June	
	Note	**2023**	2022
Revenue	3	**2,445**	1,662
Cost of inventories		**(159)**	(110)
Staff costs and related expenses		**(1,072)**	(854)
Rent and utilities		**(230)**	(197)
Other operating expenses		**(622)**	(436)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)		**362**	65
Depreciation and amortisation		**(233)**	(230)
Operating profit/(loss)		**129**	(165)
Interest income		**6**	2
Financing charges	4	**(135)**	(91)
Net financing charges		**(129)**	(89)
Profit/(loss) after net financing charges	5	**0**	(254)
Share of results of joint ventures		**(71)**	(40)
Share of results of associates		**(8)**	(7)
Increase in fair value of investment properties	9(b)	**222**	426
Profit before taxation		**143**	125
Taxation			
Current tax	6	**(40)**	(19)
Deferred tax	6	**(8)**	29
Profit for the period		**95**	135
Profit attributable to:			
Shareholders of the company		**94**	134
Non-controlling interests		**1**	1
Profit for the period		**95**	135
Earnings per share, basic and diluted (HK$)	7	**0.06**	0.08

The notes on pages 43 to 58 form part of this interim financial report.

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

	For the six months ended 30 June	
	2023	2022
Profit for the period	**95**	135
Other comprehensive income for the period, net of tax		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of land and buildings held for own use upon transfer to investment properties	**0**	63
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of subsidiaries outside Hong Kong	**205**	(249)
– financial statements of joint ventures	**(225)**	(119)
– financial statements of and loans to an associate	**11**	(35)
– hotel operating rights and trademarks	**10**	(31)
	1	(434)
Cash flow hedges:		
– effective portion of changes in fair value	**107**	156
– transfer from equity to profit or loss	**(55)**	6
	52	162
Other comprehensive income for the period	**53**	(209)
Total comprehensive income for the period	**148**	(74)
Attributable to:		
Shareholders of the company	**147**	(75)
Non-controlling interests	**1**	1
Total comprehensive income for the period	**148**	(74)

The notes on pages 43 to 58 form part of this interim financial report.

Interim Financial Report

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

	Note	As at 30 June 2023	As at 31 December 2022
Non-current assets			
Investment properties		**33,114**	32,895
Other properties, plant and equipment		**15,103**	14,235
	9	**48,217**	47,130
Interest in joint ventures	11	**1,345**	1,372
Interest in associates	12	**457**	459
Hotel operating rights and trademarks	13	**460**	456
Derivative financial instruments	14	**409**	334
Deferred tax assets	15	**162**	148
		51,050	49,899
Current assets			
Inventories		**88**	87
Properties under development for sale	10	**5,854**	5,169
Derivative financial instruments	14	**–**	15
Trade and other receivables	16	**854**	826
Cash at banks and in hand		**623**	585
		7,419	6,682
Current liabilities			
Trade and other payables	17	**(1,718)**	(1,684)
Interest-bearing borrowings	18	**(3,247)**	(4,544)
Current taxation		**(43)**	(22)
Lease liabilities		**(158)**	(165)
		(5,166)	(6,415)
Net current assets		**2,253**	267
Total assets less current liabilities		**53,303**	50,166
Non-current liabilities			
Interest-bearing borrowings	18	**(13,679)**	(10,648)
Trade and other payables	17	**(97)**	(96)
Net defined benefit retirement obligations		**(18)**	(18)
Deferred tax liabilities	15	**(684)**	(657)
Lease liabilities		**(2,557)**	(2,627)
		(17,035)	(14,046)
Net assets		**36,268**	36,120
Capital and reserves			
Share capital	19	**5,837**	5,837
Reserves		**30,326**	30,179
Total equity attributable to shareholders of the company		**36,163**	36,016
Non-controlling interests		**105**	104
Total equity		**36,268**	36,120

The notes on pages 43 to 58 form part of this interim financial report.

