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

2022 Annual Results

FINANCIAL HIGHLIGHTS

HK$m	2022	2021	% change
Revenue	**4,198**	3,461	21%
EBITDA before pre-opening and project expenses	**518**	457	13%
EBITDA	**399**	394	1%
Loss attributable to shareholders	**(488)**	(120)	(307%)
Underlying loss	**(205)**	(255)	20%
Shareholders' funds	**36,016**	36,762	(2%)
Loss per share (HK$)	**(0.30)**	(0.07)	(329%)
Underlying loss per share (HK$)	**(0.12)**	(0.15)	20%
Audited net assets per share (HK$)	**21.84**	22.29	(2%)
Adjusted net assets per share (HK$)	**24.46**	24.79	(1%)

- The group's hotel division saw some positive momentum in 2022 with the lifting of travel restrictions in the US and Europe. However, business levels at our flagship hotel in Hong Kong and our two hotels in mainland China was severely negatively impacted by strict travel restrictions, quarantine and social distancing measures during 2022.

- One of the highlights of the year was the sixth generation Peak Tram launch in August 2022 which has been well received by local patrons.

- We held the soft opening of The Peninsula Istanbul in February 2023.

- We are expecting the soft opening of The Peninsula London to be later in 2023.

- Overall, the group's consolidated revenue for the year increased by 21% to HK$4,198 million and the group's consolidated EBITDA before pre-opening and project expenses increased by 13% to HK$518 million.

- The loss attributable to shareholders includes a revaluation loss on investment properties of HK$152 million. Excluding the non-operating items of revaluation movement of investment properties and pre-opening and project expenses, the group's underlying loss amounted to HK$205 million compared to HK$255 million in 2021.

- The group's financial position remained stable, with a net debt to total assets ratio of 26% as at 31 December 2022.

- During the year, the group signed a GBP675 million three-year term new green loan facility to refinance its existing GBP650 million club loan. The group also renewed facilities totalling HK$2.8 billion. These facilities ensure sufficient liquidity is available to meet the group's working capital requirements in its existing operations and to fund the group's capital commitments in respect of its development projects in London and Istanbul.

FINANCIAL HIGHLIGHTS

	2022	2021	Increase/ (Decrease)
PROFIT OR LOSS HIGHLIGHTS (HK$m)			
Combined revenue^	**4,587**	3,885	18%
Revenue	**4,198**	3,461	21%
EBITDA	**399**	394	1%
EBITDA before pre-opening and project expenses ^^	**518**	457	13%
Operating loss*	**(53)**	(105)	50%
Loss attributable to shareholders	**(488)**	(120)	(307%)
Loss per share (HK$)	**(0.30)**	(0.07)	(329%)
Underlying loss**	**(205)**	(255)	20%
Dividends	**–**	–	–
Dividends per share (HK cents)	**–**	–	–
Cash interest cover (times)$^{\Delta}$	**0.8x**	1.6x	(51%)
Weighted average interest rate	**2.2%**	1.5%	0.7pp
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)			
Total assets	**56,581**	55,685	2%
Audited net assets attributable to shareholders	**36,016**	36,762	(2%)
Adjusted net assets attributable to shareholders#	**40,341**	40,871	(1%)
Audited net assets per share (HK$)	**21.84**	22.29	(2%)
Adjusted net assets per share (HK$)#	**24.46**	24.79	(1%)
Net external borrowings	**14,607**	12,900	13%
Funds from operations to net external debt##	**3%**	3%	0pp
Net external debt to equity attributable to shareholders	**41%**	35%	6pp
Net external debt to total assets	**26%**	23%	3pp
CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)			
Net cash generated from operations before taxation and working capital movements	**399**	394	
Capital expenditure on operating assets	**(200)**	(141)	
Capital expenditure on new projects	**(2,625)**	(2,447)	
SHARE INFORMATION (HK$)			
Highest share price	**9.26**	8.50	
Lowest share price	**6.05**	6.67	
Year end closing share price	**8.12**	6.83	

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

^^ Pre-opening and project expenses are unrelated to the group's operating hotels and properties and are non-recurring in nature. Pre-opening expenses represent the recruitment, payroll, marketing and administrative expenses incurred by the pre-opening office 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 in London and Istanbul, including payroll of the project team specifically hired for the local project offices, travelling and accommodation, and other administrative expenses incurred by the project teams. No additional project expenses will be incurred upon the completion of the projects

* Being EBITDA minus depreciation and amortisation

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

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

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

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

pp Denotes percentage points

CEO STATEMENT AND STRATEGIC REVIEW

1. Emerging from the COVID-19 Crisis

At the beginning of 2019, our company had a robust balance sheet with net debt of HK$5.9 billion as compared to total assets of HK$52 billion, annual group EBITDA of around HK$1.6 billion, and we were excited to be delivering the exceptional new Peninsula Hotel developments in London, Istanbul and Yangon for a total investment commitment of around HK$12.5 billion, which we believed to be well within our financing capability. In the intervening four years, our operating cashflows have been seriously depleted by the effects of COVID-19 which had a devastating impact on our hospitality earnings around the world, as well as the social unrest in our most important market of Hong Kong in 2019. Our businesses in Greater China and Asia were especially hard hit due to the length and stringency of the COVID-related restrictions. At the same time, our expected project costs have increased substantially, especially in London, due to COVID-related factors as well as issues with design and project management in London.

Given the unprecedented circumstances described above, I am proud to be able to report that we have navigated the challenges well. Our total net debt level has increased to HK$14.6 billion as compared to HK$56.6 billion of total assets, but we believe this gearing is still manageable and will shortly be materially reduced upon the release of the sales proceeds of The Peninsula London Residences. We have throughout maintained a healthy committed financing horizon of at least three years to cover our upcoming cash needs. Our group operating EBITDA, which was negative in 2020, has returned to being positive in 2022 at HK$518 million if one excludes the one-off costs associated with the opening of the two new hotel projects. Most importantly, my team and I have managed to navigate through this difficult period with strong staff morale, loyalty and engagement. We have also maintained the highest levels of quality and our strong Peninsula brand reputation is flying as high as ever. For this, I am truly grateful to all our management and staff.

Turning to 2022 and especially towards the end of the year, we have seen some positive momentum compared to the very challenging situation in the same period in 2021. However, our key markets of Hong Kong and mainland China continued to suffer from stringent COVID-19 travel restrictions for much of the year, negatively affecting our hotels business, as well as the Peak Complex. Our residential leasing business at The Repulse Bay was also under pressure although we have retained a reasonably high occupancy level. One of the highlights of the year was the sixth generation Peak Tram launch in August 2022, which significantly expanded its capacity and improved its service offering, and was positively received by the local market in the absence of tourists.

We believe our strong brand, attention to detail, and world-renowned service standards have held us in good stead during this crisis. There has been some pent-up demand and so-called 'revenge spending' although it remains to be seen how long this can continue. This has in some part contributed to a relatively fast rebound particularly in the US and Paris, with rates reaching high levels. Manila experienced a good recovery, whereas Bangkok's recovery remains muted, and Tokyo had a slow start to the year but built momentum towards the end of 2022.

Although there is a high degree of uncertainty in the near term, 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 more than 155 years. Whilst we have witnessed profound political and economic changes since we were first established in 1866, both in our home market of Hong Kong and around the world, our company remains steadfast in our key philosophies and values which are:

- to conduct business with the highest levels of integrity;
- to build on our heritage while continuing to invest in and develop our people;
- to maintain and enhance the quality of our assets;
- to continuously improve the service we offer to our guests; and
- to contribute positively to the cities in which we operate.

Maintaining a unique and robust company culture is very important to us and we are fortunate to have a close-knit culture and 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 eleven Peninsula hotels which are located in Hong Kong, Shanghai, Beijing, Tokyo, New York, Chicago, Beverly Hills, Paris, Istanbul, Bangkok and Manila, with The Peninsula London to be opened later in 2023. Throughout the years we have maintained a significant investment programme to enhance the physical condition and quality of these properties, for example, by completing major renovations at The Peninsula Hong Kong in 2014, The Peninsula Chicago in 2016 and The Peninsula Beijing in 2017. In 2021 we undertook a major renovation of the Peninsula Arcade in Hong Kong with the objective of providing high-end lifestyle amenities and retail offerings for local guests.

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 and this has been highly successful as a source of revenue. We also hold commercial properties in Hong Kong, Paris and Ho Chi Minh City.

Peninsula Merchandising Limited develops and distributes Peninsula-branded merchandise including the famous Peninsula Mooncakes, as well as artisanal chocolates and high-quality tea. We operate Peninsula Boutiques in key gateway cities in China, Asia and the US, including a boutique at Hong Kong International Airport which reopened in December 2022, and several Peninsula hotels. We opened new pop-up stores in 2022 and online business was successful during the year. We are planning to expand the business further, particularly in the Chinese mainland market.

Our clubs and services division includes the Peak Tram, which was first established in 1888 and has been under our group for more than 130 years. The Peak Tram reopened in August 2022 following a comprehensive HK$799 million upgrade project and has been very well received by local Hong Kong people.

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 and The Peninsula Istanbul as well as the Peak Tram project which was completed in 2022, together form the most substantial capital expenditure programme in our company's history. The Peninsula London is currently the major strategic focus of the senior management team. We are spending a considerable amount of time and effort on strategic planning, solving issues and making every effort to mitigate the delays and associated cost implications as a priority.

The Peninsula London

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

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

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

As we announced in October 2022, the revised budget of The Peninsula London is GBP1,020 million (including both hotel and residential apartments). We are satisfied to report that the prices at which we have transacted the sales of residential apartments to date have met our original expectations, and more than two-thirds of the residences have been sold.

The Peninsula Istanbul

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

The Peninsula Istanbul forms part of the wider Galataport project which has been developed by our partners, and incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal. This entire Galataport project is subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul has been granted a corresponding 30-year fixed term lease. Our partners have recently secured an extension to the 30-year operating right to 49 years from February 2014. We are negotiating with our partners on our share of payment for extending the fixed term lease for the hotel.

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

We are delighted to report that the soft opening of the hotel was held on 14 February 2023, with two buildings ready for guest stays and the magnificent Lobby open for business. The rooftop restaurant Gallada will open in summer 2023.

The Peninsula Yangon

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

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

5. Financial results and financial planning

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

As a result of our continuous investment into and enhancement of our property assets, the company's revalued net asset value per share has more than doubled in the last two decades to HK$24.46 per share in 2022.

We are currently investing for the future and our focus for the coming year will be on the successful delivery of our new Peninsula hotel developments in London and Istanbul. With the substantial capital commitments that these projects entail, including the Peak Tram which has been completed, currently amounting to HK$3.9 billion over the next two years, we continue to carefully monitor our company's financial position and we continuously take a proactive approach to forecasting future funding requirements.

We maintain sufficient cash reserves and adequate committed borrowing facilities from major financial institutions to ensure funds are available to finance our growth and development. Our net debt to total assets ratio is currently 26%, which we believe to be acceptable considering the financial obligations of our new developments. With the re-opening of the border between Hong Kong and the mainland, continued recovery of the hotel industry in the US and Europe, and the gradual handover of our purchased London residences, it is expected that the group's gearing will reduce in the coming year.

Despite the severity of the pandemic on our business, we are reporting an improved set of operating results for 2022, which we consider to be creditable in the light of the continued difficult market situation we faced in Hong Kong and mainland China. With the recovery of our business in the US and Europe, we saw an increase in consolidated revenue by 21% to HK$4.2 billion and an increase in consolidated EBITDA before pre-opening and project expenses by 13% to HK$518 million.

However, with the new hotel projects coming closer to completion, the group's pre-opening and project expenses directly related to supporting the new projects for the year amounted to HK$119 million compared to HK$63 million in 2021. Pre-opening and project expenses are unrelated to the group's operating hotels and properties and are non-recurring in nature and as such, these expenses are excluded to arrive at the group's underlying loss which amounted to HK$205 million compared to HK$255 million last year. The full year net loss attributable to shareholders of HK$488 million included an unrealised loss in fair value of investment properties held in Hong Kong, which is in line with general market movements.

Despite the accounting losses, the operating net cash surplus generated by the group before interest and lease payments for the year was HK$336 million, representing an increase of 40% over 2021.

