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

2023 Annual Results

FINANCIAL HIGHLIGHTS

HK$m	2023	2022	% change
Revenue	**8,112**	4,198	93%
EBITDA before pre-opening and project expenses and other non-recurring expenses	**1,390**	518	168%
EBITDA	**1,098**	399	175%
Profit/(loss) attributable to shareholders	**146**	(488)	n/a
Underlying profit/(loss)	**277**	(205)	n/a
Shareholders' funds	**36,279**	36,016	1%
Earnings/(loss) per share (HK$)	**0.09**	(0.30)	n/a
Underlying profit/(loss) per share (HK$)	**0.17**	(0.12)	n/a
Dividends per share (HK cents)	**8**	–	n/a
Audited net assets per share (HK$)	**22.00**	21.84	1%
Adjusted net assets share per share (HK$)	**24.92**	24.46	2%

- 2023 was a milestone year for our group, with the opening of our two new Peninsula Hotels in London and Istanbul. This is the first time in the 157 years of our history that two Peninsula hotels have opened in the same year.
- We are pleased to report a strong rebound in business during 2023 compared to the challenging situation in the same period in 2022. With the opening up of Greater China in 2023, our Peninsula hotels in Hong Kong, Shanghai and Beijing enjoyed significantly improved operating results.
- Our operating results in the US were stable, with good average rates in New York. The Peninsula Paris continued to achieve high rates and revenue growth. The Peninsula Tokyo and The Peninsula Manila performed well and recorded historically high average rates. The Peninsula Bangkok also saw significant revenue growth although we are hoping to see a stronger recovery in the coming year.
- Our non-hotel properties and other businesses, particularly the Peak Tram, also recorded improvements year-on year.
- The group's profit attributable to shareholders amounted to HK$146 million compared to a loss of HK$488 million in 2022. Excluding the revaluation adjustments on investment properties, the non-recurring and non-operating expenses, the group's underlying profit amounted to HK$277 million compared to an underlying loss of HK$205 million in 2022.
- Overall, the group's combined revenue and combined EBITDA, including the group's effective share of revenue and EBITDA of associates and joint ventures, increased by 89% and 146% to HK$8,703 million and HK$1,469 million respectively. Excluding the results of the newly opened The Peninsula Istanbul and The Peninsula London as well as The Peninsula London Residences, the group's combined revenue and combined EBITDA amounted to HK$6,181 million and HK$1,360 million, representing an increase of 34% and 128% respectively.
- As is often typical in the hospitality industry, to support the opening of new hotels, our results were impacted by significant amounts of non-recurring, pre-opening and project expenses of HK$311 million that were incurred by the group during the year. In addition, as the new hotels require time to ramp up to a stabilised stage of operations, earnings and full room inventory, operating losses of HK$258 million (of which HK$129 million was shared by the group) and HK$193 million were incurred by The Peninsula Istanbul and The Peninsula London respectively during their soft opening periods.

FINANCIAL HIGHLIGHTS

	2023	2022	Increase/ (Decrease)
PROFIT OR LOSS HIGHLIGHTS (HK$m)			
Combined revenue^	**8,703**	4,610	89%
Revenue	**8,112**	4,198	93%
EBITDA	**1,098**	399	175%
EBITDA before pre-opening and project expenses and other non-recurring expenses^^	**1,390**	518	168%
Operating profit/(loss)*	**578**	(53)	n/a
Profit/(loss) attributable to shareholders	**146**	(488)	n/a
Profit/(loss) per share (HK$)	**0.09**	(0.30)	n/a
Underlying profit/(loss)**	**277**	(205)	n/a
Dividends	**132**	–	–
Dividends per share (HK cents)	**8**	–	–
Cash interest cover (times)$^{\Delta}$	**1.3x**	0.8x	57%
Weighted average interest rate	**4.4%**	2.2%	2.2pp
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**57,869**	56,581	2%
Audited net assets attributable to shareholders	**36,279**	36,016	1%
Adjusted net assets attributable to shareholders#	**41,091**	40,341	2%
Audited net assets per share (HK$)	**22.00**	21.84	1%
Adjusted net assets per share (HK$)#	**24.92**	24.46	2%
Net external borrowings	**15,033**	14,607	3%
Funds from operations to net external debt##	**7%**	3%	4pp
Net external debt to equity attributable to shareholders	**41%**	41%	0pp
Net external debt to total assets	**26%**	26%	0pp
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from operating activities before taxation	**3,435**	488	
Capital expenditure on operating assets	**(314)**	(200)	
Capital expenditure on new projects	**(2,299)**	(2,625)	
SHARE INFORMATION (HK$)			
Highest share price	**8.93**	9.26	
Lowest share price	**5.65**	6.05	
Year end closing share price	**5.84**	8.12	

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

^^ Pre-opening and project expenses and other non-recurring 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 2023 figure includes a special provision amounting to HK$33 million set aside by the group as a donation to support those affected by the devastating earthquake that occurred in Türkiye in February 2023, just before The Peninsula Istanbul soft opened. This "Hope for Türkiye" fundraising campaign was initiated by the group from 13 February 2023 to 31 December 2023. A contribution of EUR10 was donated for every occupied room night by our 10 participating hotels

* Being EBITDA minus depreciation and amortisation

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

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

\# Adjusted net assets attributable to shareholders and adjusted net assets per share are calculated by adjusting the group's hotels and golf courses to fair market value based on the valuation conducted by independent property valuers, net of tax

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

pp Denotes percentage points

CEO STATEMENT AND STRATEGIC REVIEW

1. The Year in Review

2023 was a milestone year for our group, with the opening of our two new Peninsula Hotels in London and Istanbul. This is the first time in the 157 years of our history that two Peninsula hotels have opened in the same year and I would like to give credit to the enormous effort made by each and every person involved in bringing these hotel projects to fruition. They are magnificent hotels that have already become significant landmarks and I believe they are giving us a strong foundation for the future of The Peninsula brand. As is our usual practice, both of these hotels are operated by us, and have been developed and are owned by the company; in the case of Istanbul, in partnership with Galataport.

We are pleased to report a strong rebound in business during 2023 compared to the challenging situation in the same period in 2022, when many of our key markets were still recovering from the pandemic. In the hotels division, the opening up of Greater China in February 2023 was a key factor in improving our operating results for this region, with The Peninsula Hong Kong, The Peninsula Shanghai and The Peninsula Beijing gradually enjoying improved business performance, especially from the domestic Chinese mainland market. However, the business results of our hotels in Greater China remain below pre-Covid levels due to a shortfall in international travellers from Western countries.

Our operating results in The Peninsula New York, The Peninsula Chicago and The Peninsula Beverly Hills were stable, with good average rates in New York. The Peninsula Paris continued to achieve high rates and revenue growth. The Peninsula Tokyo and The Peninsula Manila performed well and recorded historically high average rates. The Peninsula Bangkok also saw significant revenue growth although we are hoping to see a stronger recovery in the coming year.

Our non-hotel properties and other businesses recorded improvements year-on-year. The occupancy levels in our residential leasing business at The Repulse Bay have recovered significantly, although we are hoping the rental rates will improve further with more expatriates returning to live in Hong Kong. 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.

Overall, we believe that our operational results were pleasing and reflect an emerging recovery from the difficult years of the pandemic. However, our net profit for the year was affected by the substantial pre-opening expenses of the Peninsula London project as well as the losses incurred by The Peninsula London and The Peninsula Istanbul after their soft openings in 2023, although these were partly offset by the gain realised by The Peninsula London residential sales that have been completed.

Our long-term philosophies and values remain steadfast. I will summarise this strategy in the following pages.

2. Our culture, vision and development strategy

The Hongkong and Shanghai Hotels, Limited has a heritage of 157 years. Whilst we have witnessed profound political and economic changes since we were first established in 1866, both in our home market of Hong Kong and around the world, our company remains steadfast in our key philosophies and values which are:

– to conduct business with the highest levels of integrity;

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

– to maintain and enhance the quality of our assets,

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

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

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

Having ownership or part-ownership of each hotel is an important part of our strategy and allows us to maintain an appropriate degree of control over the design, quality, operations and capital spending in our hotels. By taking such a long-term view and by maintaining and enhancing the quality of our assets and operations, we seek to create significant value for our shareholders from the long-term appreciation in the capital value of our properties, as well as from the increasing operating yield as each property grows its income over time.

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

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

3. Business overview

Our group currently owns and operates twelve Peninsula hotels which are located in Hong Kong, Shanghai, Beijing, Tokyo, New York, Chicago, Beverly Hills, London, Paris, Istanbul, Bangkok and Manila.

Every new Peninsula hotel opening heralds an era of hope, optimism and new beginnings. We are very proud to have developed and opened The Peninsula London and The Peninsula Istanbul during 2023 and these properties are truly magnificent in terms of location, design, and service, significantly enhancing our brand presence in Europe.

The Peninsula London opened in September 2023 and 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. It features 190 rooms and 24 luxury Peninsula-branded residential apartments for sale. It has been designed to embody the finest British craftsmanship and artistry combined with our renowned Peninsula service.

The Peninsula Istanbul opened in February 2023 and occupies a quartet of graceful waterfront buildings in the historic Karaköy district, near landmarks such as the Galata Tower, The Hagia Sophia Mosque, and The Blue Mosque. Many of the hotel's 177 lavish guest rooms and suites offer sweeping Bosphorus views, and direct access to the property's magnificent gardens, expansive outdoor pool, private boat dock, and luxury boutiques.

Throughout the years we have maintained a significant investment programme to enhance the physical condition and quality of our existing properties, for example, by completing major renovations at The Peninsula Hong Kong in 2014, The Peninsula Chicago in 2016 and The Peninsula Beijing in 2017. In 2024 we are undertaking a renovation of The Peninsula New York.

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

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

Peninsula Merchandising Limited develops and distributes Peninsula-branded merchandise including the famous Peninsula Mooncakes, as well as artisanal chocolates and high-quality tea. We operate Peninsula Boutiques in key gateway cities in China, Asia and the US, including a boutique at Hong Kong International Airport, and several Peninsula hotels. We opened new pop-up stores in 2023 and online business was successful during the year. We are planning to expand the business further, with new boutiques and pop-ups in the Chinese mainland market and Japan.

Our clubs and services division includes the Peak Tram, which was first established in 1888 and has been owned and operated by our group since the early 1900s. Following its significant upgrade project which was completed in 2022, the Peak Tram has performed exceptionally well and has been very well received by Hong Kong people and overseas visitors alike.

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

4. Projects Update

The Peninsula London

The Peninsula London held its soft opening on 12 September 2023 and opened with the Lobby and partial inventory of ten rooms, ramping up to 80 rooms by the end of September, 170 rooms by end of December and full inventory of 190 rooms available from 1 March 2024. Both signature restaurants were opened by the end of September 2024.

Full project practical completion was achieved on 4 March 2024, although a list of snagging and improvement works has been identified that is being executed and will be completed in the first six months of 2024.

We are in the process of preparing and agreeing final accounts with our trade contractors and consultants, which will include finalisation of programme delay costs. We continue to target that the finalisation of such accounts will enable us to come within the previously disclosed project budget approved by the Board in October 2022.

The Peninsula Istanbul

The Peninsula Istanbul soft opened on 14 February 2024 with a partial inventory of 23 rooms, gradually building up to 80 rooms by March 2023 and the full inventory of 177 rooms by 1 August 2023. We began works on the GALLADA rooftop restaurant extension and the Peninsula Suite internal staircase in early January, and the restaurant is temporarily closed during the construction period between January and April 2024. The majority of the final accounts have been settled and we expect the final project cost to be close to budget.

The Peninsula New York

We are undertaking a significant renovation of The Peninsula New York at a cost of HK$352 million which will result in a significantly improved lobby, rooftop bar and public areas. This renovation started in phases in January 2024 and will be completed by end of summer 2024.

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.

Regrettably, we have agreed with our partners to stop work for the time being on The Peninsula Yangon project as of June 2021 and we will continue to evaluate the situation in Myanmar. In the meantime, the joint venture is conducting some façade and roofing works to better weatherproof, maintain and better protect this heritage building.

5. Financial results and financial planning

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

As a result of our continuous investment into and enhancement of our property assets, the company's revalued net asset value per share has more than doubled in the last two decades to HK$24.92 per share in 2023.

We continue to carefully monitor our company's financial position and we continuously take a proactive approach to forecasting future funding requirements.

We maintain sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to finance our growth and development. Our net debt to total assets ratio is currently 26%, which we believe to be acceptable considering the financial obligations of our new developments. With business resuming to normal levels as well as the gradual handover and completion of our purchased London residences, it is expected that the group's gearing will reduce in the coming year.

We are pleased to report a continued rebound in business in 2023. As is often typical in the hospitality industry to support the opening of new hotels, our results were impacted by significant amounts of pre-opening project expenses that were incurred by the group during the year. Additionally, as the new hotels require time to ramp up to a stabilised stage of operations and earnings, operating losses of HK$258 million (of which HK$129 million was shared by the group) and HK$193 million were incurred by The Peninsula Istanbul and The Peninsula London respectively. These results were partly offset by the after-tax profit of HK$251 million realised by the group on the sale of 10 luxury Peninsula Residences in London.

Overall, the group's combined revenue and combined EBITDA, including the group's effective share of revenue and EBITDA of associates and joint ventures, increased by 89% and 146% to HK$8,703 million and HK$1,469 million respectively. Excluding the results of the newly opened The Peninsula Istanbul and The Peninsula London and The Peninsula London Residences, the group's combined revenue and combined EBITDA amounted to HK$6,181 million and HK$1,360 million, representing an increase of 34% and 128% respectively.

The group recorded a net gain of HK$186 million on revaluation of investment properties in 2023 compared to a net revaluation loss of HK$152 million in last year. After accounting for depreciation, net financing charges, taxation and share of results of joint ventures and associates, the company's profit attributable to shareholders amounted to HK$146 million compared to a loss of HK$488 million in 2022. Excluding the revaluation adjustments on investment properties, the non-recurring and non-operating expenses and the operating losses incurred by The Peninsula Istanbul and The Peninsula London, the group's underlying profit amounted to HK$277 million compared to an underlying loss of HK$205 million in 2022.

6. Driving business

We believe the fundamentals of luxury hospitality do not change over time and I am confident that demand for high quality service will continue long into the future.

The group's diverse portfolio of assets helps to balance the cyclical nature of the hotel industry. Our main revenue sources derive from our hotel rooms, driven by global distribution systems, digital marketing and e-commerce revenue, as well as travel agents and partners and online platforms. On the retail side, we maintain good relationships with our tenants and engage in joint promotions to encourage traffic into our arcades. We also derive significant revenue from residential leasing in our luxury property portfolio.