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

	Attributable to shareholders of the Company							
		Reserves						
	Share capital	Hedging reserve	Exchange and other reserves	Retained profits	Total reserves	Total	Non-controlling interests	Total equity
Balance at 31 December 2021 and 1 January 2022	5,837	29	76	30,820	30,925	36,762	103	36,865
Changes in equity for the six months ended 30 June 2022								
Profit for the period	–	–	–	134	134	134	1	135
Other comprehensive income	–	162	(371)	–	(209)	(209)	–	(209)
Total comprehensive income for the period	–	162	(371)	134	(75)	(75)	1	(74)
Balance at 30 June 2022 and 1 July 2022	5,837	191	(295)	30,954	30,850	36,687	104	36,791
Changes in equity for the six months ended 31 December 2022								
Loss for the period	–	–	–	(622)	(622)	(622)	2	(620)
Other comprehensive income	–	96	(148)	–	(52)	(52)	–	(52)
Total comprehensive income for the period	–	96	(148)	(622)	(674)	(674)	2	(672)
Transfer to fixed assets	–	3	–	–	3	3	–	3
Capital contribution from non-controlling interests	–	–	–	–	–	–	4	4
Dividends paid to non-controlling interests	–	–	–	–	–	–	(6)	(6)
Balance at 31 December 2022 and 1 January 2023	5,837	290	(443)	30,332	30,179	36,016	104	36,120
Changes in equity for the six months ended 30 June 2023								
Profit for the period	**–**	**–**	**–**	**94**	**94**	**94**	**1**	**95**
Other comprehensive income	**–**	**52**	**1**	**–**	**53**	**53**	**–**	**53**
Total comprehensive income for the period	**–**	**52**	**1**	**94**	**147**	**147**	**1**	**148**
Balance at 30 June 2023	**5,837**	**342**	**(442)**	**30,426**	**30,326**	**36,163**	**105**	**36,268**

The notes on pages 43 to 58 form part of this interim financial report.

Interim Financial Report

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

	For the six months ended 30 June	
	2023	2022
Operating activities		
EBITDA	**362**	65
Tax paid	**(20)**	(13)
Net cash generated from operating activities before changes in working capital	**342**	52
Changes in working capital	**(7)**	24
Net cash generated from operating activities	**335**	76
Investing activities		
Development costs for The Peninsula London Residences	**(295)**	(325)
Capital expenditure on The Peninsula hotel in London	**(687)**	(715)
Capital expenditure on The Peninsula hotel in Yangon	**–**	(5)
Capital expenditure on the Peak Tram upgrade project	**(52)**	(94)
Capital injection into The Peninsula Istanbul joint venture	**(269)**	(67)
Capital expenditure on operating assets	**(98)**	(60)
Dividends received from an associate	**5**	7
Repayment of shareholder's loans from The Peninsula Shanghai joint venture	**–**	63
Net cash used in investing activities	**(1,396)**	(1,196)
Financing activities		
Interest received	**7**	3
Interest and other financing charges	**(279)**	(119)
Net withdrawal of interest-bearing bank deposits with maturity of more than three months	**(11)**	–
Net increase in bank borrowings	**1,460**	1,524
Capital element of lease rentals paid	**(38)**	(39)
Interest element of lease rentals paid	**(47)**	(49)
Net cash generated from financing activities	**1,092**	1,320
Net increase in cash and cash equivalents	**31**	200
Cash and cash equivalents at 1 January	**570**	466
Effect of changes in foreign exchange rates	**(4)**	(22)
Cash and cash equivalents at 30 June (note)	**597**	644

Note Analysis of cash and cash equivalents

	As at 30 June	
	2023	2022
Interest-bearing bank deposits	**284**	414
Cash at banks and in hand	**339**	243
Total cash at banks and in hand	**623**	657
Less: Interest-bearing bank deposits with maturity of more than three months	**(26)**	(13)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**597**	644

Total cash at banks and in hand at the end of the reporting period include deposits with banks of HK$303 million (30 June 2022: HK$296 million) held by certain subsidiaries outside Hong Kong which are subject to prevailing regulations and foreign exchange restrictions.

The notes on pages 43 to 58 form part of this interim financial report.

Notes to the unaudited interim financial report

1. Basis of preparation

The unaudited Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue by the Board of Directors of the company on 3 August 2023.

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are first effective for the current accounting period of the group. Details of these relevant changes in accounting policies are set out in note 2.

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

The Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs).

The Interim Financial Report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 59.

The financial information relating to the financial year ended 31 December 2022 that is included in the Interim Financial Report as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Interim Financial Report

2. Changes in accounting policies

The HKICPA has issued following amendments to HKFRSs that are first effective for the current accounting period of the group:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors*
- Amendments to HKAS 12, *Income taxes*

Except as described below, none of the above changes in accounting policies has had a material effect on the group's financial statements.