6. Driving business

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

The group's diverse portfolio of assets helps to balance the cyclical nature of the hotel industry. Our main revenue sources derive from our hotel rooms, driven by global distribution systems, digital marketing and website revenue, as well as agents 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.

During the year a major focus of our strategy was to focus on attracting and retaining retail tenants in our arcades, particularly in Hong Kong, Beijing and Shanghai, and we were pleased with the mix of tenants achieved during the year and renewed interest from anchor tenants. 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.

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.

We continued to enhance our customer relationship management programme with the launch of the “Mobile PenKey Concierge”, which provides 24-7 access to a team of lifestyle management experts.

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

With travel restrictions lifted, our Sales teams were once again able to meet in person with PenClub members, our in-house travel partners, and begin attending 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. With leadership from the Technology Steering Committee, the team is exploring developments in voice recognition, artificial intelligence, robotics, and the latest technological innovations.

7. Managing risk

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

In 2022, as we emerged from the pandemic 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. Climate change risks, including rising sea levels, has also become a major focus and 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, and further improvements to 5-step risk management methodology.

8. Our people

Despite some relaxation of COVID-19 restrictions in 2022, the pandemic continued to present considerable challenges for our People and Culture team. The global labour shortage in the hospitality sector persists, while additional efforts are required in retaining our talent as they are attracted by competitive remuneration packages and other industries offering more flexible work arrangements.

We focused on the enhancement of our talent acquisition, on-boarding, employee engagement and career development experience to cultivate a team of exceptional people to have long-term careers with us. We are implementing a number of measures to better appeal to today's workforce and create better work life effectiveness for our employees. Among the measures are flexible work arrangements for applicable employees to work from home for the corporate office, enhancement of global benefits offerings such as carers' leave in Hong Kong, and budgeting of a competitive annual salary increase globally. Additionally, we have reviewed and increased our People and Culture staffing globally to ensure that every employee is afforded a caring and positive employee experience.

We want to enable and support the career and professional growth of our people. I am happy to share that we have re-launched the Executive Development Programme and the Emerging Managers Programme, which identifies high-potential individuals and strengthen their skill sets and capabilities for future leadership roles.

Developing the next generation of leaders in our organisation is a key focus as we prepare for the opening of two new hotels. Besides the various development programmes, we have also enhanced our succession management framework to create a strong pipeline of talented employees and kickstarted succession planning in the last quarter of 2022. Employees will be able to express their aspirations and role they would like to attain in the process. Through meaningful ACE (Aspiration, Career, Experience) Conversation with their manager, they will be able to understand the development gaps and their readiness to step into their desired roles.

On the opening of our new hotels in Istanbul and London, we are well advanced in our recruitment of around 1,200 new employees, with 241 on board in London and 423 in Istanbul. We have specifically curated programmes that are unique in those markets to enhance our profile as an employer of choice. The programmes support their entire workplace journey as well as their well-being.

In December 2022, we welcomed the first cohort of The Peninsula Istanbul employees with a newly designed orientation experience which lasts for one week as they learned about the company, our history, the Peninsula Services Principles, etc. We also hosted the first-ever Peninsula EXPO, which stands for EXperiencing Peninsula Operations, a new and bespoke programme that took the learning outside of the classroom as our new colleagues visited the various departments of the property to connect and experience the duties of each department.

Globally, we have continued the deployment of the revised HSH Core Principles Framework across our operations. The Core Principles support and help build a solid foundation for the Peninsula Services Principles (PSP) framework for all employees in our hotel operations. We have enhanced our selection process and incorporated our Core Principles in the hiring process as well. We have also improved our PSP materials to better facilitate adoption in our non-hotel operations such as Peninsula Merchandising Limited.

Our WorkPlace 2025 initiative is on-going as we work to modernise our workplace and effectively transform our teams through innovation and empowerment. I am very pleased to share that the first edition of the "Work Improvement Teams" programme saw over 500 creative ideas from around our global operations on improvements and best practices. The team from The Peninsula Shanghai and their proposal of incorporating artificial intelligence and automation into daily operations was selected as the champion.

Looking forward, our focus continues to be talent acquisition, career development and retention. We want to build an inclusive workplace where our employees feel a strong sense of belonging and purpose.

As of 31 December 2022, there were 5,885 full time employees in the group.

9. Sustainable luxury in a post-pandemic world

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

During 2022, socioeconomic issues such as unemployment, poverty, social inequality and supply chain disruption were exacerbated by the pandemic. Unusual climate events occurred in some parts of the world where we have hotels, and as mentioned in our risk section, we are becoming increasingly concerned about the risks posed by climate change and sea level rises to our ecosystems, businesses and human health. As a group we are exploring how to mitigate our own impact on the environment and to tackle the issues of water and sea level rises. We are also increasing our offering at our hotels for plant-based diets.

10. Outlook

We expect that the recent relaxation of COVID-related travel and mask-wearing restrictions in Hong Kong will have a positive impact on our businesses in Hong Kong, which usually contribute the majority of our group's earnings. Our earnings in Hong Kong arise principally from rooms and food and beverage business and shopping arcade rentals at The Peninsula Hong Kong, residential leasing income at The Repulse Bay and tourism-related revenue from the Peak Tower and Peak Tram, which are all expected to benefit from the recovery of international business and tourism in Hong Kong. We believe that Hong Kong continues to be a very attractive destination for both business and leisure travellers.

We have also seen the recent relaxation of COVID-related restrictions in the Chinese mainland, which we expect will benefit our hotels in Beijing and Shanghai, where we are already seeing some return of international business in addition to the strong domestic client base.

We are enjoying high room rates in Tokyo, Paris, New York, Chicago and Beverly Hills and the outlook remains good, although there continues to be wage inflationary pressures in the hospitality industry. The recent soft opening of The Peninsula Istanbul in February 2023 will start to bring revenue to that property, although its initial business has been affected by the sad and devastating earthquakes in Türkiye.

Our immediate development focus remains on delivering our new Peninsula hotel projects in London as explained later in the operational sections of this review. This has been an immensely challenging project in terms of delays and cost overruns, however, we believe when it opens from 2023 onwards, together with our new hotel in Istanbul and our existing hotel in Paris, it will have a significant impact on our brand presence in Europe.

Various other geopolitical uncertainties may continue to affect our business. These include US-China tensions, the impact of Brexit which is impacting the labour market in the UK, and we are also monitoring the effects of financial market instability in Türkiye. Climate change issues are an increasing concern. A key issue for our industry remains the significant labour shortage, particularly in the US, Europe and Japan, and this is still preventing many of our rooms and outlets operating at full capacity. We will continue to explore ways to attract and retain bright young talent. Inflation and rising energy costs remain a concern in the majority of our markets.

We are committed to ensuring that with the rapid development of technology we are keeping pace with the needs and opportunities of our business and we will place a renewed focus on technology transformation in the year ahead.

Overall, our company has maintained a strong balance sheet and has closely managed our operating costs and maintained its liquidity position during this crisis. We are fortunate to have a highly motivated and dedicated team of management and staff who are committed to our long-term vision.

I would like to thank each member of my team for their passion, loyalty and hard work over the past very difficult few years. The Peninsula spirit and our service principles are apparent, and I believe this enhances the guest experience, and upholds our reputation as one of the finest luxury hotel brands in the world.

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	687	–6%	–6%
The Peninsula Beijing	201	–18%	–14%
The Peninsula New York	712	+89%	+89%
The Peninsula Chicago	579	+32%	+32%
The Peninsula Tokyo	439	+35%	+62%
The Peninsula Bangkok	140	+349%	+393%
The Peninsula Manila	156	+301%	+341%
Non-consolidated hotels			
The Peninsula Shanghai	298	–39%	–36%
The Peninsula Beverly Hills	640	+18%	+18%
The Peninsula Paris	559	+61%	+78%

The Peninsula Hong Kong

The Peninsula Hong Kong		
Revenue	HK$687m	–6%
Occupancy		–13pp
Average Room Rate		+19%
RevPAR		–25%

For most of 2022, **The Peninsula Hong Kong** continued to be negatively impacted by stringent travel restrictions, quarantine and social distancing measures imposed by the HKSAR Government, particularly during the city's "fifth wave" of COVID-19 from January until May 2022.

Although occupancy declined compared to the previous year, we were able to achieve a double-digit increase in average rates, as local guests who decided to treat themselves to "staycations" at home in Hong Kong were willing to spend more on suites, upgrades and luxury experiences. Food and beverage revenue was robust throughout the year; Hong Kong has a "dining out" culture and The Peninsula Hong Kong is a destination venue for special events. We implemented marketing strategies to attract local residents, including *Penfare at Home* delivery services when the dining bans were in place, and a *Studio 54* themed dinner theatre experience in the winter months. Once dining restrictions were eased from May onwards, we saw a strong rebound in previously cancelled events, banquets and weddings.

We were delighted to receive the accolade of “Top 500 Hotels in the World 2022” by *Travel + Leisure* and we were pleased that *Gaddi’s* was awarded one Michelin star for the third consecutive year, while *Spring Moon* garnered one Michelin star for the sixth year in a row. During the festive season we created “immersive experiences” for our guests and collaborated with a luxury brand for our festive decorations in the *Lobby*.

We expect that the hospitality industry in Hong Kong will continue to improve with the easing of inbound travel restrictions, especially from the Chinese mainland, although long haul markets will require a longer time to recover. We support the Hong Kong Tourism Board’s efforts to drive business and welcome tourists back to Hong Kong.

On the leasing side, The Peninsula Office Tower was 94% occupied in 2022, and the outlook is stable. The Peninsula Arcade occupancy was 92%. Although commercial leasing remains under pressure due to the soft retail environment, we implemented retail incentives together with our tenants which resulted in strong foot traffic in the Peninsula Arcade, with our anchor tenants experiencing queues for the first time since before the pandemic. We believe that our recently renovated Peninsula Arcade basement will continue to offer an attractive retail environment for tenants, with an eclectic mix of lifestyle and culinary amenities.

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

The Peninsula Shanghai

The Peninsula Shanghai*		
Revenue	RMB260m	–36%
Occupancy		–28pp
Average Room Rate		–3%
RevPAR		–53%

* *The Peninsula Shanghai was subject to a mandatory lockdown in April-June 2022*

The Peninsula Shanghai faced a challenging 2022 due to the stringent COVID restrictions imposed across the city. Sporadic COVID resurgences disrupted business and the situation was exacerbated by the perception of the severity of the situation, which deterred domestic visitors from outside Shanghai. Despite the weak environment, we remained RevPAR leader amongst our competitive set.

We experienced a serious deterioration in business as various lockdowns commenced and government regulations mandated the hotel to close all restaurants, the Spa and the pool in June 2022 even after the citywide lockdown was lifted. We also suffered from many cancellations of large events and weddings due to the instability of the situation, with corporates unwilling to risk spending on non-critical activities.

From April to June 2022, the Puxi area of the city, where our hotel is located, went into full lockdown and this was devastating for our operational results. We implemented a strict cost cutting policy and implemented innovative strategies to drive revenue. For example, for Shanghai residents also experiencing lockdown in their residential complex, we offered high-end culinary delivery services and engaged “KOL” influencers to promote our offers to the local market, with good results.

During the festive season, year-end parties and events resumed when the zero-Covid restrictions were eased, but came to an abrupt halt when 80% of the city's population tested positive for COVID-19 in late December.

The Peninsula Arcade was 94% occupied during 2022 and aside from the lockdown periods, the retail outlets experienced robust foot traffic and in some cases, queues outside their stores.

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 2022, a total of 32 apartment units have been sold.

The Peninsula Beijing

The Peninsula Beijing		
Revenue	RMB174m	–14%
Occupancy		–12pp
Average Room Rate		+5%
RevPAR		–38%

The Peninsula Beijing experienced an extremely challenging year due to severe government restrictions and lockdowns, with lengthy quarantines resulting in almost zero international travellers coming to Beijing.

The Winter Olympics was successfully held in February 2022, with "bubble zones" maintained in key areas of Beijing to protect visitors and athletes. This naturally led to a decline in domestic arrivals to the city and business outside of these bubble zones was weak. The same situation occurred during the 20th Party Congress in November 2022.