In recent years, a major focus of our strategy has been to attract and retain retail tenants in our hotel arcades, particularly in Hong Kong, Beijing and Shanghai, and we were pleased with the mix of tenants achieved during the year and renewed interest from anchor tenants. We welcomed new retail tenants in London and Istanbul from luxury brands. Although the market for luxury residential leasing was softer in Hong Kong due to the weak business environment, The Repulse Bay is widely recognised as one of the most attractive luxury residences on the South Side, and we are undertaking a strategic review of our retail business and arcades in that property. We are also reviewing the retail mix at the Peak Tower following the reopening of the Peak Tram.

To continue to drive brand awareness, The Peninsula's new global advertising campaign, *Peninsula Perspectives*, was placed within key media channels in our target markets throughout the year. The video-led campaign features colleagues from our Hong Kong, London and Istanbul properties showcased in the cities we call home.

For our hotels, we continued to personalise the guest experience, inviting them to experience "Life Lived Best". This initiative provides guests at all Peninsula properties with opportunities to pursue their fitness, mindfulness, and nutritional goals, with access through a dedicated Wellness Portal and 24-hour Wellness Concierge service.

Appreciation of art and supporting local artists is a key part of our strategic marketing plan. Through activations on properties, as well as access to the important cultural institutions, The Peninsula provides guests and visitors the opportunity to engage with immersive, experiential art, creating memories that will last for a lifetime. The brand's Art in Resonance program that showcases emerging and mid-career artists was seen across some of the properties and will be making a major return in 2024.

Our Sales teams travel extensively to meet in person around the world with PenClub members (Peninsula's top travel partners), with key travel partners from the Leisure and Meetings, Incentives, Conventions and Exhibitions (MICE) world, host events in our properties to showcase the brand and our know-how and attend key worldwide travel tradeshows.

Our company has its own in-house research and technology department which focuses on researching and developing the latest innovation for guest rooms and enhancing the customer experience. The team is exploring developments in voice recognition, artificial intelligence, robotics, and the latest technological innovations.

7. Managing risk

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

In 2023, we continued to navigate issues such as a global labour shortage in the hospitality sector, rising inflation and energy costs, geopolitical tensions and continued threats such as cybersecurity threats. Environmental, climate and social risks, including rising sea levels, has become a major focus and to be considered as company's principal risks going forward, our Group Risk Committee will continue to look into enhancement of internal controls to manage the strategic risks of the group. We will also focus on enhancing communication, inspiring greater awareness and ownership of risks and controls across the group.

8. Our people

Our commitment to talent acquisition and retention remains strong, driven by the industry-wide workforce shortage and the rising demand for flexible work arrangements and work-life effectiveness in a post-pandemic world. We continuously enhance our People and Culture strategies to adapt to evolving needs as we align our compensation and benefits package with market trends to ensure they remain relevant and appealing to our talent.

Building an exceptional team of people is crucial to the success of our organisation. We have further enhanced our talent acquisition programmes, featuring campus tours and informative talks in key countries such as China, Switzerland, and the United States, to allow us to attract top talent. Over the past year, we proudly welcomed over 1,200 new team members for The Peninsula Istanbul, The Peninsula London and Peninsula Merchandising China. Our strong company culture fosters loyalty and commitment, and it has been key in guiding us through the pandemic. We remain dedicated to preserving this culture.

In our global employee experience survey conducted this year, I am happy to share that we have achieved our highest participation rate to date with a 92% voluntary response rate across the group. We scored an engagement score of 78%, which is 5% higher than that of the global score for general industry. An impressive 90% of our employees expressed their intent to stay with the company beyond one year and up to over five years, and 89% shared that we are meeting, exceeding or greatly exceeding expectations in their work.

Besides attracting and retaining talented individuals, we are also focused on nurturing the growth of our people and cultivating meaningful global careers. Our Executive Development Programme (EDP) aims to create a talent pipeline for future senior management roles through enhancement of core business knowledge and building of peer networks over a span of 18 months. Our 12-month-long Emerging Manager Programme (EMP) for emerging managers in each operation aims to foster connections and knowledge through departmental rotations. These two programmes are part of an increasing diversity of leadership and training programmes, along with online resources, that we offer to empower our employees and support their professional development.

Our Core Principles support and help build a solid foundation for the Peninsula Services Principles (PSP) framework for all employees. In the past year, all of our hotel operations, along with Peninsula Merchandising Limited, have successfully completed the PSP foundation training. We are currently developing specialised PSP training modules for The Peak Complex and The Repulse Bay that fit their bespoke guest experience.

Through our WorkPlace 2025 Initiative, we continue our work in modernising our workplace and effectively transform our teams through innovation and empowerment. I am pleased to share that our new employee communications portal MyHSH Hub has been launched globally. The platform will serve as a virtual extension of HSH to enhance communication and information sharing and supplement the work we do. Another focus of the initiative is adapting to modern working trends to attract and retain a younger workforce. Head Office has implemented a once-a-week work from home policy, while three of our US properties, namely The Peninsula Chicago, The Peninsula New York and Quail Lodge & Golf Club, will also offer once-a-week to eligible colleagues in 2024.

Looking forward, we will continue to invest in our people to support their growth and development through comprehensive learning and development programmes, and implementing employee engagement initiatives to foster empowerment, trust and open communication.

As of 31 December 2023, there were 7,695 full time employees in the group.

9. 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. This year marks the tenth year since the launch of our formal 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.

During 2023, unusual climate events occurred in some parts of the world where we have hotels, and as mentioned in our risk section, we are becoming increasingly concerned about the risks posed by climate change to our ecosystems, businesses and human health. As a group we are exploring how to reduce our own impact on the environment, implement measures to mitigation climate risks, and take proactive climate actions to facilitate a low carbon transition. With this in mind, we continue to identify further energy saving and renewable energy adoption opportunities that will be key in our roadmap towards a net zero goal, which will entail shorter and longer-term actions to decarbonise our operations. This roadmap will also be key for us to plan ahead for resource and capital expenditure allocation to facilitate the transition to reach our goals.

As owner and operator of our hotels and properties, we are in a unique position to always act decisively and with genuine intent in our sustainability approach, while maintaining unparalleled service standards. The addition of two new hotels this year – The Peninsula London and The Peninsula Istanbul demonstrate our commitment to building for the future and creating value in the long term. The two new hotels in London and Istanbul are on track to achieve international green building certification "BREEAM Excellent", with sustainable design elements incorporated. Their environmental impact was minimised during the construction and operation stages, and we have considered future climate resiliency for these properties. For the first time this year, The Peninsula Hotels is on-track to achieve a group Earthcheck certification for all 10 of our existing hotels, in recognition of their robust environmental management processes and commitment to continuous operational improvements on sustainability.

Starting in 2021, we further integrated sustainability into our overall business and financing strategy by obtaining green financing mechanisms to generate working capital on sustainability-related capital expenditure and initiatives. As at 31 December 2023, we have signed a total of HK$13.1 billion sustainability-linked and green loans.

We will continue to be guided by our *Sustainable Luxury Vision 2030* strategy, which serves as a compass for who we are today, and what our hopes are for the future. More details can be read in our Corporate Responsibility and Sustainability Report.

10. Outlook

The outlook for our various businesses is generally favourable, particularly in Greater China. In Hong Kong, the long-haul market for leisure travellers remains weak and geopolitical tensions remain a concern in terms of welcoming leisure visitors from the US to Greater China. We are confident that the new Peak Tram is an attractive experience for visitors and we are seeing greater numbers of visitors from around the Asian region visiting the Peak. 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. We expect to see continued growth in Japan and Paris, while Beijing and Shanghai have a strong outlook with good business expected from the domestic market. Rates remain high in the US and the outlook is stable.

The new Peninsula London and Peninsula Istanbul hotels are truly spectacular and have significantly enhanced our brand presence in Europe. They have already achieved several industry awards and accolades and are receiving very positive reviews from guests as well as extensive media coverage.

On the commercial property side, we will continue to invest in our existing assets and uplift our offering to visitors and residents. We are planning a renovation of the Repulse Bay retail arcade as well as exploring a repositioning of The Peak Tower.

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, as well as recruit new talent. Our unique company culture is one of our greatest assets.

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.

On a personal level, in October 2024, I will retire as CEO after 22 years and will stay as an Executive Director and Advisor to the new CEO until May 2025. During my tenure, we have seen the Peninsula hotel portfolio grow from seven to 12. I have led the company through the developments of The Peninsula Tokyo, The Peninsula Shanghai, The Peninsula Paris, The Peninsula Istanbul and The Peninsula London, as well as The Peninsula London Residences. We also completed significant renovations of The Peak Tram and Peak Tower, as well as complete transformations of The Peninsula Chicago, The Peninsula Beijing and The Peninsula Manila. I have also been a champion of sustainability, chairing the Corporate Responsibility and Sustainability (CRS) Committee for more than ten years. More recently, I initiated WorkPlace 2025, with the objective of modernising the workplace and creating a more meaningful and purpose-led environment for employees.

None of this would have been possible without the excellent partnership I have had with my COO Peter Borer and the hard work, loyalty and support of all our management and staff. I am truly indebted to them and I am proud that we have developed a strong organisation, team members and culture that I believe will stand the company in good stead for the future. I would especially like to pay tribute to Peter Borer for his 42 years of dedicated service to the Peninsula group, during which time he has built and maintained the exceptional hospitality standards that represent our brand. He has led the stylistic direction of the brand in terms of interior designs, advertising and overall brand image over all these years.

I would like to thank each member of my team for their loyalty and dedication in offering the world-class hospitality that Peninsula is known for, and thank you to our Chairman, our Board, and shareholders for your trust in me during my tenure. It has been a privilege to serve you.

Clement Kwok
19 March 2024

OPERATIONAL REVIEW

BUSINESS PERFORMANCE

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

Hotels Division

Hotels	**Revenue**	**Variance Year-on-Year**	
	HK$m	**HK$**	**Local Currency**
Consolidated hotels			
The Peninsula Hong Kong	1,039	+51%	+51%
The Peninsula Beijing	328	+63%	+71%
The Peninsula New York	766	+7%	+7%
The Peninsula Chicago	617	+7%	+7%
The Peninsula London*	129	n/a	n/a
The Peninsula Tokyo	741	+69%	+78%
The Peninsula Bangkok	207	+48%	+44%
The Peninsula Manila	224	+44%	+45%
Non-consolidated hotels			
The Peninsula Shanghai	460	+54%	+61%
The Peninsula Beverly Hills	616	–4%	–4%
The Peninsula Istanbul**	191	n/a	n/a
The Peninsula Paris	714	+28%	+23%

* *Opened on 12 September 2023 with a gradual buildup of inventory*

** *Opened on 14 February 2023 with a gradual buildup inventory*

The Peninsula Hong Kong

The Peninsula Hong Kong		
Revenue	HK$1,039m	+51%
Occupancy		+21pp
Average Room Rate		+65%
RevPAR		+226%

In 2023, **The Peninsula Hong Kong** experienced a strong recovery in terms of revenue, occupancy and average rates, compared to the previous year 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. We hope to see this market picking up in 2024 and are working with our travel agency partners as well as our local airline Cathay Pacific to promote Hong Kong as a destination.

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 and we extended this collaboration throughout the year. To drive F&B revenue, we once again partnered with *Le French May* to host exclusive concerts and dinners In December, we celebrated the 70th anniversary of our French fine dining restaurant *Gaddi's* with a Gala Dinner. Our Festive campaign "The Peninsula Express" and collaboration with Chanel to decorate the Lobby was highly popular and attracted queues of guests in December.

In the Condé Nast Traveller Readers' Choice Awards, we were pleased to be ranked No.6 in the "Best Hotels in the World" category, and The Peninsula Hong Kong was also the only hotel from Asia to make it into the top 10, winning No.1 "Best Hotels in Asia – Hong Kong and Macau".

The Peninsula Office Tower was 86% occupied in 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. We also collaborated with Make-A-Wish Foundation.

The Peninsula Shanghai

The Peninsula Shanghai		
Revenue	RMB417m	+61%
Occupancy		+33pp
Average Room Rate		+14%
RevPAR		+154%

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 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. We welcomed high level overseas delegations in summer 2023, with Russia and the Middle Eastern markets being particularly strong. Business from the diplomatic sector was robust. Food and beverage revenue was stable and wedding and events started to come back.

The Peninsula Arcade was 83% occupied during the year. 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 31 December 2023, a total of 32 apartment units have been sold.

The Peninsula Beijing

The Peninsula Beijing		
Revenue	RMB298m	+ 71%
Occupancy		+42pp
Average Room Rate		+11%
RevPAR		+287%

The Peninsula Beijing experienced a very strong 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, although business travel from overseas is resuming. This is also party due to the lack of a full return to normal flight capacity in Beijing. However, the hotel attracted several high level government and diplomatic delegations.

Food and beverage revenue was strong with good performance at *Huang Ting* and *The Lobby*, and banqueting picked up significantly year-on-year. Spa revenue was very strong following the introduction of a new product line, and our festive campaign was extremely popular amongst local guests.

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 98% 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	JPY13.35b	+78%
Occupancy		+11pp
Average Room Rate		+89%
RevPAR		+133%

In 2023 **The Peninsula Tokyo** recorded the best performing year in the history of the hotel, with rates, occupancy and RevPAR exceeding our expectations due to a return of international business from US, UK, South Korea and Hong Kong, and we achieved the highest revenue since the hotel opened. The local domestic market was also strong, as Japanese travellers chose to stay at home rather than travel overseas.

Food and beverage performed well, with a double-digit increase in average checks. Although weddings business was flat, due to societal changes in Japan, general banquets experienced strong demand, with top-tier luxury brands hosting multi-day events. *Hei Fung Terrace* and *The Lobby* recorded good results. At *Peter Bar* we implemented private dining events, jazz performances and a new Guest Bartender Series with top mixologists from all over Japan offering innovative cocktails that were popular with guests.

We commenced a new 24-hour concierge service which proved popular with US guests, as the overseas market is heavily reliant on concierge services in Japan.

The arcade business was robust and we introduced a new beauty salon tenant as well as a new luxury car tenant.

Due to the strong market and intense competition, the labour market was difficult and we implemented several strategies to attract and retain staff.

The Peninsula Bangkok

The Peninsula Bangkok		
Revenue	THB916m	+44%
Occupancy		+12pp
Average Room Rate		+28%
RevPAR		+73%

The Peninsula Bangkok experienced significant revenue growth 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, partly caused by a lack of flight capacity.

The mix of travellers into Thailand was predominantly Asian, led by Malaysia, China and India, with European and American travellers not yet coming back to the region due to geopolitical tensions.