Amendments to HKAS 12, *Income taxes*

From 1 January 2023, the group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12 which requires entities to recognise associated deferred tax assets and liabilities on transactions such as leases of lessees and decommissioning obligations that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The group previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offsetting under paragraph 74 of HKAS 12.

There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the group relates to the disclosure of the deferred tax assets and liabilities recognised as presented in note 15 of this unaudited interim financial report.

The change in accounting policy will also be reflected in the group's consolidated financial statements as at and for the year ending 31 December 2023.

The policy for recognising and measuring income taxes in the interim period is consistent with that applied in the comparative interim period except for the changes outlined above.

3. Segment reporting (HK$m)

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

Hotels	This segment includes revenue generated from operating hotels, leasing of commercial shopping arcades and office premises located within the hotel buildings.
Commercial Properties	This segment is engaged in the development, leasing and sale of luxury residential apartments, leasing of retail and office premises (other than those in hotel properties), as well as operating food and beverage outlets in such premises.
Clubs and Services	This segment is engaged in the operation of golf course, 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 a reportable segment.

Interim Financial Report

3. Segment reporting (HK$m) continued

(a) Segment results (HK$m)

The results of the group's reportable segments for the six months ended 30 June 2023 and 2022 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	For the six months ended 30 June							
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Reportable segment revenue (see below)	**1,855**	1,206	**380**	333	**210**	123	**2,445**	1,662
Reportable segment operating profit/(loss) before interest, taxation, depreciation and amortisation (Reportable EBITDA)	**330**	(8)	**190**	158	**(22)**	(41)	**498**	109
Pre-opening and project expenses	**(136)**	(44)	**–**	–	**–**	–	**(136)**	(44)
EBITDA	**194**	(52)	**190**	158	**(22)**	(41)	**362**	65
Depreciation and amortisation	**(181)**	(209)	**(9)**	(12)	**(43)**	(9)	**(233)**	(230)
Segment operating profit/(loss)	**13**	(261)	**181**	146	**(65)**	(50)	**129**	(165)

Analysis of segment revenue:

	2023				2022			
	Recognise at a point in time	**Recognise over-time**	**Rental income on leases**	**Total**	Recognise at a point in time	Recognise over-time	Rental income on leases	Total
Hotels								
– Rooms	**–**	**897**	**–**	**897**	–	488	–	488
– Food and beverage	**526**	**–**	**–**	**526**	336	–	–	336
– Shopping arcades and offices	**–**	**17**	**249**	**266**	–	16	249	265
– Others	**114**	**52**	**–**	**166**	84	33	–	117
	640	**966**	**249**	**1,855**	420	537	249	1,206
Commercial Properties								
– Residential properties	**–**	**20**	**176**	**196**	–	20	189	209
– Offices	**–**	**6**	**44**	**50**	–	5	44	49
– Shopping arcades and others	**85**	**14**	**35**	**134**	28	15	32	75
	85	**40**	**255**	**380**	28	40	265	333
Clubs and Services								
– Golf club	**22**	**36**	**–**	**58**	24	39	–	63
– Peak Tram operation	**85**	**–**	**–**	**85**	3	–	–	3
– Peninsula Merchandising	**38**	**–**	**–**	**38**	42	–	–	42
– Others	**27**	**2**	**–**	**29**	13	2	–	15
	172	**38**	**–**	**210**	82	41	–	123
Total	**897**	**1,044**	**504**	**2,445**	530	618	514	1,662

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

3. Segment reporting (HK$m) continued

(b) Segment assets (HK$m)

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

The group's segment assets and unallocated assets as at 30 June 2023 and 31 December 2022 are set out as follows:

	As at 30 June 2023	As at 31 December 2022
Reportable segment assets		
Hotels	**27,758**	26,907
Commercial properties	**28,328**	27,410
Clubs and services	**1,189**	1,182
	57,275	55,499
Unallocated assets		
Derivative financial instruments	**409**	349
Deferred tax assets	**162**	148
Cash at banks and in hand	**623**	585
Consolidated total assets	**58,469**	56,581

4. Financing charges (HK$m)

	For the six months ended 30 June 2023	2022
Interest on bank borrowings	**369**	88
Interest on lease liabilities	**69**	71
Other borrowing costs	**17**	22
Total interest expense on financial liabilities carried at amortised cost	**455**	181
Derivative financial instruments:		
– cash flow hedges, transfer from equity	**(64)**	7
	391	188
Less: Interest expenses capitalised into		
– properties under development*	**(234)**	(75)
– right-of-use asset#	**(22)**	(22)
	135	91

* The borrowing costs have been capitalised at an average rate of 4.03% (2022: 2.11%).