From April 2022 and for a period of several months, business came to a complete standstill and hotels were not permitted to host events or dining, and this occurred again in December when the city was under lockdown.

During the summer months we were able to achieve a slight improvement in food and beverage revenue due to the popularity of our rooftop bar *Yun Summer Lounge*. We were delighted that our fine dining restaurant *Jing* retained its one Michelin star, making it the only Michelin-starred French restaurant in the city.

The end of the year was extremely challenging and despite Covid restrictions suddenly easing, three-quarters of our staff fell ill with COVID-19 in the same week and while our focus was on ensuring their return to good health, our ability to serve guests was inevitably impacted.

During the year, The Peninsula Arcade was 98% occupied and business in the retail outlets was robust. Some of our anchor tenants are undergoing expansions of their space.

We are optimistic for the outlook for the coming year as we believe luxury travel in China will rebound due to pent-up demand in both leisure and corporate markets as guests seek to re-establish government, diplomatic and business relationships in the nation's capital.

The Peninsula Tokyo

The Peninsula Tokyo		
Revenue	JPY7.49b	+62%
Occupancy		+13pp
Average Room Rate		+42%
RevPAR		+99%

The Peninsula Tokyo ended the year on a high note after a relatively weak start to 2022 when the hotel was still impacted by "State of Emergency" restrictions which were imposed across the city.

From spring onwards, the Japanese Government started to ease their border policies, firstly by issuing international business visas again. From June 2022, overseas small tour groups and business visitors were allowed back into Japan and finally all restrictions were lifted by October 2022.

The gradual easing of restrictions resulted in a significant increase in occupancy, revenue and room rates in the fourth quarter with high room rates achieved in December 2022. Our international guest mix quickly recovered and we were pleased to see overseas guests returning, mostly from the US and Hong Kong.

In terms of local customer spending, we saw a strong increase in demand and the number of general banquets and large events in the second half increased due to pent-up demand, with less "Covid anxiety" associated with very large banquets. We have been adjusting space for small to mid-sized luxury events and this has been well received. There has been a noticeable shift in local guest behaviour since the pandemic, with after-work business entertainment decreasing, which has impacted our outlets and bar business.

The Peninsula Arcade business remained stable with 100% occupancy and we welcomed a new healthcare tenant in May 2022 which has been well received.

The Peninsula Bangkok

The Peninsula Bangkok		
Revenue	THB637m	+393%
Occupancy		+17pp
Average Room Rate		+90%
RevPAR		+273%

The Peninsula Bangkok experienced a strong second half mainly due to the removal of all Government restrictions from July onwards, and the removal of mask mandates from October. This encouraged international travellers to return to Thailand, with the key markets including the US, Europe, South Korea and Singapore. The Thai Government's subsidised "We Travel Together" initiative helped drive business from the domestic market in the first half. The APEC conference in November 2022 brought more overseas business visitors to Bangkok although the main beneficiary was the downtown business district rather than the riverside.

Rooms, food and beverage and banqueting business picked up gradually throughout the year and December was particularly strong in terms of high rates. Corporate group bookings are coming back to the city and comprising both regional and long-haul visitors.

We have achieved good results and positive guest feedback from our positioning as a luxury riverside "urban resort", with a major focus on wellness programmes including quarterly "Wellness Festivals" as well as Peninsula's Life Lived Best initiative. We are also strongly positioned in terms of art appreciation programmes with 'artist in residence' and 'writer in residence' programmes, which have been popular with guests as well as supporting local artists and the art community in Bangkok.

The Peninsula Manila

The Peninsula Manila		
Revenue	Php1,098m	+341%
Occupancy		+39pp
Average Room Rate		+37%
RevPAR		+481%

The Peninsula Manila experienced a strong year after a relatively weak first two months. Occupancy, average rates and RevPAR all increased significantly after the Philippines Government opened international borders from February onwards. Guests returned from our traditional key markets of US, UK, Singapore, Japan and South Korea, with diplomatic and corporate business particularly strong following the election of the country's new President in June 2022. Domestic business also experienced a rebound and we continued to welcome guests from Manila as well as other parts of the Philippines for "staycations".

Suite business was good and our new Club Lounge brought in significant revenue. We enhanced our Ballroom Garden which is the only *al fresco* event venue in the area and it has proved popular with wedding guests. Food and beverage performance was robust. Our fine dining restaurant *Old Manila* was closed during 2022 but has reopened in early 2023 with a new chef and is receiving positive reviews from guests.

The Peninsula New York

The Peninsula New York		
Revenue	US$91m	+89%
Occupancy		+8pp
Average Room Rate		+16%
RevPAR		+32%

The Peninsula New York experienced a fast recovery and strong rebound for the full year 2022 after a slow start in the first two months of the year. The hotel achieved high average rates with strong demand for specialty suites. The speed of the recovery and the so-called "revenge travel spending" has exceeded our expectations.

Food and beverage revenue was good, with *Salon de Ning* performing well and *Clement* restaurant opened for breakfast and lunch. *Gotham Lounge* reopened in the fourth quarter and business performed well. In the winter months we partnered with St Moritz and Badrutt's Palace Hotel to feature "Chalet de Ning" at *Salon de Ning*, bringing a glamorous Swiss winter wonderland to New York, creating queues and a buzz on social media.

As part of our community efforts, The Peninsula New York was proud to be the Official Hotel Sponsor of MACBETH 2022 on Broadway, featuring Hollywood actors Daniel Craig and Ruth Negga, providing complimentary tickets for students from underserved communities.

Despite concerns about high costs of labour and talent shortages, our outlook is positive with high rates forecast.

The Peninsula Chicago

The Peninsula Chicago		
Revenue	US$74m	+32%
Occupancy		+7pp
Average Room Rate		+15%
RevPAR		+30%

The Peninsula Chicago enjoyed a very strong 2022, with high occupancy and high average rates. We maintained our RevPAR leader position in the market. Business was boosted by strong demand for suites and increased banqueting demand from March onwards.

The hotel's restaurants and dining outlets reopened in 2022 with some limitations in dining hours, and *Pierrot Gourmet* reopened in September 2022 following a renovation. Staffing shortages remain a major concern in Chicago with a high number of vacant positions. Recruitment is a top priority.

Groups business was good, and several large-scale conferences and conventions were held in the city, although they were not yet held at full capacity.

As part of our commitment to promoting local artists, in April 2022, we were proud to present *I am Somebody*, a collection of works by AFRICOBRA (the African Commune of Bad Relevant Artists), an artist collective that was founded on the south side of Chicago in 1968. From December 2022 we are showcasing *Building Images*, an exhibit by Chicago artist Robert Chase Heishman in partnership with LATITUDE Chicago.

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

We remain concerned about levels of crime in Chicago and have taken additional protectional steps for the safety and security of our staff and guests, offering in-house car and transport options for their safety.

The Peninsula Beverly Hills

The Peninsula Beverly Hills		
Revenue	US$82m	+18%
Occupancy		+10pp
Average Room Rate		+18%
RevPAR		+39%

The Peninsula Beverly Hills enjoyed a successful 2022. Pent-up demand was high, with the so-called "revenge travel spending" phenomenon benefiting our hotels business. We received very high suite demand due to the Superbowl and the Milken Conference returning to Los Angeles, although The Hollywood awards season, which traditionally would result in full occupancy for our hotel, was not so robust in 2022, with major awards events moving to other cities. However, we are seeing a strong demand from the fashion industry and are working with luxury brands on securing large-scale events for their clients.

A good mix of business and leisure travel help to push rates, with robust demand for suites and luxury products, and we were pleased to see international guests returning from traditional markets such as Australia.

Food and beverage performed very well throughout the year, despite an unusually cold and wet winter with floods and heavy rain affecting the Los Angeles area. Banqueting and catering demand was strong due to many events being reorganised after being cancelled during the pandemic. We initiated a "pop-up" of *Sushi Nakazawa*, a famous high-end sushi bar from New York City. This initiative operated as an ultra-exclusive offering with very limited places, and this was successful, helping to generate significant revenue. We will continue this initiative with plant-based menus and more international pop-ups in the coming year.

We also held a number of high-end whisky dinners and other exciting events. To the best of our ability, we are still managing costs with *Belvedere* restaurant and the Spa opening five days per week.

The Peninsula Paris

The Peninsula Paris		
Revenue	EUR69m	+78%
Occupancy		+11pp
Average Room Rate		+39%
RevPAR		+93%

The Peninsula Paris experienced a difficult start to the year but from March 2022 onwards the French Government lifted all restrictions, and business rebounded. The US market was particularly robust, and we also welcomed many domestic French visitors. There was strong demand for suites and family travel, leading to the highest occupancy since the hotel opened in 2014 and strong average rates. Leisure demand was particularly good in May due to the UEFA Champions League event in the city. The month of June was the best performance in the history of the hotel since we opened in 2014.

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

Our commitment to culinary excellence is particularly high in Paris and we were delighted to achieve a second Michelin star for our rooftop restaurant, *L'Oiseau Blanc*. *Lili*, our Chinese restaurant, introduced a new brunch concept that was very successful and popular with local guests. Our Head Pastry Chef Anne Coruble won the coveted Lebey Award for "Best Dessert" at the annual Prix D'Excellence Gastronomique in October 2022.

Commercial Properties Division

Commercial Properties	**Revenue**	**Variance Year-on-Year**	
	HK$m	**HK$**	**Local Currency**
The Repulse Bay Complex	529	–2%	–2%
The Peak Tower	42	+6%	+6%
St. John's Building	48	–7%	–7%
The Landmark	39	+7%	+9%
21 avenue Kléber	21	–7%	+4%
The Peninsula Shanghai Apartments	7	–2%	+2%

Our largest commercial property, **The Repulse Bay Complex**, experienced a softer market compared to the previous year, with residential revenue and occupancy declining at 101 Repulse Bay, 109 Repulse Bay and de Ricou due to the challenging environment in Hong Kong. The lack of international arrivals affected the luxury residential leasing market although our long-term outlook is positive with the easing of restrictions for inbound travellers. The Repulse Bay continues to offer one of the most attractive luxury residential and lifestyle options in the coveted South Side of Hong Kong.

The HKSAR Government's social distancing measures continued to affect the performance of The Repulse Bay's food and beverage outlets in the first half, although catering revenue picked up in the second half when large events and banquets could be held again. The Repulse Bay is one of Hong Kong's most popular venues for weddings and these events were rescheduled following prior postponements due to COVID.

The Repulse Bay Shopping Arcade, which offers a diverse range of lifestyle amenities and services, reported lower occupancy and revenue, as well as some rental concessions to existing tenants due to the challenging environment.

The Peak Tower experienced an improvement in business compared to the previous year, although remains significantly impacted by the continued lack of foreign visitors to Hong Kong and the upgrade project for The Peak Tram which also affected traffic to the Peak Tower in the first half. Revenue and occupancy improved slightly, boosted by the reopening of the Peak Tram in August 2022 and increased visitors to Sky Terrace 428.

St John's Building is located above the Central terminus of the Peak Tram and offers an excellent location for office space. Revenue dropped slightly but occupancy remained stable at 92% during 2022.

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 during 2022, with revenue and occupancy for the offices improving year-on-year, and residential revenue and occupancy also improved compared to the previous year.

21 avenue Kléber offers a prime location immediately adjacent to The Peninsula Paris on Avenue Kléber, just steps from the Arc de Triomphe. The property has achieved international BREEAM Excellent and HQE Outstanding environmental certifications which are the highest level of sustainable building assessments in Europe. We have successfully leased the entire office space, and both of the two retail spaces. Rental revenue improved slightly compared to the previous year in local currency.

Clubs and Services Division

Clubs and Services	Revenue	Variance	
	HK$m	HK$	Local Currency
The Peak Tram	29	+112%	+112%
Quail Lodge & Golf Club	203	+18%	+18%
Peninsula Clubs & Consultancy Services	4	–8%	–8%
Peninsula Merchandising	244	–11%	–11%
Tai Pan Laundry	37	+5%	+5%

The Peak Tram is one of Hong Kong's most popular tourist attractions and has been in operation since 1888. In August 2022 we were delighted to launch the brand new sixth generation tram following a major upgrade which incorporated a significantly improved Central terminus, with covered queueing and waiting areas with entertainment features for up to 1,300 passengers. The new tramcars are able to carry up to 210 passengers instead of the previous capacity of 120 and visitors' waiting time has been significantly reduced. We held a Grand Opening ceremony on 2 December 2022. Since reopening, the new Peak Tram has been very well received by local patrons and we are optimistic for the year ahead when international visitors start to return to Hong Kong.