We have seen a healthy increase in rate over 2023 and continued rate increases into 2024. The occupancy levels are increasing but not yet at pre-Covid levels. RevPAR saw a good increase year on year of 73% The catering and wedding business has improved significantly, as has the restaurant business, with all outlets in the hotel fully operational.

The hotel continues its well-regarded wellness programme under 'Life Lived Best' and has further elevated the 'Art in Resonance' programmes with artist in residence programmes, collaborations with local galleries and government institutions as well as the faculties of arts of the main Thai universities.

The Peninsula Manila

The Peninsula Manila		
Revenue	Php1,596m	+45%
Occupancy		+9pp
Average Room Rate		+21%
RevPAR		+41%

The Peninsula Manila achieved historically high average room rates and RevPAR compared to 2022, which had been affected by stringent government travel restrictions. Occupancy also improved significantly year-on-year.

Suite business remained strong and our *Club Lounge* performed well, contributing more than 35 percent of rooms revenue. Food and beverage performance was robust, with *The Lobby*, *Spices* and *Escolta* all performing well. Our fine dining restaurant *Old Manila*, which was closed during 2022, reopened in early 2023 with a new chef and received positive reviews from guests. Our popular bar *Salon de Ning* reopened in early 2023 and is performing well. The festive season in Manila is always strong, starting in September. Wedding business was robust, with a large wedding fair held in April 2023.

The majority of our guests were international, coming 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$98m	+7%
Occupancy		+1pp
Average Room Rate		+5%
RevPAR		+7%

The Peninsula New York experienced a reasonably strong year compared to 2022, although we started the year conscious that the initial so-called “revenge travel after the pandemic had started to taper off in the US market. We achieved record high average daily rates. Business was fueled by the corporate sector. We spent a significant effort during the year building community ties and working with local business leaders to drive revenue from the local market in New York City.

Food and beverage revenue was satisfactory, with our innovative Turkish-themed evenings and DJ nights at our rooftop bar performing well during the summer, and *Clement* restaurant was open for breakfast and lunch.

The Peninsula New York was proud to feature artworks by James (Jim) Lambie, a Scottish contemporary artist. During the festive season we were excited to announce a collaboration with New York City’s iconic toy store, FAO Schwarz, with a special family stay package. We also donated US$10 for each Festive Afternoon Tea to The New York Center for Children (NYCC).

In January 2024 we started a significant renovation of the Lobby and reception area, guestrooms, public areas and our rooftop bar *Salon de Ning*, which will be renamed as "*PenTop*". We expect the renovation to be completed later in 2024 and will be carried out with minimal disruption to guests.

The Peninsula Chicago

The Peninsula Chicago		
Revenue	US$79m	+7%
Occupancy		+4pp
Average Room Rate		–4%
RevPAR		+3%

The Peninsula Chicago recorded a stable 2023 compared to the previous year, although average rates declined slightly. Groups business remained strong and several large-scale conferences and conventions were held in the city, 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. The *Peter Rabbit* afternoon tea initiative, introduced in March, was very popular in Chicago.

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, in collaboration with EXPO CHICAGO.

The hotel's results were somewhat negatively affected by increasing labour costs and high energy costs. Crime remains a major problem in Chicago city centre and we have taken steps to increase our security and offer a safe and secure environment for guests and staff.

We were delighted to win the accolade of 'Best City Hotel in the Continental U.S' in Travel + Leisure's Worlds' Best Awards, and '#2 Hotel in the World' in LA LISTE's Top 1,000 World's Best Hotels.

The Peninsula Beverly Hills

The Peninsula Beverly Hills		
Revenue	US$79m	–4%
Occupancy		–5pp
Average Room Rate		+2%
RevPAR		–6%

The Peninsula Beverly Hills experienced a softer than expected performance in 2023 with improved average rates year-on-year, while 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 spring and summer 2023, which negatively affected our rooftop and pool areas as well as weekend guests and drive-in visitors. The perception of increasing crime in the city also deterred visitors.

This property has traditionally received a significant amount of business from the film and entertainment industries, and unfortunately the Writers' Strike last year has affected many major events and conferences due to production of movies being on hold.

We received very high suite demand due to the Superbowl and the Milken Conference returning to Los Angeles. Food and beverage performed well and 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.

We were pleased to achieve the accolade of "Best Hotel in the US" by *Global Traveler*.

The Peninsula London

The Peninsula London		
Revenue	GBP13m	n/a
Occupancy		n/a
Average Room Rate		n/a
RevPAR		n/a

The Peninsula London held its soft opening on 12 September 2023 and opened with a partial inventory of ten rooms, ramping up to 80 rooms by the end of September, 170 rooms by end of December and a full inventory of 190 rooms available from 1 March 2024. *The Lobby* was opened on 12 September 2023 and both signature restaurants of *Brooklands and Canton Blue* were opened by the end of September 2023.

Full project practical completion was achieved on 4 March 2024, although a list of snagging and improvement works has been identified that is being executed and will be completed in the first six months of 2024.

We are in the process of preparing and agreeing final accounts with our trade contractors and consultants, which will include finalisation of programme delay costs. We continue to target that the finalisation of such accounts will enable us to come within the previously disclosed project budget approved by the Board in October 2022.

The Peninsula London has achieved phenomenal media coverage and positive reviews to date. Rooms business is gaining momentum month by month and banquets and Spa are performing well. Food and beverage is strong, with waitlists for our Cantonese restaurant *Canton Blue* and daily queues for our rooftop bar *Brooklands*. The fine dining restaurant of *Brooklands* was bestowed with two Michelin stars in January 2024.

Prior to opening we had implemented a robust stakeholder engagement plan in order to cement our position in the local community, with local Peninsula Ambassadors who are high profile leaders in their respective industries, and this has helped us to drive business form the local London market. There has been huge media interest and we are hosting dozens of media stays. The outlook for the year ahead is very strong.

The Peninsula London Complex comprises a 190-room hotel and 24 luxury Peninsula-branded Residences. During 2023, the sales of a total of 10 luxury Residences were legally completed, generating total proceeds of HK$2.3 billion. Of the remaining 14 residential units, a total of eight Residences have exchanged contracts as of 31 December 2023. The gross proceeds of these exchanged Residences amounting to HK$3.5 billion will be recognised as revenue upon the completion of transfer of legal titles.

The Peninsula Paris

The Peninsula Paris		
Revenue	EUR84m	+23%
Occupancy		+2pp
Average Room Rate		+20%
RevPAR		+27%

The Peninsula Paris experienced a strong 2023, achieving the highest revenue and average room rates since the hotel opened in 2014. France and particularly Paris was once again voted the world's favourite destination and attracts not only leisure travellers but also high-level business delegations, as well as Meetings, Incentives, Conventions and Exhibitions (MICE) visitors, with high numbers of US and Middle East visitors.

We have focused heavily on promoting the hotel locally in the city as a glamorous Parisian destination and we are delighted to welcome increasing numbers of local French visitors. We held several high-profile events which attracted local celebrities and VIPs, including the reopening party of *Le Rooftop*, which achieved prominent local media coverage, and events related to Paris Fashion Week.

We were thrilled to announce that in November 2023, our Pastry Chef Anne Coruble won the accolade of International Pastry Chef of the Year by *La Liste* and our rooftop restaurant *L'Oiseau Blanc* once again achieved two Michelin stars.

We are looking forward to a strong year in 2024 and are already fully booked for the Olympics to be held in Paris in summer 2024.

The Peninsula Istanbul

The Peninsula Istanbul		
Revenue	EUR23m	n/a
Occupancy		n/a
Average Room Rate		n/a
RevPAR		n/a

The Peninsula Istanbul soft opened on 14 February 2024 with a partial inventory of 23 rooms, gradually building up to 80 rooms by March 2023 and the full inventory of 177 rooms by 1 August 2023. The project was fully complete by August 2023, although we are undertaking some additional work on the GALLADA rooftop restaurant extension and the Peninsula Suite internal staircase in early January, and the restaurant is temporarily closed until April 2024. The majority of the final accounts have been settled and we expect the final project cost to be close to budget.

Following its soft opening, the hotel has already received significant positive media coverage and received several awards and accolades including "Best New Hotel" by *Virtuoso* and "No.1 Best New Hotel" by *Traveller's World*.

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, which opened on 7 July 2023, has received positive reviews and has become popular with local celebrities and high society.

The Peninsula Istanbul forms part of the wider Galataport project which originally was subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul was granted a corresponding 30-year fixed term lease. Our partners secured an extension of the operating right from 30 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.

Türkiye is still grappling with hyperinflation and this weighs heavily on the hotel's operating results. We are formulating strategies to manage the fluctuating costs.

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 implemented a global fundraising campaign, *Hope for Turkiye*, whereby a portion of our room rates from around the world contributed to the rescue efforts.

Commercial Properties Division

Commercial Properties	**Revenue**	**Variance Year-on-Year**	
	HK$m	**HK$**	**Local Currency**
The Repulse Bay Complex	556	+5%	+5%
The Peak Tower	137	+228%	+228%
St. John's Building	47	–2%	–2%
The Landmark	40	+4%	+6%
21 avenue Kléber	26	+23%	+19%
The Peninsula Shanghai Apartments	6	–11%	–6%

Our largest commercial property, **The Repulse Bay Complex**, reported increased revenue compared to the previous year, with strong banqueting revenue.

Residential revenue and occupancy improved at 101 Repulse Bay and de Ricou following a slight refurbishment of 60 apartments, and we are pleased to see demand returning from both the local market and expatriates who are returning or moving to Hong Kong. We reported positive leasing renewals during the summer months and our long-term outlook is positive.

The Repulse Bay, with its beautiful ocean views, is one of Hong Kong's most popular venue for weddings and our weddings business was particularly strong during the year. We also collaborated with luxury car brands for their launch events and promotional events and this brought significant media attention to the property as well as car *aficionados*.

The Repulse Bay Shopping Arcade, which offers a diverse range of lifestyle amenities and services, reported stable occupancy and revenue. We are undertaking a strategic review of the arcade in order to offer unique and enhanced facilities to the local community We have completed an uplift of *Spices* terrace with new furniture and will continue to formulate plans to revitalise the property.

The Peak Tower experienced a satisfactory year 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 which was very well received by locals and has been popular with visitors since the mainland Chinese borders reopened in March 2023. 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. Visitors to Sky Terrace 428 improved significantly compared to the previous year, due to successful sales of "combo" tickets with the Peak Tram.

St John's Building is located above the lower terminus of the Peak Tram and offers an excellent location for office space. Revenue decreased slightly and occupancy dropped slightly to 88% during 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 2023. Revenue and occupancy for the offices improved year-on-year, and residential revenue and occupancy also improved compared to the previous year. The lease for the Landmark will expire in 2026 and we are exploring options for the property.

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

Clubs and Services Division

Clubs and Services	Revenue	Variance	
	HK$m	HK$	Local Currency
The Peak Tram	221	+669%	+669%
Quail Lodge & Golf Club	228	+12%	+12%
Peninsula Clubs & Consultancy Services	5	+22%	+22%
Peninsula Merchandising	315	+29%	+29%
Tai Pan Laundry	59	+61%	+61%

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, which was launched in August 2022 following a major upgrade, has been very well received by Hong Kong people and visitors. Since the Chinese mainland borders reopened in March 2023, business has been robust, with record patronage of 186,540 achieved during the National Day Holidays in October. We implemented a new pricing scheme for Peak Tram tickets in December 2023 with the objective of managing demand.

Quail Lodge & Golf Club reported a positive year with increased revenue and robust average rates although RevPAR declined 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 celebrated the 20th anniversary of *The Quail*, *A Motorsports Gathering* in August 2023. This has become one of the world's leading concours events for motoring *aficionados*, with the highest sponsorship revenue achieved since the event started in 2003. The "Peninsula Classics Best of the Best Award" was held at Quail in August 2023.

Peninsula Clubs & Consultancy Services (PCCS) manages The Hong Kong Club, Hong Kong Bankers Club and The Refinery. PCCS reported a slight improvement in revenue compared to the same period last year, mainly due to the increase in management fees received for all three clubs (The Hong Kong Club, Hong Kong Bankers Club and The Refinery) as we saw business recovery in 2023.

Peninsula Merchandising had a year of expansion and development and was able to grow its revenue. One particular highlight was when we opened our first flagship standalone Peninsula Boutique & Café in the Chinese mainland in Xintiandi, Shanghai. We also launched direct operations in China across retail, e-commerce and corporate sales channels. We opened another new Peninsula Boutique & Café in Matsuya, Ginza department store in Japan and reported solid growth across all operations in Japan. We operate a Peninsula Boutique at Hong Kong International Airport and this has recorded strong growth, and has rebounded well after being closed until December 2022 due to the pandemic.

Our strategy in the coming year is to continue progressing with expansion across the Chinese Mainland and Japan with new boutiques and seasonal pop ups. In Hong Kong we will have new pop ups for key seasonal gifting seasons, including one in the luxury department store Lane Crawford during Chinese New Year 2024.

We are preparing to launch new categories of products including "lifestyle" to develop a broader range of luxury gifting. We are expanding the range across core categories such as chocolate, tea and delicacies, in order to introduce our brand in new markets.

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

Projects

The Peninsula London

The Peninsula London held its soft opening on 12 September 2023 and opened with the Lobby and partial inventory of ten rooms, ramping up to 80 rooms by the end of September, 170 rooms by end of December and full inventory of 190 rooms available from 1 March 2024. Both signature restaurants were opened by the end of September 2024. Full project practical completion was achieved on 4 March 2024, although a list of snagging and improvement works has been identified that is being executed and will be completed in the first six months of 2024.

We are in the process of preparing and agreeing final accounts with our trade contractors and consultants, which will include finalisation of programme delay costs. We continue to target that the finalisation of such accounts will enable us to come within the previously disclosed project budget approved by the Board in October 2022.

The Peninsula Istanbul

The Peninsula Istanbul soft opened on 14 February 2024 with a partial inventory of 23 rooms, gradually building up to 80 rooms by March 2023 and the full inventory of 177 rooms by 1 August 2023. We began works on the GALLADA rooftop restaurant extension and the Peninsula Suite internal staircase in early January, and the restaurant is temporarily closed until April 2024. The majority of the final accounts have been settled and we expect the final project cost to be close to budget.

The Peninsula New York

The Peninsula New York has started a comprehensive interior design refurbishment in January 2024. This will encompass revamped public spaces, including The Lobby, Reception, and The Palm Court. The *Salon de Ning* rooftop bar will undergo a transformation into "*Pen Top*". The renovation is expected to be completed later in 2024.

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 have agreed with our partners to stop work on The Peninsula Yangon project as of June 2021 and we will continue to evaluate the situation in Myanmar. In the meantime, the joint venture is conducting some façade and roofing works to better weatherproof and maintain the heritage building to better protect the building.