\# Interest on lease liabilities have been capitalised at an average rate of 4.8% (2022: 4.8%).

Interim Financial Report

5. Profit/(loss) after net financing charges (HK$m)

Profit/(loss) after net financing charges is arrived at after charging:

	For the six months ended 30 June	
	2023	2022
Amortisation	**6**	6
Depreciation		
– owned properties, plant and equipment	**204**	198
– right-of-use assets	**23**	26

6. Taxation (HK$m)

	For the six months ended 30 June	
	2023	2022
Current tax		
Hong Kong profits tax	**27**	15
Overseas tax	**13**	4
	40	19
Deferred tax		
Decrease in net deferred tax liabilities relating to revaluation of overseas investment properties	**(2)**	(5)
Increase in deferred tax assets relating to tax losses recognised	**(13)**	(34)
Increase in net deferred tax liabilities relating to other temporary differences	**23**	10
	8	(29)
	48	(10)

The provision for Hong Kong profits tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is calculated at the current tax rates applicable in the relevant jurisdictions.

7. Earnings per share

(a) Earnings per share – basic

	For the six months ended 30 June	
	2023	2022
Profit attributable to shareholders of the company (HK$m)	**94**	134
Weighted average number of shares in issue (million shares)	**1,649**	1,649
Earnings per share (HK$)	**0.06**	0.08

	2023	2022
	(million shares)	*(million shares)*
Issued shares at 1 January	***1,649***	*1,649*
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of final dividends	**–**	–
Weighted average number of shares in issue at 30 June	***1,649***	*1,649*

(b) Earnings per share – diluted

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2023 and 2022 and hence the diluted earnings per share is the same as the basic earnings per share.

8. Dividends (HK$m)

No dividends were approved or paid to shareholders of the company during the periods ended 30 June 2023 and 2022.

Interim Financial Report

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

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

	Land	Right-of-use assets	Hotel and other buildings held for own use	Motor vehicles, plant and equipment	Construction in progress	Sub-total	Investment properties	Total
Cost or valuation:								
At 1 January 2023	679	2,885	8,247	5,614	6,916	24,341	32,895	57,236
Exchange adjustments	(8)	(63)	(164)	(60)	324	29	(25)	4
Additions – London hotel	-	-	-	-	832	832	-	832
Additions – others	-	22	7	57	16	102	22	124
Disposals	-	-	-	(2)	-	(2)	-	(2)
Transfer	-	-	-	1	(1)	-	-	-
Fair value adjustment	-	-	-	-	-	-	222	222
At 30 June 2023	671	2,844	8,090	5,610	8,087	25,302	33,114	58,416
Representing:								
Cost	671	2,844	8,090	5,610	8,087	25,302	-	25,302
Valuation – 2023	-	-	-	-	-	-	33,114	33,114
	671	2,844	8,090	5,610	8,087	25,302	33,114	58,416
Accumulated depreciation and impairment losses:								
At 1 January 2023	246	392	4,543	4,246	679	10,106	-	10,106
Exchange adjustments	(5)	(11)	(63)	(53)	-	(132)	-	(132)
Charge for the period	-	23	82	122	-	227	-	227
Written back on disposals	-	-	-	(2)	-	(2)	-	(2)
At 30 June 2023	241	404	4,562	4,313	679	10,199	-	10,199
Net book value:								
At 30 June 2023	430	2,440	3,528	1,297	7,408	15,103	33,114	48,217
At 31 December 2022	433	2,493	3,704	1,368	6,237	14,235	32,895	47,130

(b) Valuation of investment properties

All investment properties of the group were revalued as at 30 June 2023 using the income capitalisation approach by applying a capitalisation rate to the expected rental income adjusted for the quality and location of the building, which are the same valuation techniques as were used by the valuers when carrying out the December 2022 valuations. The changes in fair value of the investment properties during the period were accounted for in the consolidated statement of profit or loss. The valuations were carried out by valuers independent of the group, who have staff with recent and relevant experience in the location and category of the properties being valued. Discussions have been held with the valuers on the valuation assumptions and valuation results when the valuation is performed at the reporting date.