Quail Lodge & Golf Club reported an excellent year with revenue increasing by 18% year on year and a significant increase in average rates and RevPAR compared to pre-COVID 2019 levels. Golf membership was strong, with 44 new memberships signed in 2022. *The Quail: A Motorsports Gathering* was held in August 2022 and is considered one of the world's leading concours events for classic motoring *aficionados*, bringing significant sponsorship revenue. The "Peninsula Classics Best of the Best Award" was also held at Quail in August 2022.

Peninsula Clubs & Consultancy Services (PCCS) manages prestigious clubs in Hong Kong including The Hong Kong Club, Hong Kong Bankers Club and The Refinery. PCCS reported a decline in revenue compared to the same period last year, negatively impacted by the ongoing effects of the pandemic in Hong Kong. The Hong Kong Bankers Club is receiving positive reviews and is achieving good banqueting revenue following the relaxation of social distancing measures.

Revenue at **Peninsula Merchandising** decreased compared to the previous year, mainly driven by softer revenues for export to the Chinese mainland particularly for mooncakes and slower overall revenue in Hong Kong, however there was continued growth in our stores in Japan and within our online businesses and corporate sales and Travel retail remained robust. The boutique at Hong Kong International Airport reopened in December, having been closed since March 2020 and initial revenues are encouraging.

The Peninsula Boutique is renowned for its signature mooncakes and initial forecasts for the forthcoming season are positive. The division is progressing with the expansion in several markets, including in the Chinese mainland and will start to directly operate retail boutiques and online sales channels. Sales in our boutiques in Japan continued to grow and additional boutiques are planned to further expand in this market.

We have introduced a new collection of fresh mooncake style pastries during Mid-Autumn which were well received, and during the year we launched a new website which was helping to drive additional traffic and improve the user experience. Additional product launches including The Peninsula hotel amenities and other new luxury product lines have been popular and appealed to loyal Peninsula guests and also introduced our brand in new markets.

Tai Pan Laundry revenue increased by 5% compared to the same period last year, which was a creditable result considered its business was hampered by stringent social distancing measures which led to the temporary closure or weak business of key customers including some hotels, clubs and gyms.

Projects under development

The Peninsula London

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

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

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

The project was materially affected in 2020 and 2021 by delays caused by the COVID-19 pandemic which resulted in labour shortages and site closures, as well as significant design and project coordination issues arising in key areas of the hotel. Throughout these challenges, the HSH projects team has worked closely with the London development manager, the construction management company, the consultants and the trade contractors to address and resolve problems as quickly and effectively as possible. The practical completion date of the project and the soft opening date of the hotel will be later in 2023.

As we announced in October 2022, the revised forecasted budget of The Peninsula London is GBP1,020 million (including both hotel and residential apartments). We are satisfied to report that the prices at which we have transacted the sales of residential apartments to date have met our original expectations, and over two-thirds of the residences have been sold.

The Peninsula Istanbul

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

The Peninsula Istanbul will form part of the wider Galataport project being developed by our partners, which incorporates a promenade, museums, art galleries, restaurants, boutiques, retail units, parks and public spaces for the local community as well as a cruise passenger terminal. Many of the facilities have now been opened and the area already enjoys a high level of patronage from locals and visitors. The entire Galataport project is subject to a 30-year operating right commencing February 2014 for which The Peninsula Istanbul has been granted a corresponding 30-year fixed term lease. Our partners have secured an extension to the 30-year operating right to 49 years from February 2014. We are therefore negotiating with our partners on extending the fixed term lease for the hotel.

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

We are delighted to report that the soft opening of the hotel was held on 14 February 2023, with two buildings ready for guest stays and the magnificent Lobby open for business. The rooftop restaurant Gallada will open in summer 2023.

The Peninsula Yangon

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

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

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 2022 have been compared by KPMG to the amounts set out in the group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

FINANCIAL REVIEW

The group's hotel division saw some positive momentum in 2022 with the lifting of travel restrictions in the US and Europe. However, business levels at our flagship hotel in Hong Kong and our two hotels in mainland China continued to be severely negatively impacted by strict travel restrictions, quarantine and social distancing measures following the outbreak of the fifth wave of COVID-19 in late January 2022. The commercial properties division also suffered a decline in revenue as the majority of our leasing income is generated by the group's investment properties in Hong Kong. On the positive side, the group's Clubs and Services division reported an increase in revenue with the re-opening of the Peak Tram in August 2022 following its upgrade project, as well as good revenue achieved by Quail Lodge and Golf Club. Overall, the group's consolidated revenue for the year increased by 21% to HK$4,198 million and the group's consolidated EBITDA before pre-opening and project expenses increased by 13% to HK$518 million. Breakdowns of the group's revenue and EBITDA by division are set out on pages 29 to 32 of this Financial Review.

Residential and retail property prices in Hong Kong remained stable in the first half of 2022. However, due to the outbreak of the fifth wave of COVID-19 in Hong Kong and interest rate hikes, the price of luxury residential and retail properties fell sharply in the second half of the year. As a result, a loss on revaluation of investment properties of HK$152 million was recognised by the group in 2022. This unrealised loss was principally attributable to the reduction in appraised market values of The Peninsula Hong Kong retail arcade and The Repulse Bay Complex.

The group seeks to create value for its shareholders from the appreciation in capital value of the properties in the long term. The group has committed to its most significant capital projects in our history, with two new hotels under development in London and Istanbul as well as the Peak Tram upgrade project in Hong Kong. The Peninsula London complex comprises a 190-room Peninsula hotel and retail arcade and 25 luxury Peninsula-branded residential apartments. Based on the current development progress, we are targeting a soft opening of the London hotel later in 2023. For the residences, we have exchanged contracts for approximately 70% with an aggregate sale value of over HK$5 billion. We are also pleased to report that The Peninsula Istanbul held its soft opening on 14 February 2023. The Peak Tram upgrade project was completed last year with the new 210-passenger sixth generation tramcars being launched in August 2022.

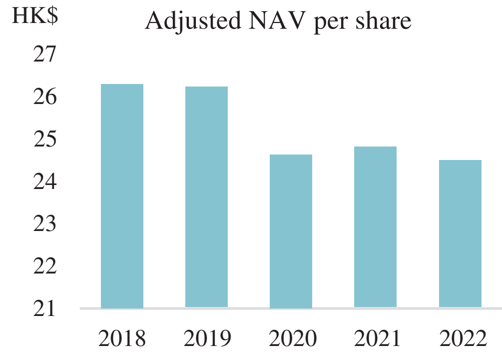
As at 31 December 2022, the group's financial position remained stable, with a net debt to total assets ratio of 26% as at 31 December 2022. During the year, the group signed a GBP675 million (HK$5.95 billion) three-year term new green loan facility to refinance its existing GBP650 million club loan. The group also renewed facilities totalling HK$2.8 billion. These facilities ensure sufficient liquidity is available to meet the group's working capital requirements in its existing operations and to fund the group's capital commitments in respect of its development projects in London and Istanbul.

The group's adjusted net asset value

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

Accordingly, we have commissioned an independent third-party fair valuation of the group's hotels and golf courses as at 31 December 2022, the details of which are set out on page 35. If these assets were to be stated at fair value, the group's net assets attributable to shareholders would increase by 12% to HK$40,341 million as indicated in the table below.

Adjusted NAV
HK$40,341m ↓1%



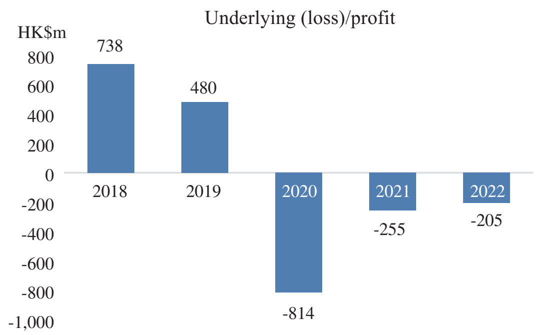
HK$m		**2022**		2021
Net asset value attributable to shareholders per the audited statement of financial position		**36,016**		36,762
Adjusting the value of hotels and golf courses to fair value	**4,672**		4,350	
Less: Related deferred tax and non-controlling interests	**(347)**		(241)	
		4,325		4,109
Adjusted net assets attributable to shareholders		**40,341**		40,871
Audited net assets per share (HK$)		**21.84**		22.29
Adjusted net assets per share (HK$)		**24.46**		24.79

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 loss attributable to shareholders. This is determined by excluding the pre-opening and project expenses, the post-tax effects of the revaluation movements of investment properties and impairment provisions in respect of non-investment properties.

The group's underlying loss attributable to shareholders for the year ended 31 December 2022 amounted to HK$205 million compared to an underlying loss of HK$255 million for the year ended 31 December 2021.

Underlying loss
(HK$205m) ↑20%



HK$m	**2022**	2021
Loss attributable to shareholders	**(488)**	(120)
Revaluation (gain)/loss of investment properties[#]	**149**	(674)
Impairment provisions*	**–**	476
Share of revaluation gains on apartments sold by The Peninsula Shanghai Waitan Hotel Company Limited (PSW)[Δ]	**1**	–
Pre-opening and project expenses[ΔΔ]	**133**	63
Underlying loss	**(205)**	(255)

The underlying loss figure excludes the direct costs incurred in respect of the project teams hired specifically to support The Peninsula London and The Peninsula Istanbul development projects and the pre-opening costs of those hotel projects. Such costs were unrelated to the group's operating hotels and properties and were non-recurring in nature.

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

* *The 2021 figure represents the impairment provision attributable to the shareholders in respect of the construction in progress of The Peninsula Yangon.*

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

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

Statement of profit or loss

The group's consolidated statement of profit or loss for the year ended 31 December 2022 is set out on page 43. The following table summarises the key components of the group's loss attributable to shareholders. This table should be read in conjunction with the commentary set out on pages 28 to 33 of this Financial Review.

HK$m	**2022**	2021	2022 vs 2021 favourable/ (unfavourable)
Revenue	**4,198**	3,461	21%
Operating costs	**(3,680)**	(3,004)	(23%)
EBITDA before pre-opening and project expenses	**518**	457	13%
Pre-opening and project expenses	**(119)**	(63)	(89%)
EBITDA	**399**	394	1%
Depreciation and amortisation	**(452)**	(499)	9%
Net financing charges	**(198)**	(153)	(29%)
Share of results of joint ventures	**(54)**	(4)	(1,250%)
Share of results of associates	**(11)**	(11)	–
Increase/(decrease) in fair value of investment properties	**(152)**	670	n/a
Impairment provision	**–**	(679)	100%
Taxation	**(17)**	(37)	54%
Loss for the year	**(485)**	(319)	(52%)
Non-controlling interests	**(3)**	199	n/a
Loss attributable to shareholders	**(488)**	(120)	(307%)

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

The group's share of pre-opening and project expenses of The Peninsula Istanbul amounting to HK$14 million (2021: nil) are included in share of results of joint venture.

Revenue

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

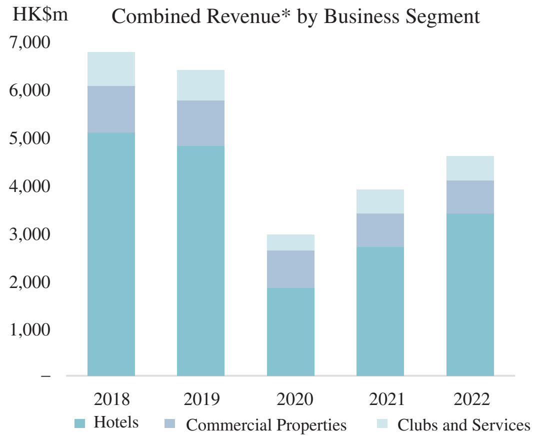
Our key markets of Hong Kong and mainland China suffered from stringent COVID restrictions for much of the year and reported a decline in revenue. However, this decline was fully offset by the strong growth in revenue achieved by our properties in the US, Europe and other Asia as these markets enjoyed a robust rebound during the year. A breakdown of the group's total revenue, including its effective share of revenue of associates and joint venture by business segment and geographical segment is set out in the following tables.