The financial information sets out in this results announcement has been reviewed by the company's Audit Committee, and has been agreed by the company's auditor, KPMG, Certified Public Accountants. The financial figures in respect of the preliminary announcement of the group's results for the year ended 31 December 2023 have been compared by KPMG to the amounts set out in the group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

FINANCIAL REVIEW

We are pleased to report a continued rebound in business in 2023. The group's existing operations, excluding the impacts of The Peninsula London (PLN) and The Peninsula Istanbul (PIT) projects, generated an operating EBITDA before pre-opening and project expenses of HK$1,245 million, representing an increase of 140% compared to 2022. Whilst the strong recovery that we experienced in the US last year has lessened, with the opening up of Greater China in 2023, our Peninsula hotels in Hong Kong, Shanghai and Beijing enjoyed significantly improved operating results. Our non-hotel properties and other businesses, particularly The Peak Tower and the Peak Tram, also recorded improvements year-on year.

2023 further represented a landmark in the group's history with the soft opening of two new hotels, PIT and PLN in February 2023 and September 2023 respectively. As is often typical in the hospitality industry, to support the opening of new hotels, our results were impacted by significant amounts of non-recurring, pre-opening and project expenses of HK$311 million that were incurred by the group during the year. In addition, as the new hotels require time to ramp up to a stabilised stage of operations, earnings and full room inventory, operating losses of HK$258 million (of which HK$129 million was shared by the group) and HK$193 million were incurred by PIT and PLN respectively during their soft opening periods. These results were partly offset by the after-tax profit of HK$251 million realised by the group on the sale of 10 luxury Peninsula Residences in London. Due to the devastating earthquake that occurred in Türkiye in February 2023 just prior to the opening of PIT, the group initiated the "Hope for Türkiye" fundraising campaign and set aside a provision of HK$33 million as a donation to those affected by the earthquake.

Overall, the group's combined revenue and combined EBITDA, including the group's effective share of revenue and EBITDA of associates and joint ventures, increased by 89% and 146% to HK$8,703 million and HK$1,469 million respectively. Excluding the results of the newly opened PIT and PLN and The Peninsula London Residences, the group's combined revenue and combined EBITDA amounted to HK$6,181 million and HK$1,360 million, representing an increase of 34% and 128% respectively.

The group recorded a net gain of HK$186 million on revaluation of investment properties in 2023 compared to a net revaluation loss of HK$152 million in last year. After accounting for depreciation, net financing charges, taxation and share of results of joint ventures and associates, the company's profit attributable to shareholders amounted to HK$146 million compared to a loss of HK$488 million in 2022. Excluding the revaluation adjustments on investment properties, the non-recurring and non-operating expenses, the group's underlying profit amounted to HK$277 million compared to an underlying loss of HK$205 million in 2022.

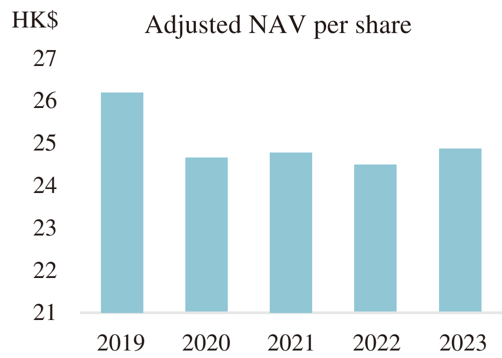
As at 31 December 2023, the group's financial position remained stable, with net debt to total assets at an acceptable level of 26%. As at 31 December 2023, the group's undrawn committed facilities amounted to HK$3.4 billion. Together with cash and bank balances of HK$881 million, the group's available funds amounted to HK$4.2 billion. Given the group's liquidity position and taking into account the expected proceeds from the sales of The Peninsula London Residences in 2024, 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, including any retention monies and other residual payments in respect of The Peninsula London project.

The group's adjusted net asset value

Adjusted NAV
HK$41,091m ↑ 2%

In the financial statements, the group's hotels (other than shopping arcades and offices within the hotels) and golf courses are stated at depreciated cost less accumulated impairment losses, if any, but not at fair value.

Accordingly, we have commissioned an independent third-party fair valuation of the group's hotels and golf course as at 31 December 2023. If these assets were to be stated at fair value, the group's net assets attributable to shareholders would increase by 13% to HK$41,091 million as indicated in the table below.



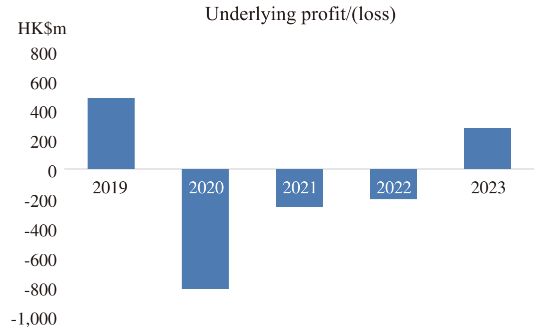
HK$m		**2023**		2022
Net asset value attributable to shareholders per the audited statement of financial position		**36,279**		36,016
Adjusting the value of hotels and golf courses to fair value	**5,186**		4,672	
Less: Related deferred tax and non-controlling interests	**(374)**		(347)	
		4,812		4,325
Adjusted net assets attributable to shareholders		**41,091**		40,341
Audited net assets per share (HK$)		**22.00**		21.84
Adjusted net assets per share (HK$)		**24.92**		24.46

The group's underlying profit or loss

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

The group's underlying profit attributable to shareholders for the year ended 31 December 2023 amounted to HK$277 million compared to an underlying loss of HK$205 million in 2022.

Underlying profit
HK$277m



HK$m	**2023**	2022
Profit/(loss) attributable to shareholders	**146**	(488)
Revaluation (gain)/loss of investment properties#	**(180)**	149
Share of revaluation gain on an apartment sold by The Peninsula Shanghai Waitan Hotel Company Limited (PSW)Δ	**–**	1
Pre-opening, project expenses and other non-recurring expensesΔΔ	**311**	133
Underlying profit/(loss)	**277**	(205)

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

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

ΔΔ *Pre-opening, project expenses and other non-recurring 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 2023 figure includes a special provision amounting to HK$33 million set aside by the group as a donation to support those affected by the devastating earthquake that occurred in Türkiye in February 2023, just before The Peninsula Istanbul soft opened. This "Hope for Türkiye" fundraising campaign was initiated by the group from 13 February 2023 to 31 December 2023. A contribution of EUR10 was donated for every occupied room night by our 10 participating hotels.

Statement of profit or loss

The following table summarises the key components of the group's profit attributable to shareholders. This table should be read in conjunction with the commentary of this Financial Review.

HK$m	**2023**	2022	2023 vs 2022 favourable/ (unfavourable)
Revenue			
– operations	**5,814**	4,198	38%
– residential sales	**2,298**	–	n/a
Total revenue	**8,112**	4,198	93%
Operating costs			
– operations	**(4,680)**	(3,680)	(27%)
– residential sales	**(2,042)**	–	n/a
EBITDA before non-recurring expenses	**1,390**	518	168%
Pre-opening, project expenses and other non-recurring expenses	**(292)**	(119)	(145%)
EBITDA	**1,098**	399	175%
Depreciation and amortisation	**(520)**	(452)	(15%)
Net financing charges	**(293)**	(198)	(48%)
Share of results of joint ventures	**(166)**	(54)	(207%)
Share of results of associates	**(18)**	(11)	(64%)
Increase/(decrease) in fair value of investment properties	**186**	(152)	n/a
Taxation	**(139)**	(17)	(718%)
Profit/(loss) for the year	**148**	(485)	n/a
Non-controlling interests	**(2)**	(3)	33%
Profit/(loss) attributable to shareholders	**146**	(488)	n/a

During the year, significant amounts of pre-opening and project expenses were incurred by the group to support The Peninsula London and The Peninsula Istanbul projects. In addition, as mentioned in the notes above, the group has set aside HK$33 million as a special donation under our "Hope for Türkiye" fundraising campaign which was initiated to support those affected by the devastating earthquake that occurred in Türkiye in February 2023. The group is now reviewing the most appropriate of these funds to achieve the optimal outcome for our donation.

The increase in depreciation and amortisation in 2023 was mainly due to the additional depreciation and amortisation arising from The Peninsula London which soft opened in September 2023. The increase in net financing charges was due to the increase in market interest rates and the additional interest on The Peninsula London's lease liability.

The group has a 50% interest in The Peninsula Istanbul (PIT) which is held by a joint venture. The 2023 share of results of joint ventures figure includes the group's 50% share of PIT's first-year operating loss of HK$129 million and pre-opening expenses of HK$19 million (2022: HK$14 million).

The increase in taxation was mainly due to the improved profitability achieved by the group's Hong Kong operations and the residential property developer tax arising from the sale of The Peninsula London Residences in the UK.

Revenue

The group's hotel revenue is derived from our twelve 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 joint ventures. In addition to the hotels division, the group also operates a commercial properties division which is engaged in the development and sale or leasing of luxury residential apartments and leasing of office and retail buildings in prime city-centre locations in Asia and Europe. The group's third business division is engaged in the provision of tourism and leisure, retail and wholesale of merchandise, club management and other services, including the Peak Tram.

The group's consolidated revenue in 2023 increased by 93% to HK$8,112 million, inclusive of HK$2,298 million revenue arising from the sale of 10 luxury Peninsula Residences in London (2022: HK$ nil). Combined revenue, including the group's effective share of revenue of associates and joint ventures amounted to HK$8,703 million, representing an increase of 89% over 2022.

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

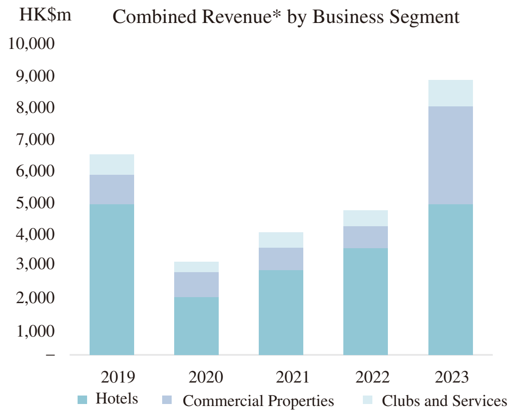
Consolidated Revenue
HK$8,112m ↑ 93%
HK$5,814m* ↑ 38%

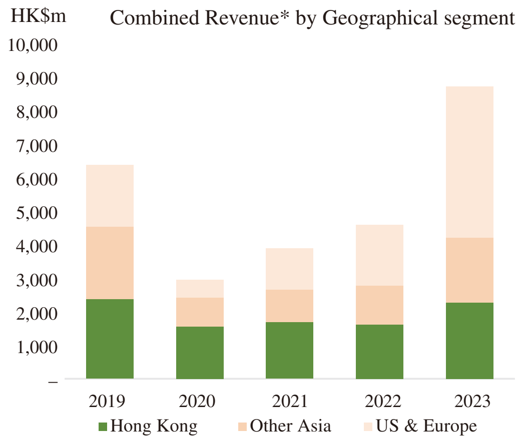
Hotels
HK$4,174m ↑ 39%

Commercial Properties
HK$3,110m ↑ 353%
HK$812m* ↑ 18%

Clubs and Services
HK$828m ↑ 60%

** Excluding revenue from the sale of The Peninsula London Residences*





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

Revenue by business segment*

HK$m	2023			2022			2023 vs 2022
	Group's subsidiaries	**Associates and joint ventures (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**4,174**	**591**	**4,765**	2,995	389	3,384	41%
Commercial Properties	**3,110**	**–**	**3,110**	686	23	709	339%
Clubs and Services	**828**	**–**	**828**	517	–	517	60%
	8,112	**591**	**8,703**	4,198	412	4,610	89%

* *Revenue of Commercial Properties for 2023 included HK$2,298 million revenue arising from the sale of 10 Peninsula Residences in London. Revenue of Commercial Properties for 2022 included the group's effective share of revenue of HK$23 million arising from the sale of a Peninsula Residence in Shanghai.*

Revenue by geographical segment*

HK$m	2023			2022			2023 vs 2022
	Group's subsidiaries	**Associates and joint ventures (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**2,272**	**–**	**2,272**	1,607	–	1,607	41%
Other Asia	**1,695**	**230**	**1,925**	1,012	172	1,184	63%
US and Europe	**4,145**	**361**	**4,506**	1,579	240	1,819	148%
	8,112	**591**	**8,703**	4,198	412	4,610	89%

* *Revenue of the US and Europe geographical segment for 2023 included HK$2,298 million revenue arising from the sale of 10 Peninsula Residences in London. Revenue of the Other Asia geographical segment for 2022 included the group's effective share of revenue of HK$23 million arising from the sale of a Peninsula Residence in Shanghai.*

The hotels division is the largest contributor of the group's combined revenue. Except for The Peninsula Beverly Hills which recorded a 4% decline in revenue due to the actors' and unionised hotel workers' strikes in the city, all Peninsula hotels reported an increase in revenue as our key markets continued to recover from the effects of the pandemic. Coupled with the revenue contributions from The Peninsula London (which soft opened on 12 September 2023) and The Peninsula Istanbul (which soft opened on 14 February 2023), the combined revenue of the hotels division increased by 41% to HK$4,765 million.

The Peninsula London Complex comprises a Peninsula hotel with 190 rooms and 24 luxury Peninsula Residences. Revenue from the commercial properties division increased by 339% to HK$3,110 million, mainly due to the inclusion of HK$2,298 million revenue arising from the sale of 10 luxury Peninsula Residences in London. The Repulse Bay is the largest contributor of revenue in respect of leasing operation, accounting for 68% of the division's rental revenue.

Revenue of the clubs and services division increased by 60% to HK$828 million, mainly attributable to the Peak Tram, which completed its major upgrade in August 2022.

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

The following table summarises the key components of the group's operating costs.

HK$m	**2023**	2022	2023 vs 2022 favourable/ (unfavourable)
Cost of inventories	**2,435**	352	(592%)
Staff costs and related expenses	**2,462**	1,966	(25%)
Rent and utilities	**492**	370	(33%)
Advertising and promotions	**251**	158	(59%)
Credit card and room commissions	**217**	158	(37%)
Guest supplies and laundry expenses	**241**	184	(31%)
IT and telecommunication expenses	**106**	89	(19%)
Property maintenance and insurance	**263**	216	(22%)
Other operating expenses	**547**	306	(79%)
	7,014	3,799	(85%)
Represented by:			
Operating costs	**4,680**	3,680	(27%)
Costs of the Peninsula Residences sold, including agency fees	**2,042**	–	n/a
Pre-opening and project expenses and other non-recurring expenses	**292**	119	(145%)
	7,014	3,799	(85%)

During the year, the group's costs increased by 85% to HK$7,014 million. Excluding the cost of inventories relating to The Peninsula London Residences and pre-opening expenses, project expenses and other non-recurring expenses, the operating costs amounted to HK$4,680 million, representing an increase of 27% compared to an increase in consolidated revenue (excluding the sales of The Peninsula London Residences) of 38%.