As a result of the revaluation, a net revaluation surplus of HK$222 million (six months ended 30 June 2022: revaluation surplus of HK$426 million) has been included in the consolidated statement of profit or loss.

10. Properties under development for sale

Properties under development for sale comprise 25 luxury apartments which are part of The Peninsula London development project with an overall site area of approximately 67,000 square feet. The planned gross floor area of the apartments is approximately 119,000 square feet.

As at 30 June 2023, the group has exchanged contracts for approximately 70% of the apartments by number of units with an aggregate sales value of over HK$5,465 million (GBP550 million).

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.

11. Interest in joint ventures (HK$m)

	As at 30 June 2023	As at 31 December 2022
Share of net assets	**887**	914
Loans to a joint venture (note 11(b))	**458**	458
	1,345	1,372

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

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
The Peninsula Shanghai Waitan Hotel Company Limited (PSW)*	Incorporated	PRC	US$117,500,000 (31 December 2022: US$117,500,000)	50%	Hotel investment and apartments held for sale
PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT)**	Incorporated	Türkiye	TRY3,753,197,428 (31 December 2022: TRY2,390,697,428)	50%	Hotel investment

* PSW holds a 100% interest in The Peninsula Shanghai.

** PIT holds a 100% interest in The Peninsula Istanbul, which opened for business on 14 February 2023.

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

(c) PSW has pledged its properties inclusive of the land use rights as security for a loan facility amounting to RMB1,220 million (HK$1,319 million) (31 December 2022: RMB1,220 million (HK$1,336 million)). As at 30 June 2023, the loan drawn down amounted to RMB964 million (HK$1,042 million) (31 December 2022: RMB974 million (HK$1,090 million)). The net carrying amount of these pledged assets amounted to RMB2,303 million (HK$2,490 million) (31 December 2022: RMB2,348 million (HK$2,628 million)).

Interim Financial Report

12. Interest in associates (HK$m)

	As at 30 June 2023	As at 31 December 2022
Interest in associates	**457**	459

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

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

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

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

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

(b) Included in the balance of interest in associates are unsecured long-term loans to 19 Holding of HK$423 million (31 December 2022: HK$426 million). The loans were made pro rata to the group's shareholding in 19 Holding; bear interest rates at 2.9% (2022: 3.25%) and are repayable in December 2027.

(c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR227 million (HK$1,934 million) (31 December 2022: EUR227 million (HK$1,887 million)). As at 30 June 2023, the loan drawn down amounted to EUR227 million (HK$1,934 million) (31 December 2022: EUR227 million (HK$1,887 million)). As at 30 June 2023, the net carrying amount of these pledged assets amounted to EUR485 million (HK$4,131 million) (31 December 2022: EUR495 million (HK$4,114 million)).

(d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US$112 million (HK$874 million) (31 December 2022: US$114 million (HK$889 million)). As at 30 June 2023, the loan drawn down amounted to US$112 million (HK$874 million) (31 December 2022: US$114 million (HK$889 million)). As of 30 June 2023, the net carrying amount of the pledged assets amounted to US$33 million (HK$254 million) (31 December 2022: US$33 million (HK$260 million)).

13. Hotel operating rights and trademarks (HK$m)

	2023
Cost	
At 1 January	**676**
Exchange adjustments	**12**
At 30 June	**688**
Accumulated amortisation	
At 1 January	**(220)**
Exchange adjustments	**(2)**
Amortisation for the period	**(6)**
At 30 June	**(228)**
Net book value	**460**

Hotel operating rights and trademarks represent the cost attributable to securing the group's rights to operate The Peninsula Beverly Hills and The Peninsula Paris as well as the cost of acquisition of certain trademarks for The Peninsula Istanbul. Hotel operating rights and trademarks are amortised on a straight-line basis over the terms of the relevant operating periods of The Peninsula Beverly Hills, The Peninsula Paris and The Peninsula Istanbul respectively.