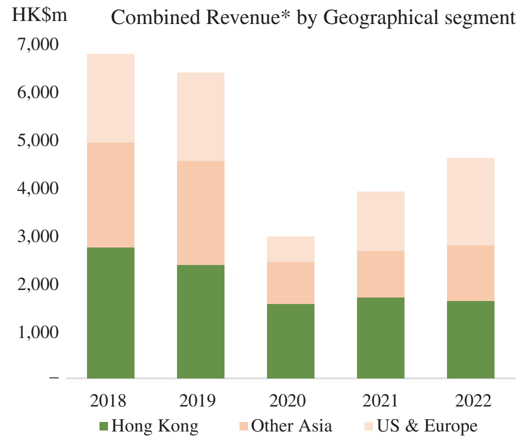
Consolidated Revenue
HK$4,198m ↑ 21%

Hotels
HK$2,995m ↑ 32%

Commercial Properties
HK$686m ↓ 2%

Clubs and Services
HK$517m ↑ 3%





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

Revenue by business segment

HK$m	2022			2021			2022 vs 2021
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**2,995**	**389***	**3,384**	2,263	424*	2,687	26%
Commercial Properties	**686**	**–**	**686**	698	–	698	(2%)
Clubs and Services	**517**	**–**	**517**	500	–	500	3%
	4,198	**389**	**4,587**	3,461	424	3,885	18%

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

Revenue by geographical segment

HK$m	2022			2021			2022 vs 2021
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**1,607**	**–**	**1,607**	1,678	–	1,678	(4%)
Other Asia	**1,012**	**149***	**1,161**	733	245*	978	19%
US and Europe	**1,579**	**240**	**1,819**	1,050	179	1,229	48%
	4,198	**389**	**4,587**	3,461	424	3,885	18%

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

The hotels division is the largest contributor of the group's combined revenue. Due to the outbreak of the fifth wave of COVID-19 in Hong Kong and the zero-COVID strategy adopted by Chinese government, our hotels in Hong Kong and mainland China suffered a decline in revenue for the year ended 31 December 2022. In the US and Europe, following the lifting of travel and social distancing restrictions, revenue of these geographic segments enjoyed a significant rebound. Overall, the combined revenue of the hotel division increased by 26% to HK$3,384 million.

Revenue from the commercial properties division decreased by 2% to HK$686 million, mainly due to the unfavourable performance of The Repulse Bay Complex (TRB), which is the largest contributor of revenue accounting for over 76% of the division's revenue. At TRB, rental revenue was under pressure as the luxury residential market in Hong Kong continued to experience a decline in demand.

For the clubs and services division, revenue increased by 3% to HK$517 million. The favourable result was mainly attributable to the re-opening of the Peak Tram in August 2022 and the excellent revenue achieved by Quail Lodge & Golf Club for its signature events.

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

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

During the year, the group's costs totalled HK$3,799 million. Excluding pre-opening and project expenses relating to the two hotels under development, the group's operating costs amounted to HK$3,680 million, representing a 23% increase over last year. The following table summarises the key components of the group's operating costs.

HK$m	**2022**	2021	2022 vs 2021 favourable/ (unfavourable)
Cost of inventories	**352**	310	(14%)
Staff costs and related expenses	**1,966**	1,562	(26%)
Rent and utilities	**370**	373	1%
Advertising and promotions	**158**	89	(78%)
Credit card and room commissions	**158**	107	(48%)
Guest supplies and laundry expenses	**184**	146	(26%)
IT and telecommunication expenses	**89**	83	(7%)
Property maintenance and insurance	**216**	183	(18%)
Other operating expenses	**306**	214	(43%)
	3,799	3,067	(24%)
Represented by:			
Operating costs	**3,680**	3,004	(23%)
Pre-opening and project expenses	**119**	63	(89%)
	3,799	3,067	(24%)

Given the nature of operating high-end luxury hotels, staff costs continued to be the largest portion of our operating costs. During the year, the group received a total of HK$43 million (2021: HK$82 million) in employment related government subsidies and the amount was credited to the statement of profit or loss as a reduction of staff costs. Excluding the government subsidies and the pre-opening payroll costs, the increase in staff costs and related expenses would have been 21%. Due to the rebound of businesses, especially for the properties in the US and other Asia as these markets gradually emerged from the COVID downturn, the group was required to restore its manpower to a level close to the pre-COVID level. In addition, the general economic inflation coupled with a global labour shortage in the hospitality industry has led to a widespread salary inflation for the year ended 2022. Taken these factors into account, the increase in staff costs and related expenses is considered reasonable as compared to a revenue growth of 21%. The increase in other operating costs was mainly driven by the increase in business volumes from the hotels and the clubs and services divisions as well as general inflation.

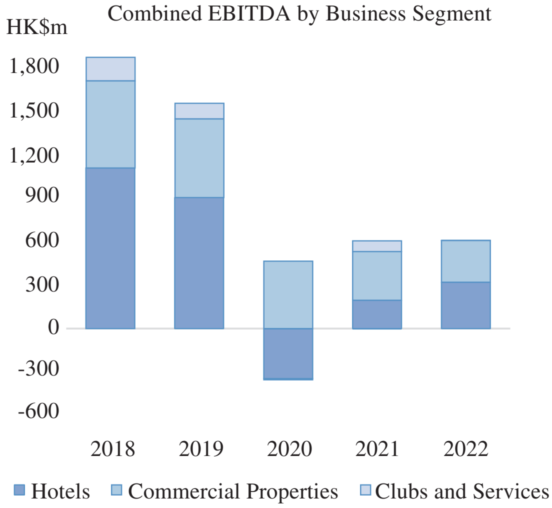
Project expenses and pre-opening expenses represent the non-recurring costs incurred by the group for the monitoring of the group's two hotel development projects in London and Istanbul, and the payroll, marketing and administrative expenses incurred by The Peninsula London's pre-opening office, respectively. With the progress of the development of the two projects and the approaching of the soft opening of The Peninsula London, additional resources were put in place during the year ended 31 December 2022, resulting in an increase in project and pre-opening expenses.

EBITDA* and EBITDA* Margin

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

* *Excluding pre-opening and project expenses and the group's share of EBITDA in respect of the sale of apartments by the joint venture in Shanghai.*

Combined EBITDA* by Business Segment



EBITDA* by business segment

HK$m	**2022**			2021			2022 vs 2021
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hotels	**238**	**73**	**311**	58	132	190	64%
Commercial Properties	**279**	**–**	**279**	327	–	327	(15%)
Clubs and Services	**1**	**–**	**1**	72	–	72	(99%)
	518	**73**	**591**	457	132	589	0%

EBITDA* by geographical segment

HK$m	**2022**			2021			2022 vs 2021
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total	
Hong Kong	**357**	**–**	**357**	460	–	460	(22%)
Other Asia	**(48)**	**28**	**(20)**	(206)	79	(127)	84%
US and Europe	**209**	**45**	**254**	203	53	256	(1%)
	518	**73**	**591**	457	132	589	0%

* *Excluding pre-opening and project expenses and the group's share of EBITDA in respect of the sale of apartments by the joint venture in Shanghai.*

EBITDA* margin

	2022			2021		
	Group's subsidiaries	**Associates and joint venture (effective share)**	**Combined total**	Group's subsidiaries	Associates and joint venture (effective share)	Combined total
Hotels	**8%**	**19%**	**9%**	3%	31%	7%
Commercial Properties	**41%**	**–**	**41%**	47%	–	47%
Clubs and Services	**0%**	**–**	**0%**	14%	–	14%
Overall EBITDA* margin	**12%**	**19%**	**13%**	13%	31%	15%
By region						
Hong Kong	**22%**	**–**	**22%**	27%	–	27%
Other Asia	**-5%**	**19%**	**-2%**	-28%	32%	-13%
US and Europe	**13%**	**19%**	**14%**	19%	30%	21%

* *Excluding pre-opening and project expenses and the group's share of EBITDA in respect of the sale of apartments by the joint venture in Shanghai.*

The group achieved a combined EBITDA of HK$591 million compared to HK$589 million in 2021. The group's operations in different business segments and different geographic locations are subject to different cost bases. The decline in overall EBITDA margin was mainly driven by the decrease in EBITDA margin of the Clubs and Services division resulting from the drop in mooncake sales reported by Peninsula Merchandising and the higher operating costs incurred by Quail Lodge & Golf Club.

Increase/(decrease) in fair value of investment properties

The investment properties of the group were revalued as at 31 December 2022 by independent firms of valuers based on an income capitalisation approach. The revaluation deficit of HK$152 million was mainly due to the drop in appraised market value of the shopping arcade of The Peninsula Hong Kong and The Repulse Bay.

Share of result of joint ventures

The group, through its joint venture The Peninsula Shanghai Waitan Hotel Company Limited (PSW), owns a 50% interest in The Peninsula Shanghai Complex which comprises The Peninsula Shanghai hotel and shopping arcade and the adjoining Peninsula Residences apartment tower. Apart from earning hotel revenue, PSW also earns leasing income from the residential apartments as well as sales proceeds when the apartments are sold. At the end of 2022, PSW owned 7 remaining apartments which are held for sale.

The business of PSW was severely disrupted as the Puxi area of Shanghai was subject to various lockdowns with mandated closure of hotel restaurants, spas and pools for a number of months during 2022. Despite the innovative strategies introduced to drive revenue and the tight control of costs, PSW's hotel revenue and EBITDA before apartment sales declined by 39% and 65% to HK$298 million and HK$57 million respectively. During the year, PSW sold an apartment and generated a net sale proceeds of HK$45 million. After accounting for the gain on apartment sold, depreciation, interest and the unrealised loss on revaluation of the hotel shopping arcade, PSW recorded an accounting loss of HK$80 million (2021: loss of HK$7 million) and the group's share of loss amounted to HK$40 million (2021: loss of HK$4 million).

Details of the operating performance of The Peninsula Shanghai are set out in the Operational Review section on pages 14 and 15.

The group also owns a 50% interest in The Peninsula Istanbul indirectly through PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT), a joint venture incorporated in Türkiye. The Peninsula Istanbul is subject to a 30-year fixed term lease agreement granted by our partners who in turn have a 30 year operating right over the entire Galataport Project commencing 2014. Our partners have secured an extension to the 30-year operating right to 49 years from February 2014 and we are negotiating with our partners on extending the fixed term lease for the hotel. During the year, PIT incurred pre-opening expenses of HK$28 million (2021: nil) of which HK$14 million was shared by the group.

Share of results of associates

The group has a 20% interest in each of The Peninsula Beverly Hills and The Peninsula Paris. The group's share of net loss of these hotels amounted to HK$11 million (2021: HK$11 million).

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

Statement of financial position

The consolidated statement of financial position of the group as at 31 December 2022 is presented on page 45 and the key components of the group's assets and liabilities are set out in the following table. As reflected in the table, the group's financial position as at 31 December 2022 remained robust with shareholders' funds amounting to HK$36,016 million, representing a per share value of HK$21.84.

HK$m	**2022**	2021
Fixed assets	**47,130**	46,825
Properties under development for sale	**5,169**	4,954
Other long-term assets	**2,435**	2,462
Derivative financial instruments	**349**	53
Cash at banks and in hand	**585**	479
Other assets	**913**	912
	56,581	55,685
Interest-bearing borrowings	**(15,192)**	(13,379)
Lease liabilities	**(2,792)**	(3,103)
Other liabilities	**(2,477)**	(2,338)
	(20,461)	(18,820)
Net assets	**36,120**	36,865
Represented by:		
Shareholders' fund	**36,016**	36,762
Non-controlling interests	**104**	103
Total equity	**36,120**	36,865

Summary of hotel, commercial and other properties

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

The group's hotel properties and investment properties are dealt with under different accounting policies as required by the relevant accounting standards. The hotel properties (other than shopping arcades and offices within the hotels) and golf courses are stated at cost less accumulated depreciation and any provision for impairment losses, whilst investment properties (including shopping arcades and offices within the hotels) are stated at fair value as appraised by independent valuers. In order to provide users of the financial statements with additional information on the fair value of the group's properties, independent valuers have been engaged to conduct a valuation of the hotel properties and golf courses as at 31 December 2022.