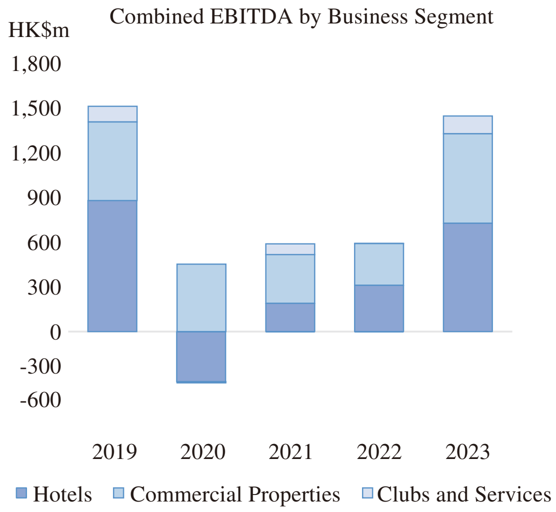
The significant increase in costs of inventories was mainly due to the cost of The Peninsula London Residences sold in 2023. Excluding this, staff costs continued to be the largest portion of our operating expenses given the nature of operating high-end luxury hotels. As at 31 December 2023, the group's direct employees increased from 4,510 to 5,143, mainly due to the addition of new employees hired by The Peninsula London which soft opened in September 2023.

Project expenses and pre-opening expenses represent the non-recurring costs incurred by the group to support The Peninsula London and The Peninsula Istanbul. These costs represented the payroll, marketing and administrative expenses incurred prior to the opening and during the development of these hotels. The increase in the amounts was mainly due to the higher staff costs, advertising and promotion expenses incurred prior to the soft opening of The Peninsula London. In addition, during the year, the group has set aside HK$33 million under the Hope for Türkiye fundraising campaign as a special donation following the devastating earthquake that occurred in Türkiye in February 2023. As these pre-opening expenses, project expenses and the special donation are non-recurring in nature, these expenses are added back to arrive at the group's underlying profit for the year.

EBITDA* and EBITDA* Margin

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

Combined EBITDA* by Business Segment



** Excluding pre-opening and project expenses and other non-recurring expenses*

EBITDA* by business segment

HK$m	**2023**			2022			2023 vs 2022
	Group's subsidiaries	**Associates and joint ventures (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**633**	**79**	**712**	238	73	311	129%
Commercial Properties	**642**	**–**	**642**	279	6	285	125%
Clubs and Services	**115**	**–**	**115**	1	–	1	11,400%
	1,390	**79**	**1,469**	518	79	597	146%

EBITDA* by geographical segment

HK$m	2023			2022			2023 vs 2022
	Group's subsidiaries	**Associates and joint ventures (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**720**	**–**	**720**	357	–	357	102%
Other Asia	**281**	**62**	**343**	(48)	34	(14)	n/a
US and Europe	**389**	**17**	**406**	209	45	254	60%
	1,390	**79**	**1,469**	518	79	597	146%

EBITDA* margin

	2023			2022		
	Group's subsidiaries	**Associates and joint ventures (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total
Hotels	**15%**	**13%**	**15%**	8%	19%	9%
Commercial Properties	**21%**	**–**	**21%**	41%	27%	41%
Clubs and Services	**14%**	**–**	**14%**	–	–	–
Overall EBITDA* margin	**17%**	**13%**	**17%**	12%	19%	13%
By region						
Hong Kong	**32%**	**–**	**32%**	22%	–	22%
Other Asia	**17%**	**27%**	**18%**	-5%	20%	-1%
US and Europe	**9%**	**5%**	**9%**	13%	19%	14%

* *Excluding pre-opening and project expenses and other non-recurring expenses*

The group achieved a combined EBITDA of HK$1,469 million in 2023. Excluding the EBITDA on sale of the Peninsula London Residences, the group's combined EBITDA amounted to HK$1,213 million compared to HK$597 million in 2022, representing an increase of 103% year-on-year.

The group's operations in different business segments and different geographic locations are subject to different cost bases. The overall EBITDA margin improved mainly due to the recovery from hotels division and clubs and services division.

The decrease in Commercial Properties division's EBITDA margin declined was due to the effect of The Peninsula London Residences. Excluding The Peninsula London Residences, the division's EBITDA margin for 2023 was 48%.

The EBITDA margin of the US and Europe geographical segment for 2023 was negatively affected by the newly opened Peninsula hotels in London and Istanbul which were still in the early stage of operation before attaining stabilisation. Excluding these two hotels, the EBITDA margin of the US and Europe geographical segment was 15%.

Increase in fair value of investment properties

The investment properties of the group were revalued as at 31 December 2023 by independent firms of valuers based on an income capitalisation approach. The net revaluation surplus of HK$186 million was principally attributable to the increase in the appraised market value of the shopping arcade at The Peninsula Hong Kong and The Peak Tower.

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. During the year, no apartment was sold and at the end of 2023, PSW owned 7 remaining apartments which are held for sale.

The group also owns a 50% interest in The Peninsula Istanbul through PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT), a joint venture incorporated in Türkiye. The Peninsula Istanbul held its soft opening in February 2023. The operating performance of the hotel was affected by a number of negative factors, including the hyperinflationary environment in Türkiye, the devastating earthquake that occurred in the country in February 2023, and the escalation of military conflict in the Middle East which negatively affected travellers' perception of the region. In view of the foregoing, PIT incurred a loss of HK$296 million, inclusive of pre-opening expenses of HK$38 million (2022: HK$28 million). The group's share of PIT's loss amounted to HK$148 million.

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$18 million (2022: HK$11 million).

Statement of financial position

The key components of the group's assets and liabilities are set out in the following table. As reflected in the table, the group's financial position as at 31 December 2023 remained stable with shareholders' funds amounting to HK$36,279 million, representing a per share value of HK$22.00.

HK$m	2023	2022	2023 vs 2022 increase/ (decrease)
Fixed assets	**48,832**	47,130	4%
Properties held/under development for sale	**4,382**	5,169	(15%)
Other long-term assets	**2,587**	2,435	6%
Derivative financial instruments	**220**	349	(37%)
Cash at banks and in hand	**881**	585	51%
Other assets	**967**	913	6%
	57,869	56,581	2%
Interest-bearing borrowings	**(15,914)**	(15,192)	(5%)
Lease liabilities	**(2,733)**	(2,792)	2%
Other liabilities	**(2,843)**	(2,477)	(15%)
	(21,490)	(20,461)	(5%)
Net assets	**36,379**	36,120	1%
Represented by:			
Shareholders' fund	**36,279**	36,016	1%
Non-controlling interests	**100**	104	(4%)
Total equity	**36,379**	36,120	1%

Summary of hotel, commercial and other properties

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

The group's hotel properties and investment properties are dealt with under different accounting policies as required by the relevant accounting standards. The hotel properties (other than shopping arcades and offices within the hotels) and golf courses are stated at cost less accumulated depreciation and any provision for impairment losses, whilst investment properties (including shopping arcades and offices within the hotels) are stated at fair value as appraised by independent valuers. In order to provide users of the financial statements with additional information on the fair value of the group's properties, independent valuers have been engaged to conduct a valuation of the hotel properties and golf courses as at 31 December 2023.

A summary of the group's hotel, commercial and other properties showing both the book value and the fair value as at 31 December 2023 is set out in the table on the following page.

	2023 Group's interest	**2023** Fair value valuation	**2023** Book value	2022 Fair value valuation	2022 Book value
		Value of 100% of the property (HK$m)			
Hotel properties*					
The Peninsula Hong Kong	100%	**12,322**	**9,751**	12,053	9,533
The Peninsula London (Soft opened in Sept 2023)	100%	**8,201**	**7,811**	–	–
The Peninsula New York	100%	**2,129**	**1,604**	2,118	1,574
The Peninsula Beijing	76.6%$^{\Delta}$	**1,047**	**1,023**	1,163	1,123
The Peninsula Tokyo	100%	**1,395**	**1,004**	1,459	1,103
The Peninsula Chicago	100%	**1,227**	**998**	1,253	1,038
The Peninsula Bangkok	100%	**642**	**554**	632	549
The Peninsula Manila	77.4%	**45**	**26**	42	28
The Peninsula Shanghai#	50%	**2,706**	**2,024**	2,787	2,157
The Peninsula Istanbul# (Soft opened in Feb 2023)	50%	**2,147**	**2,147**	–	–
The Peninsula Paris#	20%	**4,600**	**4,116**	4,338	4,110
The Peninsula Beverly Hills#	20%	**2,771**	**257**	2,784	260
		39,232	**31,315**	28,629	21,475
Commercial properties					
The Repulse Bay Complex	100%	**18,424**	**18,424**	18,468	18,468
The Peak Tower	100%	**1,418**	**1,418**	1,308	1,308
St. John's Building	100%	**1,174**	**1,174**	1,203	1,203
Apartments in Shanghai	100%	**367**	**367**	380	380
21 avenue Kléber	100%	**674**	**674**	647	647
The Landmark	70%$^{\Delta\Delta}$	**18**	**18**	25	25
		22,075	**22,075**	22,031	22,031
Other properties					
Quail Lodge resort, golf course and vacant land	100%	**282**	**274**	287	270
Vacant land in Thailand	100%	**91**	**91**	90	90
Other properties for own use	100%	**403**	**188**	395	191
		776	**553**	772	551
Hotels under development & properties held/under development for sole					
The Peninsula London	100%	**–**	**–**	6,043	6,043
The Peninsula London Residences###	100%	**4,382**	**4,382**	5,169	5,169
The Peninsula Istanbul#	50%	**–**	**–**	1,517	1,517
The Peninsula Yangon##	70%	**122**	**122**	128	128
		4,504	**4,504**	12,857	12,857
Total market/book value		**66,587**	**58,447**	64,289	56,914

* *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 joint venture period.*

$\Delta\Delta$ *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 The Peninsula Yangon approximates its book value.*

\### *The Peninsula London Residences held for sale are stated at lower of cost and net realisable value instead of fair value.*

Properties held/under development for sale

The group owns a 100% interest in The Peninsula London Complex which comprises a 190-room Peninsula hotel and 24 luxury Peninsula-branded Residences. The gross floor area of the Peninsula London Residences is approximately 119,000 square feet. During the year, a total of 10 Peninsula London Residences were sold. Properties held/under development for sale as at 31 December 2023 represented the cost of the remaining 14 unsold Peninsula Residences. A calculation of the gain on sale of the Peninsula London Residences and the movement of properties held/under development for sale during 2023 are set out in the tables below.

Gain on sale of the Peninsula London Residences

HK$m	**2023**	2022
Proceeds from sale of the Peninsula London Residences	**2,298**	–
Cost of the Peninsula London Residences sold	**(1,999)**	–
Direct selling costs	**(43)**	–
Profit on sale of the Peninsula London Residences before tax	**256**	–

Movement of properties held/under development for sale

HK$m	**2023**	2022
At 1 January	**5,169**	4,954
Exchange adjustment	**290**	(545)
Addition	**922**	760
Cost of inventories sold	**(1,999)**	–
At 31 December	**4,382**	5,169

As at 31 December 2023, the group had entered into contracts with third-party purchasers to pre-sell a further eight Peninsula Residences. However, prior to the handover of the Peninsula Residences, reservation fees and pre-sale deposits paid by buyers are held in escrow accounts in accordance with the local regulations in the UK are therefore not reflected in the consolidated statement of financial position.

Other long-term assets

The other long-term assets as at 31 December 2023 of HK$2,587 million (2022: HK$2,435 million) comprised mainly the group's 50% interest in The Peninsula Shanghai, the group's 20% interest and the value of its operating right in The Peninsula Beverly Hills, the group's 20% interest and the value of its operating right in The Peninsula Paris and the group's 50% interest and the value of trademark for The Peninsula Istanbul.

Derivative financial instruments

Derivative financial instruments represent the fair value of interest rate swaps 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.

Cash at banks and in hand and interest-bearing borrowings

As at 31 December 2023, the group's cash at banks and in hand and interest-bearing borrowings amounted to HK$881 million (2022: HK$585 million) and HK$15,914 million (2022: HK$15,192 million) respectively, resulting in a net borrowing of HK$15,033 million (2022: HK$14,607 million). The increase in net borrowing was mainly due to the progress payments made by the group in 2023 in respect of The Peninsula London and The Peninsula Istanbul projects.

Cash flows

Excluding project-related cash outflows, pre-opening expenses and the proceeds arising from sale of Peninsula London Residences, the group generated a cash inflow from operations after tax, normal capital expenditure, interest and hotel lease payments of HK$744 million compared to HK$82 million in 2022.

During the year, the group sold 10 Peninsula London Residences, generating total proceeds of HK$2,298 million. After accounting for capital expenditure and related interest on projects, dividends paid to non-controlling interests and other receipts, the group's net cash outflow amounted to HK$58 million compared to HK$2,776 million in 2022.

The following table summarises the key cash movements for the year ended 31 December 2023.

HK$m	**2023**	2022
Operating EBITDA (before pre-opening and project expenses and residential sales)	**1,101**	518
Tax payment	**(28)**	(71)
Changes in working capital (excluding those relating to The Peninsula London Residences)	**295**	89
Normal capital expenditure on existing assets (excluding projects)	**(314)**	(200)
Net cash inflow after normal capital expenditure	**1,054**	336
Interest attributable to the existing operations	**(162)**	(87)
Lease payments attributable to existing operations	**(148)**	(167)
	744	82
Proceeds from sale of The Peninsula London Residences	**2,298**	–
Net cash inflow from operations	**3,042**	82
Project-related cash flows		
Capital expenditure on hotel projects	**(2,231)**	(2,464)
Capital expenditure on Peak Tram upgrade project	**(68)**	(161)
Pre-opening and project expenses	**(259)**	(119)
Interest incurred on projects	**(546)**	(196)
Cash outflow for projects	**(3,104)**	(2,940)
Net cash outflow before dividends and other payments	**(62)**	(2,858)
Dividends paid to holders of non-controlling interests	**(6)**	(6)
Other receipts	**10**	88
Net cash outflow before borrowings	**(58)**	(2,776)

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

HK$m	**2023**	2022
The Peninsula London	**1,862**	2,164
The Peninsula Yangon	**–**	10
Capital injection into The Peninsula Istanbul's joint venture	**369**	278
Trademark acquisition costs for The Peninsula Istanbul	**–**	12
	2,231	2,464

Capital commitments

The group's total capital commitments as at 31 December 2023 are summarised in the table below.