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

14. Derivative financial instruments (HK$m)

	2023		2022	
	Assets	**Liabilities**	Assets	Liabilities
Cash flow hedges:				
Interest rate swaps	**409**	**–**	349	–
	409	**–**	349	–
Less: Portion to be settled within one year				
Cash flow hedges:				
Interest rate swaps	**–**	**–**	(15)	–
	–	**–**	(15)	–
Amount to be settled after one year	**409**	**–**	334	–

Interim Financial Report

15. Deferred tax assets and liabilities (HK$m)

The components of deferred tax (assets)/liabilities of the group recognised in the consolidated statement of financial position and the movement during the period are as follows:

	Revaluation of investment properties	Tax allowances in excess of the related depreciation	Provisions and others	Tax losses	Cash flow hedges	Right-of-use assets	Lease liabilities	Total
Deferred tax arising from:								
At 31 December 2022 and 1 January 2023	253	866	(26)	(586)	56	460	(514)	509
Exchange adjustments	(5)	(6)	–	2	–	(34)	37	(6)
Charged to reserve	–	–	–	–	11	–	–	11
Charged/(credited) to profit or loss	(1)	10	16	(13)	–	(7)	3	8
At 30 June 2023	**247**	**870**	**(10)**	**(597)**	**67**	**419**	**(474)**	**522**

Deferred tax assets and liabilities are netted off when the taxes relate to the same taxation authority and where offsetting is legally enforceable.

The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	2023	2022
Deferred tax assets	**162**	148
Deferred tax liabilities	**(684)**	(657)
	(522)	(509)

16. Trade and other receivables (HK$m)

	As at 30 June 2023	As at 31 December 2022
Trade debtors	**333**	345
Rental deposits, payments in advance and other receivables	**510**	469
Tax recoverable	**11**	12
	854	826

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$206 million (31 December 2022: HK$177 million). The remaining trade and other receivables are expected to be recovered or recognised as expenses within one year.

16. Trade and other receivables (HK$m) continued

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

The ageing analysis of trade debtors is as follows:

	As at 30 June 2023	As at 31 December 2022
Current	**297**	298
Less than one month past due	**12**	22
One to three months past due	**19**	9
More than three months but less than 12 months past due	**5**	16
Amounts past due	**36**	47
	333	345

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

17. Trade and other payables (HK$m)

	As at 30 June 2023	As at 31 December 2022
Trade creditors	**115**	137
Interest payable	**40**	23
Accruals for properties, plant and equipment and properties under development for sale	**384**	398
Tenants' deposits	**291**	279
Guest deposits and gift vouchers	**229**	181
Other payables	**756**	762
Financial liabilities measured at amortised cost	**1,815**	1,780
Less: Non-current portion of trade and other payables	**(97)**	(96)
Current portion of trade and other payables	**1,718**	1,684

The amount of trade and other payables of the group expected to be settled or recognised as income after more than one year is HK$222 million (31 December 2022: HK$175 million). The remaining trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Interim Financial Report

17. Trade and other payables (HK$m) continued

The ageing analysis of trade creditors is as follows:

	As at 30 June 2023	As at 31 December 2022
Less than three months	**97**	125
Three to six months	**10**	5
More than six months	**8**	7
	115	137

18. Interest-bearing borrowings (HK$m)

	As at 30 June 2023	As at 31 December 2022
Total facilities available:		
Term loans and revolving credits	**19,456**	18,659
Uncommitted facilities, including bank overdrafts	**356**	413
	19,812	19,072
Utilised		
Term loans and revolving credits	**16,826**	15,098
Uncommitted facilities, including bank overdrafts	**143**	142
	16,969	15,240
Less: Unamortised financing charges	**(43)**	(48)
	16,926	15,192
Represented by:		
Long-term bank loans, repayable within one year	**3,247**	4,544
Short-term bank loans and overdrafts, repayable on demand	**–**	–
	3,247	4,544
Long-term bank loans, repayable:		
Between one and two years	**3,172**	1,067
Between two and five years	**10,550**	9,629
Over five years	**–**	–
	13,722	10,696
Less: Unamortised financing charges	**(43)**	(48)
Non-current portion of long-term bank loans	**13,679**	10,648
Total interest-bearing borrowings	**16,926**	15,192

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

19. Share capital

	At 30 June 2023		At 31 December 2022	
	No. of shares (million)	**HK$m**	No. of shares (million)	HK$m
Ordinary shares, issued and fully paid				
At 1 January	**1,649**	**5,837**	1,649	5,837
Shares issued under scrip dividend scheme	**–**	**–**	–	–
At 30 June 2023/31 December 2022	**1,649**	**5,837**	1,649	5,837

All ordinary shares issued during the period rank pari passu in all respects with the existing shares in issue.