A summary of the group's hotel, commercial and other properties showing both the book value and the fair value as at 31 December 2022 is set out in the table on the following page.

	2022 Group's interest	2022 Fair value valuation	2022 Book value	2021 Fair value valuation	2021 Book value
		Value of 100% of the property (HK$m)			
Hotel properties *					
The Peninsula Hong Kong	100%	**12,053**	**9,533**	12,062	9,622
The Peninsula New York	100%	**2,118**	**1,574**	2,114	1,562
The Peninsula Beijing	76.6%[Δ]	**1,163**	**1,123**	1,306	1,302
The Peninsula Tokyo	100%	**1,459**	**1,103**	1,572	1,306
The Peninsula Chicago	100%	**1,253**	**1,038**	1,240	1,083
The Peninsula Bangkok	100%	**632**	**532**	653	583
The Peninsula Manila	77.4%	**42**	**28**	45	37
The Peninsula Shanghai[#]	50%	**2,787**	**2,157**	3,122	2,437
The Peninsula Paris[#]	20%	**4,338**	**4,110**	4,786	4,539
The Peninsula Beverly Hills[#]	20%	**2,784**	**260**	2,523	284
		28,629	**21,458**	29,423	22,755
Commercial properties					
The Repulse Bay Complex	100%	**18,468**	**18,468**	18,488	18,488
The Peak Tower	100%	**1,308**	**1,308**	1,320	1,320
St. John's Building	100%	**1,203**	**1,203**	1,202	1,202
Apartments in Shanghai	100%	**380**	**380**	416	416
21 avenue Kléber	100%	**647**	**647**	688	688
The Landmark	70%[ΔΔ]	**25**	**25**	36	36
		22,031	**22,031**	22,150	22,150
Other properties					
Quail Lodge resort, golf course and vacant land	100%	**287**	**270**	286	274
Vacant land in Thailand	100%	**90**	**90**	89	89
Other properties for own use	100%	**395**	**211**	399	198
		772	**571**	774	561
Properties under development[##]					
The Peninsula London Hotel	100%	**6,043**	**6,043**	4,946	4,946
The Peninsula London Residences[###]	100%	**5,169**	**5,169**	4,954	4,954
The Peninsula Yangon	70%	**128**	**128**	125	125
The Peninsula Istanbul[#]	50%	**1,517**	**1,517**	1,000	1,000
		12,857	**12,857**	11,025	11,025
Total market/book value		**64,289**	**56,917**	63,372	56,491

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

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

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

These properties are held by associates/joint ventures.

The directors consider that the fair value of all properties under development approximates their book value.

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

Properties under development for sale

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

As at 31 December 2022, the cost of properties under development for sale amounting to HK$5,169 million (2021: HK$4,954 million) was capitalised on the balance sheet and such amount will be recovered through sales completions and be recognised as cost of inventories. Reservation fees and pre-sale deposits paid by buyers of the apartments are held in escrow accounts in accordance with the local regulations in the UK and therefore, such fees and deposits are not reflected in the consolidated statement of financial position.

Other long-term assets

The other long-term assets as at 31 December 2022 of HK$2,435 million (2021: HK$2,462 million) comprised the group's 50% interest in The Peninsula Shanghai, the group's 20% interest and the value of its operating right in The Peninsula Beverly Hills, the group's 20% interest and the value of its operating right in The Peninsula Paris and the group's 50% interest and the value of trademark for The Peninsula Istanbul which is under development.

Derivative financial instruments

Derivative financial instruments represent the fair value of interest rate swaps and forward exchange contracts entered into by the group with financial institutions for hedging purposes. Under the interest rate swap arrangements, the group receives floating interest income and pays fixed interest expense. The increase in asset value of derivative financial instruments was mainly due to the increase in fair value of interest rate swaps resulting from the rising interest rates in the market.

Cash at banks and in hand and interest-bearing borrowings

As at 31 December 2022, the group's cash at banks and in hand and interest-bearing borrowings amounted to HK$585 million (2021: HK$479 million) and HK$15,192 million (2021: HK$13,379 million) respectively, resulting in a net borrowing of HK$14,607 million (2021: HK$12,900 million). The HK$1,707 million increase in net borrowings was mainly due to the capital expenditure in relation to the group's on-going projects under development. A breakdown of the group's capital expenditure on on-going projects for the year ended 31 December 2022 is set out on pages 37.

Cash flows

Excluding project-related cash flows and pre-opening expenses, the group generated a cash inflow from existing operations after tax, normal capital expenditure, interest and hotel lease payments of HK$82 million compared to a cash inflow of HK$69 million in 2021. During the year, the most significant cash outflow of the group remained to be the capital expenditure on the new hotel projects in London and Istanbul and the Peak Tram upgrade project. The following table summarises the key cash movements for the year ended 31 December 2022.

HK$m	**2022**	2021
Operating EBITDA (before pre-opening and project expenses)	**518**	457
Tax payment	**(71)**	(70)
Changes in working capital	**89**	(6)
Normal capital expenditure on existing assets (excluding projects)	**(200)**	(141)
Net cash inflow after normal capital expenditure	**336**	240
Interest attributable to the existing operations	**(87)**	(30)
Lease payments attributable to existing operations	**(167)**	(141)
Net cash inflow from operations	**82**	69
Project-related cash flows		
Capital expenditure on new projects	**(2,464)**	(2,254)
Capital expenditure on Peak Tram upgrade project	**(161)**	(193)
Pre-opening and project expenses	**(119)**	(63)
Interest incurred on projects	**(196)**	(125)
Cash outflow for projects	**(2,940)**	(2,635)
Net cash outflow before dividends and other payments	**(2,858)**	(2,566)
Dividends paid to holders of non-controlling interests	**(6)**	(6)
Other payments and receipts	**88**	(11)
Net cash outflow before borrowings	**(2,776)**	(2,583)

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

HK$m	**2022**	2021
The Peninsula London	**2,164**	2,087
The Peninsula Yangon	**10**	58
Capital injection into The Peninsula Istanbul's joint venture	**278**	109
Trademark acquisition costs for The Peninsula Istanbul	**12**	–
	2,464	2,254

Capital commitments

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

As announced on 28 October 2022, the group's budget in respect of The Peninsula London project has been revised from GBP800 million to GBP1,020 million (including both hotel and residential apartments). The budget uplift is largely due to construction delays resulting from the impacts of COVID-19, significant design and project coordination issues arising in key areas of the hotel, supply chain issue, and higher labour and energy costs due to general inflation. Whilst The Peninsula Istanbul project also suffered some delays due to COVID-19 and certain unforeseen site conditions, with value engineering and other cost control measures, its budget remained unchanged at EUR150 million. Further details on the status of the development projects in London and Istanbul are set out on pages 23 and 24 of the Operational Review.

The group's total capital commitments as at 31 December 2022 are summarised in the table below.

HK$m	**2022**	2021
Normal capital expenditures in respect of existing properties, including the group's share of capital expenditures of a joint venture and associates	**885**	386
New and special projects		
– The Peak Tram upgrade	**60**	198
– The Peninsula London	**2,040**	1,943
– The Peninsula Istanbul	**326**	569
– The Peninsula Yangon	**592***	594
	3,903	3,690

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

As at 31 December 2022, the group's undrawn committed facilities and cash at banks amounted to HK$4.1 billion (2021: HK$6.6 billion). Excluding the capital commitment relating to The Peninsula Yangon project which has been suspended, the Directors believe that the group will be able to meet the above capital commitments as well as the working capital requirements of its operations.

Capital and treasury management

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

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

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

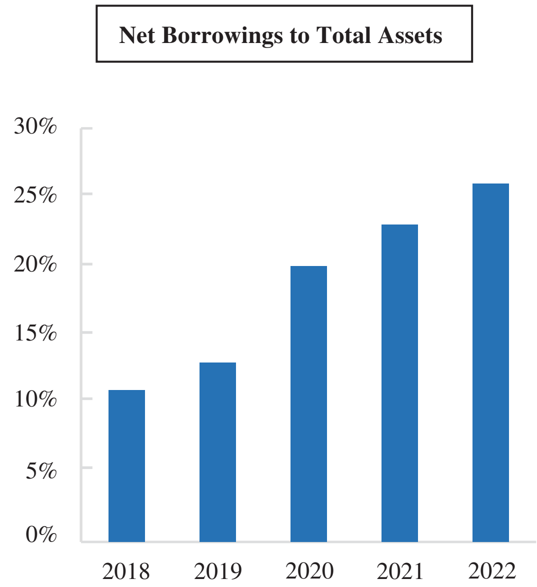
Liquidity and Financing

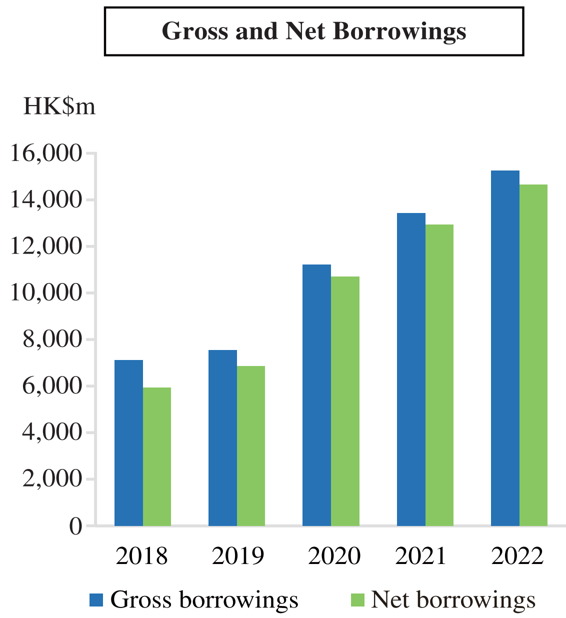
We take a proactive approach to manage the group's liquidity and refinancing risk to ensure ample headroom to cover our capital commitments and protect against business volatility.

During the year the group has signed a new GBP675 million three-year term facility with a group of nine banks to early refinance its existing GBP650 million club loan due in 2023. This facility is classified as green loan. As at 31 December 2022, 37% and 20% 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 2022, gross borrowings increased to HK$15.2 billion (2021: HK$13.4 billion) mainly due to construction payments for The Peninsula London. Consolidated net debt increased to HK$14.6 billion as compared to HK$12.9 billion in 2021. As at 31 December 2022 the group had HK$3.6 billion of unused committed facilities. The group's net borrowings to total assets increased to 26% as compared to 23% in 2021.

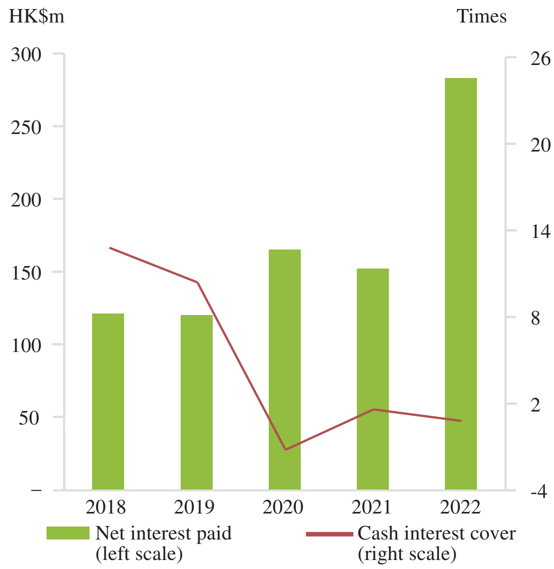




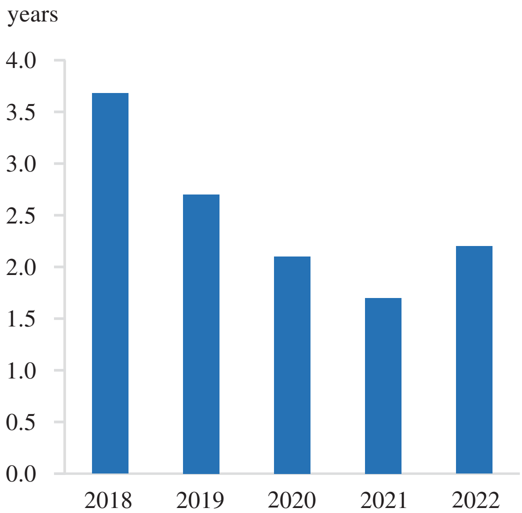
During the year, the group also refinanced its maturing loans in HKD, USD and JPY with new maturity tenors of 2 to 5 years. The average debt maturity for the year increased from 1.7 years to 2.2 years.