HK$m	**2023**	2022
Capital commitments in respect of:		
Existing properties	**755**	524
Special projects*	**1,534**	2,995
The group's share of capital commitments of joint ventures and associates	**172**	384
	2,461	3,903

* *Including the remaining portion of HK$592 million in respect of the authorised budget available for spending on The Peninsula Yangon project when the development resumes in the future.*

As at 31 December 2023, the group's undrawn committed facilities and cash at banks amounted to HK$4.2 billion (2022: HK$4.1 billion). Excluding the capital commitment relating to The Peninsula Yangon project which is on hold, the Directors believe that the group will be able to meet the above capital commitments as well as the working capital requirements of its operations.

Capital and treasury management

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

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

The group has established liquidity structure, which consists of notional cash pooling and domestic cash pooling so that global cash balances can be concentrated back to head office efficiently for strategic cash management. In 2023 the group has further implemented domestic cash pooling for Peninsula Merchandising business in China to enhance cash management efficiency.

Liquidity and Financing

We take a proactive approach to manage the group's liquidity and refinancing risk to ensure ample headroom to cover our capital commitments and protect against business volatility.

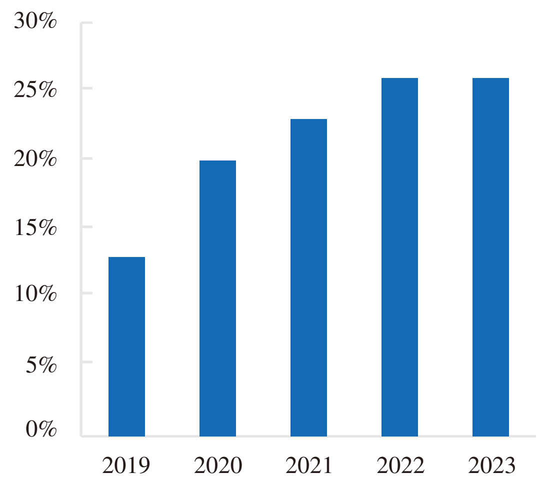
As at 31 December 2023, 36% and 33% of the group's committed facility is classified as green loan and sustainability linked loan respectively. The group is committed to integrate ESG elements into our business and finance strategy.

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

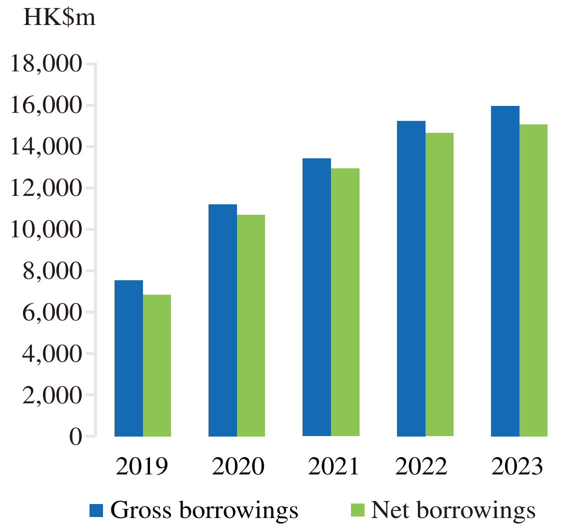
In 2023, gross borrowings increased slightly to HK$15.9 billion (2022: HK$15.2 billion) mainly due to CAPEX payments and cash interest but partially offset by operating cash flow and collection of The Peninsula London Residences sales proceeds. Consolidated net debt increased to HK$15.0 billion as compared to HK$14.6 billion in 2022.

As at 31 December 2023, the group had HK$3.4 billion of unused committed facilities. The group's net borrowings to total assets is maintained at 26% as compared to 2022.

Net Borrowings to Total Assets



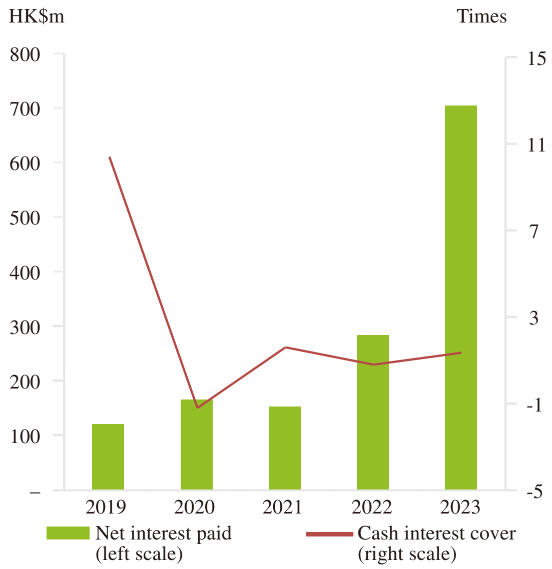
Gross and Net Borrowings



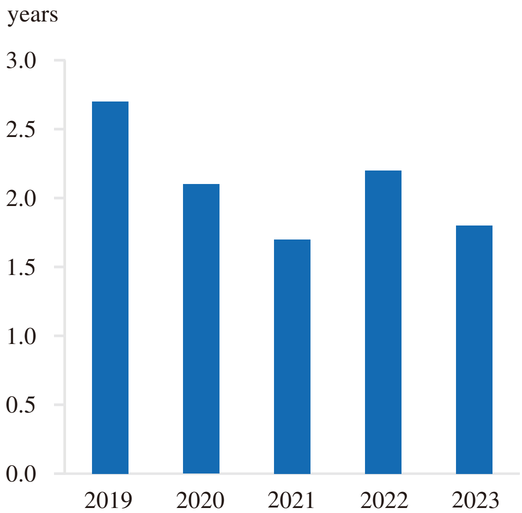
During the year, the group also refinanced its maturing loans in HKD, GBP, EUR and JPY with new maturity tenors up to 3 years. The average debt maturity for the year has decreased from 2.2 years to 1.8 years.

Net interest paid in 2023 increased to HK$708 million (2022: HK$283 million) as a result of higher average net borrowings and interest rates globally. Cash interest cover (EBITDA less lease payments divided by net interest paid) was 1.34 times (2022: 0.8).

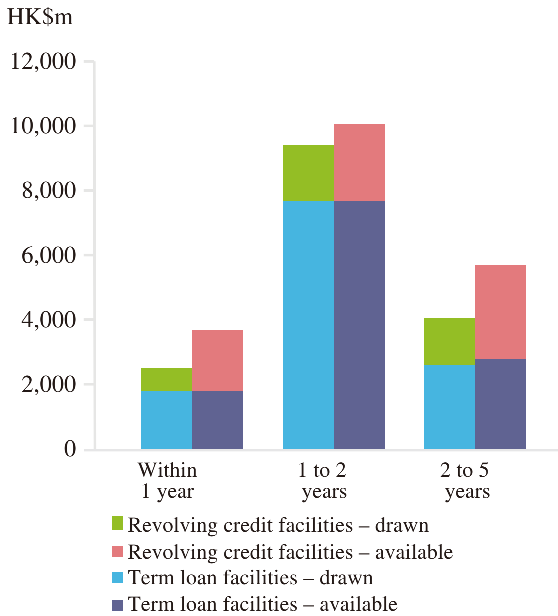
Net interest Paid and Cash Interest Cover



Weighted Average Debt Maturity



Banking Facilities and Borrowings (by type and maturity)



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

The consolidated and non-consolidated borrowings as at 31 December 2023 are summarised as follows:

HK$m	2023 Hong Kong	2023 Other Asia	2023 United States of America	2023 Europe	2023 UK	2023 Total	2022 Total
Consolidated gross borrowings	4,604	2,146	217	518	8,429	15,914	15,192
Non-consolidated gross borrowings attributable to the Group*:							
The Peninsula Shanghai (50%)	-	524	-	-	-	524	545
The Peninsula Beverly Hills (20%)	-	-	171	-	-	171	178
The Peninsula Paris (20%)	-	-	-	393	-	393	378
Non-consolidated borrowings	-	524	171	393	-	1,088	1,101
Consolidated and non-consolidated gross borrowings	4,604	2,670	388	911	8,429	17,002	16,293

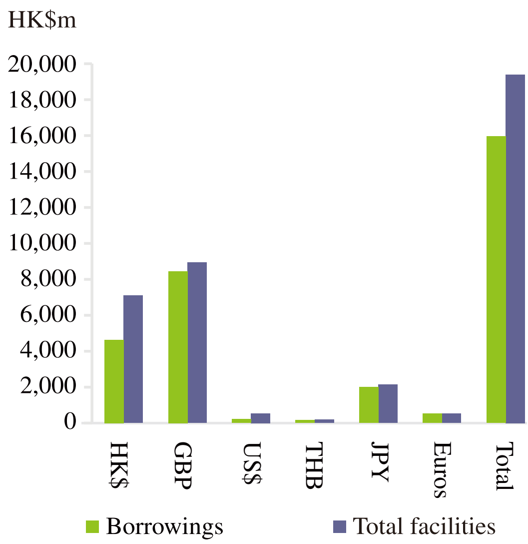
* *Represents HSH's attributable share of borrowings*

Foreign Exchange

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

All of the Group's borrowings are denominated in the functional currency of the operations to which they relate. As at 31 December 2023, GBP, HK dollar and Japanese yen borrowings represented 53%, 29% and 12% of total borrowings, respectively. Other balances were in other local currencies of the Group's entities.

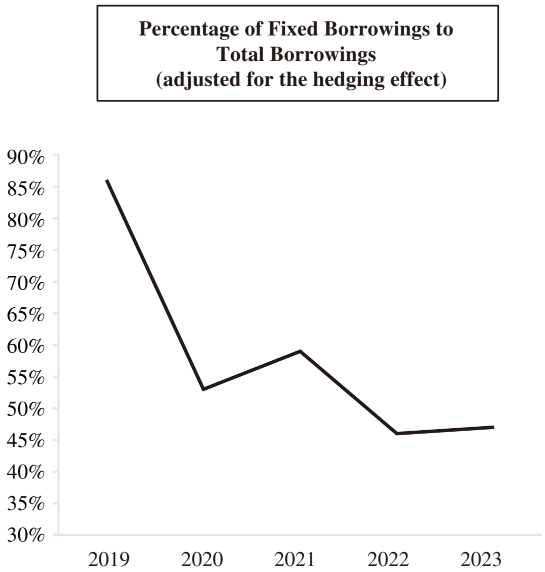
Banking Facilities and Borrowings (by currency)

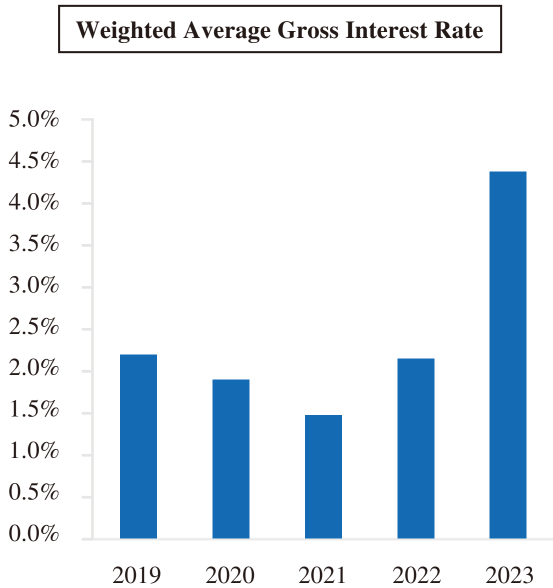


Interest rate risk

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

As at 31 December 2023, the group has fixed to floating interest rate ratio of 47% (2022: 46%). Weighted average gross interest rate for the year has increased from 2.15% to 4.38%.





Credit risk

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

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

As at 31 December 2023, derivatives with a notional amount of HK$5,504 million (2022: HK$5,406 million) were transacted.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (HK$m)

	Note	Year ended 31 December **2023**	2022
Revenue	2	**8,112**	4,198
Cost of inventories		**(2,435)**	(352)
Staff costs and related expenses		**(2,462)**	(1,966)
Rent and utilities		**(492)**	(370)
Other operating expenses		**(1,625)**	(1,111)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)		**1,098**	399
Depreciation and amortisation		**(520)**	(452)
Operating profit/(loss)		**578**	(53)
Interest income		**21**	6
Financing charges		**(314)**	(204)
Net financing charges		**(293)**	(198)
Profit/(loss) after net financing charges		**285**	(251)
Share of results of joint ventures	9	**(166)**	(54)
Share of results of associates	10	**(18)**	(11)
Increase/(decrease) in fair value of investment properties		**186**	(152)
Profit/(loss) before taxation		**287**	(468)
Taxation			
Current tax	3	**(118)**	(48)
Deferred tax	3	**(21)**	31
Profit/(loss) for the year		**148**	(485)
Profit/(loss) attributable to:			
Shareholders of the company		**146**	(488)
Non-controlling interests		**2**	3
Profit/(loss) for the year		**148**	(485)
Earnings/(loss) per share, basic and diluted (HK$)	4	**0.09**	(0.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$m)

	Year ended 31 December 2023	2022
Profit/(loss) for the year	**148**	(485)
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**247**	(387)
– financial statements of joint ventures	**(46)**	(144)
– financial statements of and loans to an associate	**11**	(29)
– hotel operating rights and trademarks	**16**	(26)
	228	(586)
Cash flow hedges:		
– effective portion of changes in fair values	**13**	280
– transfer from equity to profit or loss	**(120)**	(22)
	(107)	258
Items 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	**–**	63
Remeasurement of net defined benefit retirement obligations	**(4)**	4
	(4)	67
Other comprehensive income	**117**	(261)
Total comprehensive income for the year	**265**	(746)
Total comprehensive income attributable to:		
Shareholders of the company	**263**	(749)
Non-controlling interests	**2**	3
Total comprehensive income for the year	**265**	(746)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)

	Note	**As at 31 December 2023**	As at 31 December 2022
Non-current assets			
Investment properties		**33,170**	32,895
Other properties, plant and equipment		**15,662**	14,235
	7	**48,832**	47,130
Interest in joint ventures	9	**1,529**	1,372
Interest in associates	10	**448**	459
Hotel operating rights and trademarks	11	**459**	456
Derivative financial instruments	12	**218**	334
Deferred tax assets		**151**	148
		51,637	49,899
Current assets			
Properties held/under development for sale	8	**4,382**	5,169
Derivative financial instruments	12	**2**	15
Inventories		**114**	87
Trade and other receivables	13	**853**	826
Cash at banks and in hand	14(a)	**881**	585
		6,232	6,682
Current liabilities			
Trade and other payables	15	**(1,950)**	(1,684)
Interest-bearing borrowings	16	**(2,504)**	(4,544)
Current taxation		**(102)**	(22)
Lease liabilities	17	**(149)**	(165)
		(4,705)	(6,415)
Net current assets		**1,527**	267
Total assets less current liabilities		**53,164**	50,166
Non-current liabilities			
Interest-bearing borrowings	16	**(13,410)**	(10,648)
Trade and other payables	15	**(113)**	(96)
Net defined benefit retirement obligations		**(20)**	(18)
Deferred tax liabilities		**(658)**	(657)
Lease liabilities	17	**(2,584)**	(2,627)
		(16,785)	(14,046)
Net assets		**36,379**	36,120
Capital and reserves			
Share capital	18	**5,837**	5,837
Reserves		**30,442**	30,179
Total equity attributable to shareholders of the company		**36,279**	36,016
Non-controlling interests		**100**	104
Total equity		**36,379**	36,120