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

20. Fair value measurement of financial instruments

(a) Financial instruments carried at fair value

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

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

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

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

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

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

Financial instruments are carried at amounts not materially different from their fair values as at 30 June 2023. The carrying amounts of the loans to an associate (note 12) approximate their fair values. The loans to a joint venture (note 11) are unsecured, interest free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose its fair value.

Interim Financial Report

21. Commitments (HK$m)

Capital commitments outstanding as at 30 June 2023 not provided for in the Interim Financial Report were as follows:

	As at 30 June 2023			As at 31 December 2022		
	Contracted for	**Authorised but not contracted for**	**Total**	Contracted for	Authorised but not contracted for	Total
Capital commitments in respect of existing properties and new projects	**540**	**2,316**	**2,856**	238	3,281	3,519
The group's share of capital commitments of joint ventures and associates	**105**	**101**	**206**	235	149	384
	645	**2,417**	**3,062**	473	3,430	3,903

22. Material related party transactions

There were no material related party transactions during the six months ended 30 June 2023, other than the nature of those as disclosed in the group's annual financial statements for the year ended 31 December 2022.

Review Report to the Board of Directors

The Hongkong and Shanghai Hotels, Limited (incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the Interim Financial Report set out on pages 38 to 58 which comprises the consolidated statement of financial position of The Hongkong and Shanghai Hotels, Limited as of 30 June 2023 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the Interim Financial Report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the Interim Financial Report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

3 August 2023

Shareholder Information

Company Website

www.hshgroup.com
Email: corpaffairs@peninsula.com

Investor Enquiries

www.hshgroup.com/investors
Email: ir@hshgroup.com

Corporate Responsibility and Sustainability Enquiries

www.hshgroup.com/sustainable-luxury
Email: cr@hshgroup.com

Registered Office

8th Floor, St. George's Building,
2 Ice House Street, Central, Hong Kong
Tel: (852) 2840 7788
Fax: (852) 2810 4306

Share Information

Stock Code: 00045

Request for Feedback

To improve the quality of our interim reporting, we welcome your feedback via email to ir@hshgroup.com or by post to our registered office.

Shareholder Services

For enquiries about share transfer and registration, please contact the company's Share Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Customer Services Hotline: (852) 2862 8555
Fax: (852) 2865 0990/2529 6087
Online Enquiries:
www.computershare.com/hk/en/online_feedback

Shareholders may at any time change their choice of language or means of receipt of the company's corporate communications by notice in writing to the company's Share Registrar or email to hsh.ecom@computershare.com.hk.

Reservations and Contact Addresses

Hotels

The Peninsula Hong Kong
Salisbury Road, Kowloon
Hong Kong
Tel: +852 2920 2888
Fax: +852 2722 4170
Email: reservationphk@peninsula.com

The Peninsula Shanghai
No. 32 The Bund
32 Zhong Shan Dong Yi Road
Shanghai 200002
The People's Republic of China
Tel: +86-21 2327 2888
Fax: +86-21 2327 2000
Email: reservationpsh@peninsula.com

The Peninsula Beijing
8 Goldfish Lane, Wangfujing
Beijing 100006
The People's Republic of China
Tel: +86-10 8516 2888
Fax: +86-10 6510 6311
Email: reservationpbj@peninsula.com

The Peninsula Tokyo
1-8-1 Yurakucho, Chiyoda-ku
Tokyo, 100-0006, Japan
Tel: +81-3 6270 2888
Fax: +81-3 6270 2000
Email: reservationptk@peninsula.com

The Peninsula Bangkok
333 Charoennakorn Road
Klongsan, Bangkok 10600 Thailand
Tel: +66-2 020 2888
Fax: +66-2 020 2889
Email: reservationpbk@peninsula.com

The Peninsula Manila
Corner of Ayala and
Makati Avenues
1226 Makati City, Metro Manila
Republic of The Philippines
Tel: +63-2 8887 2888
Fax: +63-2 8815 4825
Email: reservationpmn@peninsula.com

The Peninsula New York
700 Fifth Avenue at 55th Street
New York, NY 10019, USA
Tel: +1-212 956 2888
Fax: +1-212 903 3949
Toll Free: +1-800 262 9467 (USA only)
Email: reservationpny@peninsula.com

The Peninsula Chicago
108 East Superior Street
(at North Michigan Avenue)
Chicago, Illinois 60611, USA
Tel: +1-312 337 2888
Fax: +1-312 751 2888
Toll Free: +1-866 288 8889 (USA only)
Email: reservationpch@peninsula.com