Net interest paid in 2022 increased to HK$283 million (2021: HK$155 million) as a result of higher net borrowings and interest rates globally. Cash interest cover (EBITDA less lease payments divided by net interest paid) was 0.8 times (2021: 1.6). Interest coverage ratio is expected to improve driven by reduction of net debt upon receiving London apartment sales proceeds as a major factor.

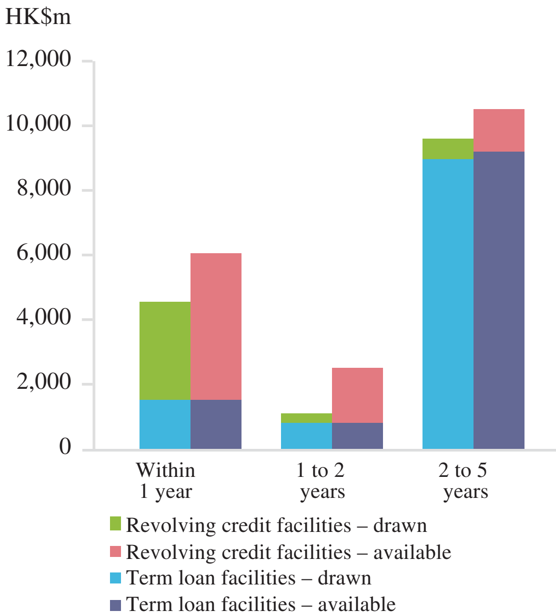
Net Interest Paid and Cash Interest Cover



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 2022 are summarised as follows:

HK$m	2022 Hong Kong	2022 Other Asia	2022 United States of America	2022 Europe	2022 UK	2022 Total	2021 Total
Consolidated gross borrowings	4,181	2,369	279	499	7,864	15,192	13,379
Non-consolidated gross borrowings attributable to the Group*:							
The Peninsula Shanghai (50%)	–	545	–	–	–	545	483
The Peninsula Beverly Hills (20%)	–	–	178	–	–	178	195
The Peninsula Paris (20%)	–	–	–	378	–	378	401
Non-consolidated borrowings	–	545	178	378	–	1,101	1,079
Consolidated and non-consolidated gross borrowings	4,181	2,914	457	877	7,864	16,293	14,458

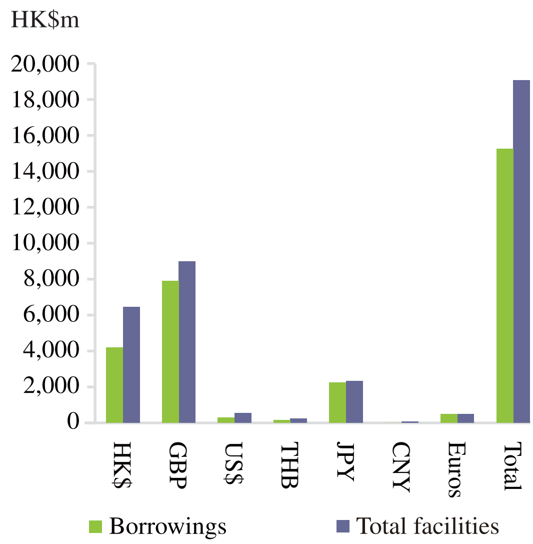
* *Represents HSH's attributable share of borrowings*

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 2022, GBP, HK dollar and Japanese yen borrowings represented 52%, 28% and 15% of total borrowings, respectively. Other balances were in other local currencies of the Group's entities.

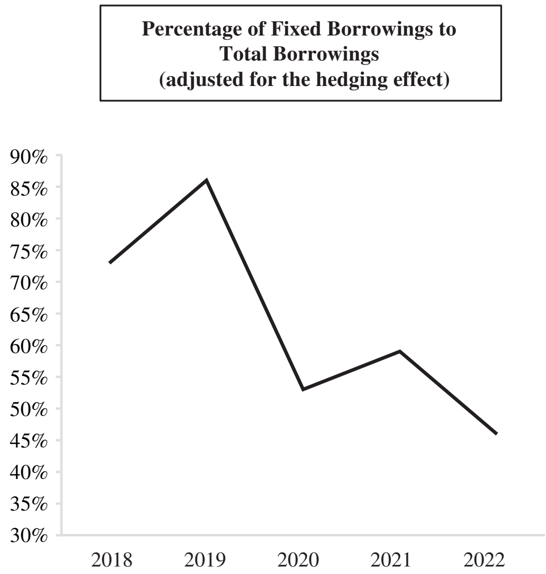
Banking Facilities and Borrowings (by currency)

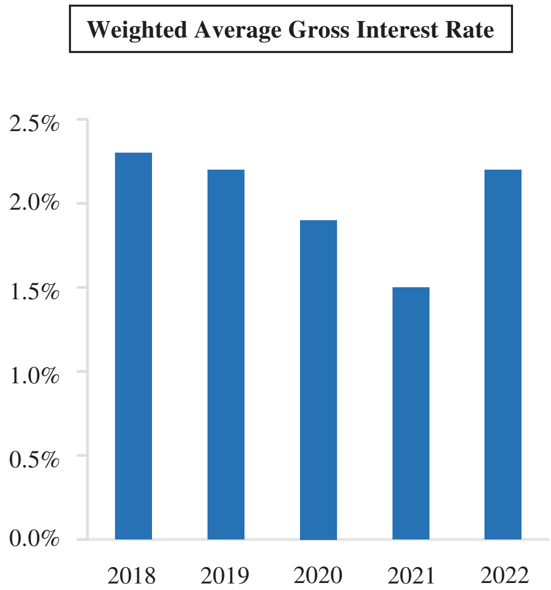


Interest rate risk

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 2022, the group has fixed to floating interest rate ratio of 46% (2021: 59%). With fixed rate hedging in place the weighted average gross interest rate for the year has only increased moderately from 1.50% to 2.15%.





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 2022, derivatives with a notional amount of HK$5,406 million (2021: HK$5,450 million) were transacted.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (HK$m)

	Note	Year ended 31 December 2022	2021
Revenue	2	**4,198**	3,461
Cost of inventories		**(352)**	(310)
Staff costs and related expenses		**(1,966)**	(1,562)
Rent and utilities		**(370)**	(373)
Other operating expenses		**(1,111)**	(822)
Operating profit before interest, taxation, depreciation and amortisation (EBITDA)		**399**	394
Depreciation and amortisation		**(452)**	(499)
Operating loss		**(53)**	(105)
Interest income		**6**	4
Financing charges		**(204)**	(157)
Net financing charges		**(198)**	(153)
Loss after net financing charges		**(251)**	(258)
Share of results of joint ventures	9	**(54)**	(4)
Share of results of associates	10	**(11)**	(11)
Provision for impairment	7(a)	**–**	(679)
(Decrease)/increase in fair value of investment properties	7(a)	**(152)**	670
Loss before taxation		**(468)**	(282)
Taxation			
Current tax	3	**(48)**	(78)
Deferred tax	3	**31**	41
Loss for the year		**(485)**	(319)
Loss attributable to:			
Shareholders of the company		**(488)**	(120)
Non-controlling interests		**3**	(199)
Loss for the year		**(485)**	(319)
Loss per share, basic and diluted (HK$)	4	**(0.30)**	(0.07)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (HK$m)

	Note	Year ended 31 December 2022	2021
Loss for the year		**(485)**	(319)
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		**(387)**	96
– financial statements of joint ventures		**(144)**	(21)
– financial statements of and loans to an associate		**(29)**	(40)
– hotel operating rights and trademarks		**(26)**	(35)
		(586)	–
Cash flow hedges:			
– effective portion of changes in fair values		**280**	21
– transfer from equity to profit or loss		**(22)**	18
		258	39
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	7(a)	**63**	–
Remeasurement of net defined benefit retirement obligations		**4**	(1)
		67	(1)
Other comprehensive income		**(261)**	38
Total comprehensive income for the year		**(746)**	(281)
Total comprehensive income attributable to:			
Shareholders of the company		**(749)**	(82)
Non-controlling interests		**3**	(199)
Total comprehensive income for the year		**(746)**	(281)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HK$m)

	Note	As at 31 December 2022	As at 31 December 2021
Non-current assets			
Investment properties		**32,895**	33,077
Other properties, plant and equipment		**14,235**	13,748
	7	**47,130**	46,825
Properties under development for sale	8	**–**	4,954
Interest in joint ventures	9	**1,372**	1,349
Interest in associates	10	**459**	520
Hotel operating rights and trademarks	11	**456**	483
Derivative financial instruments	12	**334**	53
Deferred tax assets		**148**	110
		49,899	54,294
Current assets			
Properties under development for sale	8	**5,169**	–
Derivative financial instruments	12	**15**	–
Inventories		**87**	75
Trade and other receivables	13	**826**	775
Amount due from a joint venture		**–**	62
Cash at banks and in hand	14	**585**	479
		6,682	1,391
Current liabilities			
Trade and other payables	15	**(1,684)**	(1,529)
Interest-bearing borrowings	16	**(4,544)**	(2,015)
Derivative financial instruments	12	**–**	(9)
Current taxation		**(22)**	(42)
Lease liabilities	17	**(165)**	(163)
		(6,415)	(3,758)
Net current assets/(liabilities)		**267**	(2,367)
Total assets less current liabilities		**50,166**	51,927
Non-current liabilities			
Interest-bearing borrowings	16	**(10,648)**	(11,364)
Trade and other payables	15	**(96)**	(120)
Net defined benefit retirement obligations		**(18)**	(24)
Derivative financial instruments	12	**–**	(6)
Deferred tax liabilities		**(657)**	(608)
Lease liabilities	17	**(2,627)**	(2,940)
		(14,046)	(15,062)
Net assets		**36,120**	36,865
Capital and reserves			
Share capital	18	**5,837**	5,837
Reserves		**30,179**	30,925
Total equity attributable to shareholders of the company		**36,016**	36,762
Non-controlling interests		**104**	103
Total equity		**36,120**	36,865

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 2021	5,837	(10)	77	30,940	31,007	36,844	308	37,152
Changes in equity for 2021:								
Loss for the year	–	–	–	(120)	(120)	(120)	(199)	(319)
Other comprehensive income	–	39	(1)	–	38	38	–	38
Total comprehensive income for the year	–	39	(1)	(120)	(82)	(82)	(199)	(281)
Dividend paid to non-controlling interests	–	–	–	–	–	–	(6)	(6)
Balance at 31 December 2021 and 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	**5,837**	**290**	**(443)**	**30,332**	**30,179**	**36,016**	**104**	**36,120**

CONSOLIDATED STATEMENT OF CASH FLOWS (HK$m)

	Note	Year ended 31 December 2022	2021
Operating activities			
Loss after net financing charges		**(251)**	(258)
Adjustments for:			
Depreciation	7(a)	**439**	485
Amortisation of hotel operating rights	11	**13**	14
Interest income		**(6)**	(4)
Financing charges		**204**	157
EBITDA		**399**	394
Changes in other working capital		**89**	(6)
Cash generated from operations		**488**	388
Net tax paid:			
Hong Kong profits tax		**(61)**	(61)
Overseas tax		**(10)**	(9)
Net cash generated from operating activities		**417**	318
Investing activities			
Development costs for The Peninsula London Residences		**(669)**	(646)
Capital expenditure on the Peninsula hotels in London and Yangon		**(1,505)**	(1,499)
Capital expenditure on the Peak Tram upgrade project		**(161)**	(193)
Capital injection into The Peninsula Istanbul joint venture		**(278)**	(109)
Trademark acquisition cost for The Peninsula Istanbul		**(12)**	–
Capital expenditure on operating assets		**(200)**	(141)
Cash injected from the non-controlling shareholder of The Peninsula Yangon		**4**	–
Receipt from/(advance to) associates		**21**	(11)
Repayment of shareholder's loans from the Peninsula Shanghai joint venture		**63**	–
Net cash used in investing activities		**(2,737)**	(2,599)
Financing activities			
Drawdown of term loans		**7,848**	3,660
Repayment of term loans		**(6,231)**	(1,490)
Net increase in revolving loans		**1,294**	372
Net (deposit)/withdrawal of interest-bearing bank deposits with maturity of more than three months		**(2)**	1
Interest paid and other financing charges		**(289)**	(159)
Interest received		**6**	4
Capital element of lease rental paid		**(72)**	(41)
Interest element of lease rental paid		**(95)**	(100)
Dividends paid to holders of non-controlling interests		**(6)**	(6)
Net cash generated from financing activities		**2,453**	2,241
Net increase/(decrease) in cash and cash equivalents		**133**	(40)
Cash and cash equivalents at 1 January		**466**	506
Effect of changes in foreign exchange rates		**(29)**	–
Cash and cash equivalents at 31 December	14	**570**	466

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

The financial information relating to the years ended 31 December 2022 and 2021 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 2021 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 2022 in due course.