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (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
At 1 January 2022	5,837	29	76	30,820	30,925	36,762	103	36,865
Changes in equity for 2022:								
Loss for the year	–	–	–	(488)	(488)	(488)	3	(485)
Other comprehensive income	–	258	(519)	–	(261)	(261)	–	(261)
Total comprehensive income for the year	–	258	(519)	(488)	(749)	(749)	3	(746)
Transfer to fixed assets	–	3	–	–	3	3	–	3
Dividend paid to non-controlling interests	–	–	–	–	–	–	(6)	(6)
Capital contributions from non-controlling interests	–	–	–	–	–	–	4	4
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 2023:								
Profit for the year	**–**	**–**	**–**	**146**	**146**	**146**	**2**	**148**
Other comprehensive income	**–**	**(107)**	**224**	**–**	**117**	**117**	**–**	**117**
Total comprehensive income for the year	**–**	**(107)**	**224**	**146**	**263**	**263**	**2**	**265**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Balance at 31 December 2023	**5,837**	**183**	**(219)**	**30,478**	**30,442**	**36,279**	**100**	**36,379**

CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)

	Note	Year ended 31 December 2023	2022
Operating activities			
Profit/(loss) after net financing charges		**285**	(251)
Adjustments for:			
Depreciation	7(a)	**506**	439
Amortisation of hotel operating rights	11	**14**	13
Interest income		**(21)**	(6)
Financing charges		**314**	204
EBITDA		**1,098**	399
Changes in working capital in connection with The Peninsula London Residences sold		**1,999**	–
Increase in inventories		**(28)**	(15)
Increase in trade and other receivables		**(36)**	(66)
Decrease in amount due from a joint venture		**–**	62
Increase in trade and other payables		**402**	108
		2,337	89
Cash generated from operations		**3,435**	488
Net tax paid:			
Hong Kong profits tax		**(11)**	(61)
Overseas tax		**(17)**	(10)
Net cash generated from operating activities		**3,407**	417
Investing activities			
Capital expenditure on The Peninsula London Complex and The Peninsula Yangon		**(1,862)**	(2,174)
Capital expenditure on the Peak Tram upgrade project		**(68)**	(161)
Capital injection into The Peninsula Istanbul joint venture		**(369)**	(278)
Trademark acquisition cost for The Peninsula Istanbul		**–**	(12)
Capital expenditure on operating assets		**(314)**	(200)
Cash injected from the non-controlling shareholder of The Peninsula Yangon		**–**	4
Receipt from associates		**10**	21
Repayment of shareholder's loans from a joint venture		**–**	63
Net cash used in investing activities		**(2,603)**	(2,737)
Financing activities			
Drawdown of term loans		**2,139**	7,848
Repayment of term loans		**(1,631)**	(6,231)
Net (decrease)/increase in revolving loans		**(154)**	1,294
Net deposit of interest-bearing bank deposits with maturity of more than three months		**(146)**	(2)
Interest paid and other financing charges		**(731)**	(289)
Interest received		**23**	6
Capital element of lease rental paid		**(27)**	(31)
Interest element of lease rental paid		**(121)**	(136)
Dividends paid to holders of non-controlling interests		**(6)**	(6)
Net cash (used in)/generated from financing activities		**(654)**	2,453
Net increase in cash and cash equivalents		**150**	133
Cash and cash equivalents at 1 January		**570**	466
Effect of changes in foreign exchange rates		**–**	(29)
Cash and cash equivalents at 31 December	14(a)	**720**	570

Notes to the Financial Statements

1. Statement of compliance

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results does not constitute the company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

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

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

The HKICPA has issued certain amendments to HKFRSs and guidance that are first effective or available for early adoption for the current accounting period of the group. Note 21 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

2. Revenue (HK$m)

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

Revenue represents the consideration expected to be received in respect of the transfer of goods and services, including the sales of residential apartments, in accordance with HKFRS 15, *Revenue from contracts* with customers and rental income derived from the hotels' shopping arcade and offices and commercial properties recognised in accordance with HKFRS 16, Leases. Set out below is a breakdown of the group's revenue for the years ended 31 December 2023 and 2022:

	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	**–**	**2,063**	**–**	**2,063**	–	1,284	–	1,284
– Food and beverage	**1,215**	**–**	**–**	**1,215**	892	–	–	892
– Shopping arcades and offices	**–**	**31**	**498**	**529**	–	36	496	532
– Others	**256**	**111**	**–**	**367**	207	80	–	287
	1,471	**2,205**	**498**	**4,174**	1,099	1,400	496	2,995
Commercial properties								
– Residential properties	**–**	**41**	**373**	**414**	–	47	355	402
– Offices	**–**	**13**	**86**	**99**	–	10	85	95
– Shopping arcades and others	**191**	**30**	**78**	**299**	89	33	67	189
– Sales of residential apartments	**2,298**	**–**	**–**	**2,298**	–	–	–	–
	2,489	**84**	**537**	**3,110**	89	90	507	686
Clubs and Services								
– Golf club	**140**	**87**	**–**	**227**	117	86	–	203
– Peak Tram operation	**221**	**–**	**–**	**221**	29	–	–	29
– Peninsula Merchandising	**316**	**–**	**–**	**316**	244	–	–	244
– Others	**59**	**5**	**–**	**64**	37	4	–	41
	736	**92**	**–**	**828**	427	90	–	517
				8,112				4,198

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

Taxation in the consolidated statement of profit or loss represents:

	2023	2022
Current tax – Hong Kong profits tax		
Provision for the year	**87**	42
Over-provision in respect of prior years	**(4)**	(9)
	83	33
Current tax – Overseas		
Provision for the year	**36**	13
(Over)/under-provision in respect of prior years	**(1)**	2
	35	15
	118	48
Deferred tax		
Decrease in net deferred tax liabilities relating to revaluation of overseas investment properties	**(4)**	(1)
Increase/(decrease) in net deferred tax liabilities relating to other temporary differences	**25**	(30)
	21	(31)
Total	**139**	17

The provision for Hong Kong profits tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

4. Earnings/(loss) per share

(a) Earnings/(loss) per share – basic

	2023	2022
Profit/(loss) attributable to shareholders of the company (HK$m)	**146**	(488)
Weighted average number of shares in issue (million shares)	**1,649**	1,649
Earnings/(loss) per share (HK$)	**0.09**	(0.30)

(b) Earnings/(loss) per share – diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2023 and 2022 and hence the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

5. Dividends (HK$m)

(a) Dividend policy

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

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

	2023	2022
No interim dividend declared and paid (2022: Nil)	**–**	–
Final dividend proposed after the end of the reporting period of 8 HK cents per share (2022: Nil)	**132**	–
	132	–

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

6. Segment reporting (HK$m)

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

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

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

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

(a) Segment results

The results of the group's reportable segments for the years ended 31 December 2023 and 2022 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Reportable segment revenue*	**4,174**	2,995	**3,110**	686	**828**	517	**8,112**	4,198
Reportable segment operating profit before interest, taxation, depreciation and amortisation (EBITDA)	**633**	238	**642**	279	**115**	1	**1,390**	518
Depreciation and amortisation	**(412)**	(390)	**(18)**	(22)	**(90)**	(40)	**(520)**	(452)
Segment operating profit/(loss) before pre-opening and project expenses and other non-recurring expenses	**221**	(152)	**624**	257	**25**	(39)	**870**	66
Pre-opening and project expenses and other non-recurring expenses	**(292)**	(119)	**–**	–	**–**	–	**(292)**	(119)
Segment operating profit/(loss)	**(71)**	(271)	**624**	257	**25**	(39)	**578**	(53)

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

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

(b) Segment assets

Segment assets include all tangible and current assets and hotel operating rights held directly by the respective segments. The group's segment assets and unallocated assets as at 31 December 2023 and 2022 are set out as follows:

	Note	2023	2022
Reportable segment assets			
Hotels		**28,756**	26,907
Commercial properties		**26,654**	27,410
Clubs and services		**1,207**	1,182
		56,617	55,499
Unallocated assets			
Derivative financial instruments	12	**220**	349
Deferred tax assets		**151**	148
Cash at banks and in hand	14(a)	**881**	585
Consolidated total assets		**57,869**	56,581

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

(c) Geographical information

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

	Revenue from external customers		Reportable non-current assets	
	2023	2022	**2023**	2022
Hong Kong	**2,272**	1,607	**31,738**	31,632
Other Asia*	**1,695**	1,012	**5,088**	5,322
United States of America and Europe	**4,145**	1,579	**18,824**	17,632
	8,112	4,198	**55,650**	54,586

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

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

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

	Land	Right-of-use assets	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 2022	695	3,133	8,609	4,929	6,378	23,744	33,077	56,821
Exchange adjustments	(16)	(322)	(379)	(153)	(572)	(1,442)	(140)	(1,582)
Additions	–	74	21	116	1,855	2,066	38	2,104
Disposals	–	–	–	(18)	–	(18)	–	(18)
Surplus on revaluation	–	–	63	–	–	63	–	63
Transfer	–	–	(67)	740	(745)	(72)	72	–
Fair value adjustment	–	–	–	–	–	–	(152)	(152)
At 31 December 2022	679	2,885	8,247	5,614	6,916	24,341	32,895	57,236
Representing:								
Cost	679	2,885	8,247	5,614	6,916	24,341	–	24,341
Valuation – 2022	–	–	–	–	–	–	32,895	32,895
	679	2,885	8,247	5,614	6,916	24,341	32,895	57,236
At 1 January 2023	**679**	**2,885**	**8,247**	**5,614**	**6,916**	**24,341**	**32,895**	**57,236**
Exchange adjustments	**4**	**(31)**	**21**	**5**	**231**	**230**	**7**	**237**
Additions	**–**	**30**	**67**	**157**	**1,402**	**1,656**	**82**	**1,738**
Disposals	**–**	**–**	**(1)**	**(9)**	**–**	**(10)**	**–**	**(10)**
Transfer	**–**	**–**	**5,603**	**1,951**	**(7,554)**	**–**	**–**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**186**	**186**
At 31 December 2023	**683**	**2,884**	**13,937**	**7,718**	**995**	**26,217**	**33,170**	**59,387**
Representing:								
Cost	**683**	**2,884**	**13,937**	**7,718**	**995**	**26,217**	**–**	**26,217**
Valuation – 2023	**–**	**–**	**–**	**–**	**–**	**–**	**33,170**	**33,170**
	683	**2,884**	**13,937**	**7,718**	**995**	**26,217**	**33,170**	**59,387**
Accumulated depreciation and impairment losses:								
At 1 January 2022	254	363	4,547	4,153	679	9,996	–	9,996
Exchange adjustments	(8)	(19)	(166)	(118)	–	(311)	–	(311)
Charge for the year	–	48	162	229	–	439	–	439
Written back on disposals	–	–	–	(18)	–	(18)	–	(18)
At 31 December 2022	246	392	4,543	4,246	679	10,106	–	10,106
At 1 January 2023	**246**	**392**	**4,543**	**4,246**	**679**	**10,106**	**–**	**10,106**
Exchange adjustments	**1**	**(8)**	**(18)**	**(22)**	**–**	**(47)**	**–**	**(47)**
Charge for the year	**–**	**47**	**171**	**288**	**–**	**506**	**–**	**506**
Written back on disposals	**–**	**–**	**(1)**	**(9)**	**–**	**(10)**	**–**	**(10)**
At 31 December 2023	**247**	**431**	**4,695**	**4,503**	**679**	**10,555**	**–**	**10,555**
Net book value:								
At 31 December 2023	**436**	**2,453**	**9,242**	**3,215**	**316**	**15,662**	**33,170**	**48,832**
At 31 December 2022	433	2,493	3,704	1,368	6,237	14,235	32,895	47,130

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

continued

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

continued

Additions to fixed assets during the year included development costs for The Peninsula London amounting to HK$1,387 million. The Peninsula London soft opened on 12 September 2023. As a result, construction in progress in respect of The Peninsula London was transferred to hotel and other buildings held for use and motor vehicles, plant and equipment.

The net book value for other items of properties, plant and equipment disposed of during the year ended 31 December 2023 was insignificant in value.

The group assessed the recoverable amounts of its other properties, plant and equipment and construction in progress at the reporting date in accordance with the accounting policy.

The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement (based on significant unobservable inputs) in accordance with HKFRS 13.

(b) All investment properties of the group were revalued as at 31 December 2023. The changes in fair value of the investment properties during the year were accounted for in the consolidated statement of profit or loss. The valuations were carried out by valuers independent of the group who have staff with recent experience in the location and category of the property being valued. Discussions have been held with the valuers on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

(c) Right-of-use assets

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

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

continued

(c) Right-of-use assets *continued*

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

	2023	2022
Classified as properties leased for own use, carried at depreciated cost	**2,453**	2,493
Included in construction in progress	**117**	117
	2,570	2,610

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

	2023	2022
At 1 January	**5,169**	4,954
Addition	**922**	760
Cost of inventories sold	**(1,999)**	–
Exchange adjustment	**290**	(545)
At 31 December	**4,382**	5,169

The group owns a 100% interest in The Peninsula London Complex which comprises a 190-room Peninsula hotel and 24 luxury Peninsula-branded Residences. The land area of the overall site is approximately 67,000 square feet and the gross floor area of the Peninsula Residences is approximately 119,000 square feet.

During the year, a total of 10 Peninsula Residences were handed over to the buyers and the related carrying amount of inventories of HK$1,999 million was charged as cost of inventories in the consolidated statement of profit or loss.

As at 31 December 2023, the group had entered into contracts with third-party purchasers to pre-sell a further 8 Peninsula Residences. However, reservation fees and pre-sale deposits paid by the purchasers are held in escrow accounts in accordance with the local regulations in the UK and therefore, such fees and deposits are not reflected in the consolidated statement of financial position.