The Peninsula Beverly Hills
9882 South Santa Monica
Boulevard, Beverly Hills
California 90212, USA
Tel: +1-310 551 2888
Fax: +1-310 788 2319
Toll Free: +1-800 462 7899
(USA and Canada only)
Email: reservationpbh@peninsula.com

The Peninsula London
1 Grosvenor Place,
London, SW1X 7HJ, UK
Tel: +44 20 3959 2888
Fax: +44 20 8138 6999
E-mail: reservationpln@peninsula.com

The Peninsula Paris
19 avenue Kléber
Paris, France, 75116
Tel: +33 1 5812 2888
Fax: +33 1 5812 2999
Email: reservationppr@peninsula.com

The Peninsula Istanbul
Karaköy, Kemankeş
Karamustafapaşa Mahallesi,
Kemankeş Caddesi No:34,
34425 Beyoğlu, Istanbul, Türkiye
Tel: +90 212 931 2888
Fax: +90 212 931 2999
E-mail: reservationpit@peninsula.com

Global Customer Service Centre
The Peninsula Hong Kong
Salisbury Road, Kowloon
Hong Kong
Tel: +852 2926 2888
Fax: +852 2732 2933
Email: reservationgcsc@peninsula.com

Toll free from
Argentina 0800 888 7227
Australia 1 800 116 888
Bahrain 800 065 90
Brazil 0800 891 9601
Canada 1866 308 8881
Mainland China 4001 200 618
France 0800 915 980
Germany 0800 181 8418
India 000 800 852 1388
Italy 800 789 365
Japan 0120 348 288
South Korea 00798 8521 6388
Mexico 01 800 123 4646
Saudi Arabia* 800 865 6047
Singapore 800 8526288
Spain 900 931 106
Switzerland 0800 562 923
Taiwan 00801856908
Thailand 1800011888
Türkiye 00 80049240880005
UAE 800 065 0628
United Kingdom 08007830388
United States of America 1 866 382 8388

* Toll free access number is only available through Saudi Telecom Company

Reservations and Contact Addresses

Commercial Properties

The Repulse Bay

109 Repulse Bay Road, Hong Kong
Tel: +852 2292 2888
Fax: +852 2812 2176
Email: info@therepulsebay.com

The Peak Tower and The Peak Tram

No. 1 Lugard Road, The Peak, Hong Kong
Tel: +852 2849 7654
Fax: +852 2849 6237
Email: info@thepeak.com.hk

St. John's Building

33 Garden Road, Central, Hong Kong
Tel: +852 2849 7654
Fax: +852 2849 6237
Email: sjbmanagement@peninsula.com

The Landmark

5B Ton Duc Thang Street, District 1
Ho Chi Minh City, Vietnam
Tel: +84-28 3822 2098
Email: info@thelandmarkvietnam.com

Clubs and Services

Quail Lodge & Golf Club

8205 Valley Greens Drive, Carmel
California 93923, USA
Tel: +1-831 624 2888
Fax: +1-831 624 4621
Toll Free: +1-866 675 1101 (USA only)
Email: lodgedesk@quaillodge.com

Peninsula Merchandising Limited

4/F, The Peninsula Office Tower,
18 Middle Road, Tsim Sha Tsui,
Kowloon, Hong Kong
Tel: +852 2696 6969
Fax: +852 2193 6900
Email: pml@peninsula.com

Tai Pan Laundry & Dry Cleaning Services, Limited

Unit 2, 1/F, Block B, Po Yip Building
62-70 Texaco Road, Tsuen Wan
Hong Kong
Tel: +852 2612 2008
Fax: +852 2419 0505
Email: tpl@peninsula.com

Websites

The Hongkong and Shanghai Hotels, Limited

www.hshgroup.com

The Peninsula Hotels

www.peninsula.com

The Repulse Bay

www.therepulsebay.com

The Peak Tower and The Peak Tram

www.thepeak.com.hk

The Landmark

www.thelandmarkvietnam.com

Quail Lodge & Golf Club

www.quaillodge.com

Peninsula Merchandising Limited

www.peninsulaboutique.com

Tai Pan Laundry & Dry Cleaning Services, Limited

www.taipanlaundry.com

The Hongkong and Shanghai Hotels, Limited
香港上海大酒店有限公司

www.hshgroup.com

MIX
Paper | Supporting responsible forestry
FSC™ C007445
FSC
www.fsc.org