9. Interest in joint ventures (HK$m)

	2023	2022
Share of net assets	**1,071**	914
Loans to PSW	**458**	458
	1,529	1,372

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

Company name	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
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	TRY4,473,197,428 (31 December 2022: TRY2,390,697,428)	50%	Hotel investment

(b) PSW has pledged its properties inclusive of the land use rights as security for an initial loan facility amounting to RMB1,220 million (HK$1,341 million) (2022: RMB1,220 million (HK$1,366 million)). As at 31 December 2023, the loan drawdown amounted to RMB954 million (HK$1,048 million) (2022: RMB974 million (HK$1,090 million)). The net carrying amount of these pledged assets amounted to RMB2,156 million (HK$2,369 million) (2022: RMB2,348 million (HK$2,628 million)).

(c) Set out below is a summary of the aggregate financial information of joint ventures, of which the group has a 50% share:

	2023	2022
EBITDA	**63**	68
Net loss from operations before non-operating items	**(264)**	(73)
Non-operating items, net of tax:		
Unrealised loss on revaluation of PSW's arcade, net of tax	**(29)**	(7)
Pre-opening expenses of PIT	**(38)**	(28)
Net loss after non-operating items	**(331)**	(108)
The Group's share of results of the joint ventures	**(166)**	(54)

10. Interest in associates (HK$m)

	2023	2022
Interest in associates	**448**	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 activities
19 Holding SAS (19 Holding)**	Incorporated	France	EUR1,000	20%	Investment holding
Majestic EURL (Majestic)	Incorporated	France	EUR80,000,000	20%	Hotel investment and investment holding
Le 19 Avenue Kléber	Incorporated	France	EUR100,000	20%	Hotel operation
The Belvedere Hotel Partnership (BHP)#	Partnership	United States of America	US$46,500,000	20%	Hotel investment

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

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

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

(b) Included in the balance of interest in associates are long-term unsecured loans to 19 Holding of HK$413 million (2022: HK$426 million). These loans were made pro rata to the group's shareholding in 19 Holding and are interest bearing 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$1,963 million) (2022: EUR227 million (HK$1,887 million)). As at 31 December 2023, the loan drawdown amounted to EUR227 million (HK$1,963 million) (2022: EUR227 million (HK$1,887 million)). As at 31 December 2023, the net carrying amount of the pledged asset amounted to EUR476 million (HK$4,116 million) (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$110 million (HK$858 million) (2022: US$114 million (HK$889 million)). As at 31 December 2023, the loan drawdown amounted to US$110 million (HK$858 million) (2022: US$114 million (HK$889 million)). The net carrying amount of the pledged asset amounted to US$33 million (HK$257 million) (2022: US$33 million (HK$260 million)).

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

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

	2023	2022
EBITDA	**236**	223
Net loss from continuing operations	**(91)**	(58)
The Group's share of results of the associates	**(18)**	(11)

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

	2023	2022
Cost		
At 1 January	**676**	694
Additions	**–**	12
Exchange adjustments	**20**	(30)
At 31 December	**696**	676
Accumulated amortisation		
At 1 January	**(220)**	(211)
Exchange adjustments	**(3)**	4
Amortisation for the year	**(14)**	(13)
At 31 December	**(237)**	(220)
Net book value	**459**	456

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

12. Derivative financial instruments (HK$m)

	2023 Assets	2023 Liabilities	2022 Assets	2022 Liabilities
Cash flow hedges:				
Interest rate swaps	**220**	**–**	349	–
	220	**–**	349	–
Less: Portion to be settled within one year				
Cash flow hedges:				
Interest rate swaps	**(2)**	**–**	(15)	–
	(2)	**–**	(15)	–
Amount to be settled after one year	**218**	**–**	334	–

13. Trade and other receivables (HK$m)

	2023	2022
Trade debtors	**409**	345
Rental deposits, payments in advance and other receivables	**390**	397
Contract assets	**50**	72
Tax recoverable	**4**	12
	853	826

Contract assets represent prepaid commissions in respect of The Peninsula London Residences, which are expected to be recovered of recognised in the consolidated statement of profit or loss within one year.

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$178 million (2022: HK$177 million). All the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade debtors is as follows:

	2023	2022
Current	**344**	298
Less than one month past due	**22**	22
One to three months past due	**15**	9
More than three months but less than 12 months past due	**28**	16
Amounts past due	**65**	47
	409	345

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

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

(a) Cash at banks and in hand

	2023	2022
Interest-bearing bank deposits	**408**	361
Cash at banks and in hand	**473**	224
Total cash at banks and in hand	**881**	585
Less: Bank deposits with maturity of more than three months	**(161)**	(15)
Cash and cash equivalents in the consolidated statement of cash flows	**720**	570

Cash at banks and in hand (including interest-bearing bank deposits) at the end of the reporting period include amounts of HK$332 million (2022: HK$279 million) held by overseas subsidiaries which are subject to regulatory and foreign exchange restrictions.

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

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings	Lease liabilities	Derivative financial instruments	Interest payable	Total
As at 1 January 2022	13,379	3,103	(38)	11	16,455
Changes from financing cashflows					
Drawdown of term loans	7,848	–	–	–	7,848
Repayment of term loans	(6,231)	–	–	–	(6,231)
Net increase in revolving loans	1,294	–	–	–	1,294
Interest paid and other financing charges	(34)	–	–	(255)	(289)
Interest element of lease rental paid	–	(136)	–	–	(136)
Capital element of lease rental paid	–	(31)	–	–	(31)
Changes in fair value					
Effective portion of changes in fair values	–	–	(311)	–	(311)
Other changes					
Exchange difference	(1,102)	(314)	–	–	(1,416)
Financing charges	38	95	–	71	204
Capitalised borrowing costs	–	44	–	196	240
Increase in lease liabilities from entering into new leases during the year	–	31	–	–	31
As at 31 December 2022 and 1 January 2023	**15,192**	**2,792**	**(349)**	**23**	**17,658**
Changes from financing cashflows					
Drawdown of term loans	**2,139**	**–**	**–**	**–**	**2,139**
Repayment of term loans	**(1,631)**	**–**	**–**	**–**	**(1,631)**
Net decrease in revolving loans	**(154)**	**–**	**–**	**–**	**(154)**
Interest paid and other financing charges	**(21)**	**–**	**–**	**(710)**	**(731)**
Interest element of lease rental paid	**–**	**(27)**	**–**	**–**	**(27)**
Capital element of lease rental paid	**–**	**(121)**	**–**	**–**	**(121)**
Changes in fair value					
Effective portion of changes in fair values	**–**	**–**	**129**	**–**	**129**
Other changes					
Exchange difference	**362**	**(36)**	**–**	**–**	**326**
Financing charges	**27**	**107**	**–**	**184**	**318**
Capitalised borrowing costs	**–**	**29**	**–**	**546**	**575**
Changes in other working capital	**–**	**(11)**	**–**	**–**	**(11)**
As at 31 December 2023	**15,914**	**2,733**	**(220)**	**43**	**18,470**

15. Trade and other payables (HK$m)

	2023	2022
Trade creditors	**169**	137
Interest payable	**43**	23
Accruals for properties, plant and equipment and properties held/under development for sale	**264**	398
Tenants' deposits	**339**	279
Guest deposits and gift vouchers	**203**	181
Other payables	**1,045**	762
Financial liabilities measured at amortised cost	**2,063**	1,780
Less: Non-current portion of trade and other payables	**(113)**	(96)
Current portion of trade and other payables	**1,950**	1,684

As at 31 December 2023, trade and other payables of the group expected to be settled or recognised as income after more than one year amounted to HK$209 million (2022: HK$175 million). The other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

The ageing analysis of trade creditors is as follows:

	2023	2022
Less than three months	**137**	125
Three to six months	**28**	5
More than six months	**4**	7
	169	137

16. Interest-bearing borrowings (HK$m)

	2023	2022
Total facilities available:		
Term loans and revolving credits	**19,160**	18,659
Uncommitted facilities, including bank overdrafts	**232**	413
	19,392	19,072
Utilised at 31 December:		
Term loans and revolving credits	**15,801**	15,098
Uncommitted facilities, including bank overdrafts	**156**	142
	15,957	15,240
Less: Unamortised financing charges	**(43)**	(48)
	15,914	15,192
Represented by:		
Long-term bank loans, repayable within one year	**2,504**	4,544
Short-term bank loans and overdrafts, repayable on demand	**–**	–
	2,504	4,544
Long-term bank loans, repayable:		
Between one and two years	**9,414**	1,067
Between two and five years	**4,039**	9,629
Over five years	**–**	–
	13,453	10,696
Less: Unamortised financing charges	**(43)**	(48)
Non-current portion of long-term bank loans	**13,410**	10,648
Total interest-bearing borrowings	**15,914**	15,192

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

As at 31 December 2023, the group's committed facilities included a green loan and sustainability linked loan facilities of HK$6,885 million (2022: HK$6,844 million) and HK$6,247 million (2022: HK$3,654 million) respectively. The sustainability interest margin discount applicable to the sustainability linked loan facilities are determined by reference to the key performance indicators relating to the group's carbon intensity, energy intensity, waste diversion and status of sustainability certificates.

17. Lease liabilities (HK$m)

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

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

	2023	2022
Carrying value		
Current portion	**149**	165
Non-current portion	**2,584**	2,627
	2,733	2,792
Contractual undiscounted cash outflow		
Within one year	**149**	165
After one year but within two years	**144**	149
After two years but within five years	**287**	289
After five years	**11,743**	11,715
	12,323	12,318

18. Share capital

	2023		2022	
	No. of shares (million)	**HK$m**	No. of shares (million)	HK$m
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**1,649**	**5,837**	1,649	5,837

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

All 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.

19. Commitments (HK$m)

Capital commitments outstanding as at 31 December 2023 and 2022 not provided for in the financial statements were as follows:

	2023			2022		
	Contracted for	**Authorised but not contracted for**	**Total**	Contracted for	Authorised but not contracted for	Total
Capital commitments in respect of:						
Existing properties	**109**	**646**	**755**	40	484	524
Special projects	**43**	**1,491**	**1,534**	198	2,797	2,995
	152	**2,137**	**2,289**	238	3,281	3,519
The group's share of capital commitments of joint ventures and associates	**105**	**67**	**172**	235	149	384
	257	**2,204**	**2,461**	473	3,430	3,903

20. Contingent liabilities

The Directors consider that there being no material contingent liabilities for the group as at 31 December 2023 and 2022.

21. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and guidance that are first effective for the current accounting period of the group:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*
- HKICPA guidance, *Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong*

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

21. Changes in accounting policies *continued*

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

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.

CORPORATE GOVERNANCE AND OTHER CORPORATE 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. With that in mind, we have adopted a governance framework, led by the Board of Directors, that is designed to reinforce and instil this strong corporate culture in decisions made at all levels of the business. By putting in place the governance framework and ensuring that our values and leadership behaviours are embedded throughout the organisation, the Board of Directors plays a key role in driving the group's productivity, strong branding and reputation to generate positive long-term shareholder value.

The Governance section in the 2023 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 C1 of the Listing Rules (CG Code) forms the basis of the HSH Corporate Governance Code (HSH Code). The Board of Directors recognises the principles underlying the CG Code and has applied these principles to our corporate governance structure and practices which was disclosed in the Governance section in the 2023 Annual Report. Throughout 2023, the company has complied with all of the code provisions and recommended best practices in the CG Code, save for the publication of quarterly financial results and disclosure of individual senior management remuneration, as set out in the Corporate Governance Report.

Corporate Responsibility and Sustainability

This year marks the tenth year since the launch of our formal 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. Details can be found in our online 2023 Corporate Responsibility and Sustainability Report (CRS Report).

The CRS Report has been prepared in accordance with the provisions as set out in Environmental, Social and Governance Reporting Guide (ESG Guide) in Appendix C2 of the Listing Rules. As international best practice to have more in depth discussion on industry-specific and other sustainability topics, the CRS Report also references the Global Reporting Initiative Sustainability Reporting (GRI) Standards, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, the Sustainability Accounting Standard Board (SASB), and the International Sustainability Standards Board (ISSB)'s IFRS S2 Climate-related Disclosures (ISSB Climate Standard), which is used to inform the Hong Kong Stock Exchange's enhancement on climate-related disclosures. KPMG was commissioned to conduct limited assurance and to provide an independent conclusion on selected information of this report. The CRS Report is available on the websites of the company and the Stock Exchange together with the 2023 Annual Report.

Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of the company's listed securities by the company or any of its subsidiaries during the year 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 C3 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 standard set out in the Model Code and the Securities Code during the year 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.

Final Dividend

The Board of Directors has recommended a final dividend of 8 HK cents per share (2022: Nil) for the year ended 31 December 2023. Subject to the shareholders' approval at the Annual General Meeting (AGM) on 8 May 2024, such dividends will be payable on 20 June 2024 to shareholders whose names appear on the register of members on 17 May 2024.

The proposed final dividend will be offered with a scrip alternative for shareholders to elect to receive such final dividend wholly or partly in the form of new fully paid shares instead of in cash. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of the Stock Exchange.

A circular containing details of this scrip dividend scheme will be dispatched to shareholders together with an election form for the scrip dividend on 22 May 2024.

Closure of Register of Members

<u>For shareholders' entitlement to attend, speak and vote at the AGM:</u>

Latest time to lodge transfer documents	4:30 p.m. 2 May 2024
Closure of register of members	3 May to 8 May 2024 (both days inclusive)
Record date	8 May 2024
AGM	8 May 2024

<u>For shareholders' entitlement to receive the final dividend:</u>

Ex-dividend date	10 May 2024
Latest time to lodge transfer documents	4:30 p.m. on 13 May 2024
Closure of register of members	14 May to 17 May 2024 (both days inclusive)
Record date	17 May 2024
Deadline for return of scrip dividend election forms	4:30 p.m. on 11 June 2024
Final dividend payment date	20 June 2024

During the closure of register of members, no transfers of shares will be registered. In order to qualify for the right to attend, speak and vote at the AGM and for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration before the above latest time to lodge transfer documents.

AGM and Annual Report

The AGM will be held at The Peninsula Hong Kong on Wednesday, 8 May 2024 at 12:00 noon. The 2023 Annual Report will be uploaded on the websites of the company and the Stock Exchange on or about 28 March 2024 as well as dispatched to the shareholders together with the Notice of AGM on or about 12 April 2024.

By Order of the Board
Christobelle Liao
Executive Director and Company Secretary

Hong Kong, 19 March 2024

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

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Andrew Clifford Winawer Brandler

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

Chief Operating Officer
Peter Camille Borer

Chief Corporate and Governance Officer
Christobelle Yi Ching Liao

Chief Financial Officer
Keith James Robertson

Non-Executive Directors
John Andrew Harry Leigh
Nicholas Timothy James Colfer
James Lindsay Lewis
Philip Lawrence Kadoorie
Diego Alejandro González Morales

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