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

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the group. Note 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 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 2022 and 2021:

	2022				2021			
	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	**–**	**1,284**	**–**	**1,284**	–	808	–	808
– Food and beverage	**892**	**–**	**–**	**892**	683	–	–	683
– Shopping arcades and offices	**–**	**36**	**496**	**532**	–	35	484	519
– Others	**207**	**80**	**–**	**287**	173	80	–	253
	1,099	**1,400**	**496**	**2,995**	856	923	484	2,263
Commercial properties								
– Residential properties	**–**	**47**	**355**	**402**	–	42	380	422
– Offices	**–**	**10**	**85**	**95**	–	10	91	101
– Shopping arcades and others	**89**	**33**	**67**	**189**	76	34	65	175
	89	**90**	**507**	**686**	76	86	536	698
Clubs and Services								
– Golf club	**117**	**86**	**–**	**203**	100	73	–	173
– Peak Tram operation	**29**	**–**	**–**	**29**	13	–	–	13
– Peninsula Merchandising	**244**	**–**	**–**	**244**	275	–	–	275
– Others	**37**	**4**	**–**	**41**	35	4	–	39
	427	**90**	**–**	**517**	423	77	–	500
				4,198				3,461

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

Taxation in the consolidated statement of profit or loss represents:

	2022	2021
Current tax – Hong Kong profits tax		
Provision for the year	**42**	62
(Over)/under provision in respect of prior years	**(9)**	1
	33	63
Current tax – Overseas		
Provision for the year	**13**	11
Under-provision in respect of prior years	**2**	4
	15	15
	48	78
Deferred tax		
Decrease in net deferred tax liabilities relating to revaluation of overseas investment properties	**(1)**	(5)
Decrease in net deferred tax liabilities relating to other temporary differences	**(30)**	(36)
	(31)	(41)
Total	**17**	37

The provision for Hong Kong profits tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

4. Loss per share

(a) Loss per share – basic

	2022	2021
Loss attributable to shareholders of the company (HK$m)	**(488)**	(120)
Weighted average number of shares in issue (million shares)	**1,649**	1,649
Loss per share (HK$)	**(0.30)**	(0.07)

(b) Loss per share – diluted

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2022 and 2021 and hence the diluted loss per share is the same as the basic loss per share.

5. Dividends (HK$m)

(a) Dividend policy

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

(b) Dividends payable to shareholders of the company

No dividends were approved or paid to shareholders of the company during the years ended 31 December 2022 and 2021. No final dividends were proposed after the end of the reporting period (2021: Nil).

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 2022 and 2021 are set out as follows:

	Hotels		Commercial Properties		Clubs and Services		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Reportable segment revenue*	**2,995**	2,263	**686**	698	**517**	500	**4,198**	3,461
Reportable segment operating profit before interest, taxation, depreciation and amortisation (EBITDA)	**238**	58	**279**	327	**1**	72	**518**	457
Depreciation and amortisation	**(390)**	(451)	**(22)**	(26)	**(40)**	(22)	**(452)**	(499)
Pre-opening and project expenses	**(119)**	(63)	**–**	–	**–**	–	**(119)**	(63)
Segment operating (loss)/profit	**(271)**	(456)	**257**	301	**(39)**	50	**(53)**	(105)
Provision for impairment loss	**–**	(679)	**–**	–	**–**	–	**–**	(679)

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

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

(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 2022 and 2021 are set out as follows:

	Note	**2022**	2021
Reportable segment assets			
Hotels		**26,907**	26,623
Commercial properties		**27,410**	27,321
Clubs and services		**1,182**	1,037
		55,499	54,981
Unallocated assets			
Derivative financial instruments	12	**349**	53
Deferred tax assets		**148**	110
Amount due from a joint venture		**–**	62
Cash at banks and in hand	14(a)	**585**	479
Consolidated total assets		**56,581**	55,685

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 under development for sales and total reportable non-current assets.

	Revenue from external customers		Reportable non-current assets	
	2022	2021	**2022**	2021
Hong Kong	**1,607**	1,678	**31,632**	31,580
Other Asia*	**1,012**	733	**5,322**	6,167
United States of America and Europe	**1,579**	1,050	**17,632**	16,384
	4,198	3,461	**54,586**	54,131

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

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

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

	Land	Right-of-use assets (note 7(c))	Hotel and other buildings held for own use	Motor vehicles, plant and equipment	Construction in progress	Sub-total	Investment properties (notes 7(b))	Total
Cost or valuation:								
At 1 January 2021	735	3,263	8,832	5,119	4,571	22,520	32,407	54,927
Exchange adjustments	(40)	(180)	(293)	(108)	(49)	(670)	(49)	(719)
Additions	–	55	15	66	1,918	2,054	51	2,105
Disposals	–	(5)	(7)	(148)	–	(160)	(2)	(162)
Transfer	–	–	62	–	(62)	–	–	–
Fair value adjustment	–	–	–	–	–	–	670	670
At 31 December 2021	695	3,133	8,609	4,929	6,378	23,744	33,077	56,821
Representing:								
Cost	695	3,133	8,609	4,929	6,378	23,744	–	23,744
Valuation – 2021	–	–	–	–	–	–	33,077	33,077
	695	3,133	8,609	4,929	6,378	23,744	33,077	56,821
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**
Accumulated depreciation and impairment losses:								
At 1 January 2021	278	323	4,529	4,141	–	9,271	–	9,271
Exchange adjustments	(24)	(13)	(150)	(92)	–	(279)	–	(279)
Charge for the year	–	58	175	252	–	485	–	485
Written back on disposals	–	(5)	(7)	(148)	–	(160)	–	(160)
Impairment	–	–	–	–	679	679	–	679
At 31 December 2021	254	363	4,547	4,153	679	9,996	–	9,996
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**
Net book value:								
At 31 December 2022	**433**	**2,493**	**3,704**	**1,368**	**6,237**	**14,235**	**32,895**	**47,130**
At 31 December 2021	441	2,770	4,062	776	5,699	13,748	33,077	46,825

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

continued

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

continued

During the year, the group acquired items of fixed assets for its existing operations with a cost of HK$356 million (2021: HK$335 million), of which HK$181 million related to The Peak Tram upgrade project. The group also incurred development costs for the hotel project in London amounting to HK$1,660 million. In August 2022, the Peak Tram upgrade project was substantially completed and construction in progress in respect of the project of HK$730 million was transferred to motor vehicles, plant and equipment. During the year, certain areas of the Peninsula hotels in Hong Kong and Tokyo were converted into office and retail spaces to generate rental income. The relevant areas were revalued and the surplus on revaluation of HK$63 million was recognised in other comprehensive income in accordance with the accounting policy.

The net book for other items of properties, plant and equipment disposed of during the year ended 31 December 2022 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.

For the year ended 31 December 2021, the directors considered that, due to the substantial uncertainty in the economic and business environment in Myanmar, the recoverable amount of The Peninsula Yangon was lower than its carrying value. As a result, the carrying value of the corresponding construction in progress was written down to its recoverable amount and an impairment loss of HK$679 million was recognised.

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 2022. The changes in fair value of the investment properties during the year were accounted for in the consolidated statement of profit or loss. The valuations were carried out by valuers independent of the group who have staff with recent experience in the location and category of the property being valued. Discussions have been held with the valuers on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

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

continued

(c) Right-of-use assets

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

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

	2022	2021
Classified as properties leased for own use, carried at depreciated cost	**2,493**	2,770
Included in construction in progress	**117**	117
	2,610	2,887

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

	2022	2021
At 1 January	**4,954**	4,264
Addition	**760**	717
Exchange adjustment	**(545)**	(27)
At 31 December	**5,169**	4,954

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

The development of these apartments is expected to be substantially completed in 2023 and as such, properties under development for sale has been reclassified as current assets in the balance sheet.

As at 31 December 2022, we have exchanged contracts for approximately 70% of the apartments with an aggregate sales value of over HK$5 billion (GBP0.5 billion).

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

9. Interest in joint ventures (HK$m)

	2022	2021
Share of net assets	**914**	828
Loans to PSW	**458**	521
	1,372	1,349

(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 2021: US$117,500,000)	50%	Hotel investment and apartments held for sale
PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT)*	Incorporated	Türkiye	TRY2,390,697,428 (31 December 2021: TRY1,161,618,600)	50%	Hotel investment

* *PIT was incorporated on 10 February 2016 and the group's interest in this joint venture is held indirectly by the company. PIT has redevelopment and operating rights in respect of a property within the Salıpazarı Port Project Area in Istanbul, Türkiye. The group, together with its joint venture partner, intends to redevelop the property into The Peninsula Istanbul. The net assets of PIT at 31 December 2022 mainly comprised property under development and cash at bank and in hand of HK$1,517 million (2021: HK$1,000 million) and HK$69 million (2021: HK$75 million) respectively.*

(b) Türkiye has been considered a hyperinflationary economy. Accordingly, the financial information of PIT with functional currency of Turkish Lira has been prepared in accordance with HKAS 29, *Financial reporting in hyperinflationary economies*. As required by HKAS 29, PIT's financial information for the year ended 31 December 2022 is adjusted based on the current purchasing power by reference to the local customer price index before translation into HK Dollars. For the year ended 31 December 2022, the customer price index of Türkiye increased by 64% compared to the last year.

(c) PSW has pledged its properties inclusive of the land use rights as security for an initial loan facility amounting to RMB1,220 million (HK$1,366 million) (2021: RMB2,500 million (HK$3,060 million)). As at 31 December 2022, the loan drawdown amounted to RMB974 million (HK$1,090 million) (2021: RMB789 million (HK$966 million)). The net carrying amount of these pledged assets amounted to RMB2,348 million (HK$2,628 million) (2021: RMB2,445 million (HK$2,993 million)).

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

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

Statement of financial position	2022	2021
Non-current assets	**2,332**	2,585
Cash at bank and in hand	**77**	156
Apartments held for sale and other current assets	**397**	457
Current liabilities	**(254)**	(429)
Non-current liabilities	**(2,269)**	(2,291)
Net assets	**283**	478

Statement of profit or loss	2022	2021
Proceeds from sale of an apartment	**45**	–
Hotel revenue and rental income	**298**	489
	343	489
Cost of inventories and operating expenses (including the carrying value of apartment sold)	**(274)**	(332)
EBITDA	**69**	157
Depreciation	**(90)**	(98)
Net financing charges	**(52)**	(55)
(Loss)/profit before non-operating items	**(73)**	4
Non-operating items, net of tax*	**(7)**	(11)
Loss for the year	**(80)**	(7)
The group's share of result of PSW	**(40)**	(4)

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

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

	2022	2021
Share of result of PSW	**(40)**	(4)
Share of pre-opening expenses of PIT	**(14)**	–
	(54)	(4)

10. Interest in associates (HK$m)

	2022	2021
Interest in associates	**459**	520

(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$426 million (2021: HK$464 million). These loans were made pro rata to the group's shareholding in 19 Holding and are interest bearing at 3.25%. The terms of the loans are under review. The original loan maturity date was 31 December 2022. It is expected that the loan will be renewed for more than 1 year.

(c) Majestic has pledged its hotel property as security for a loan facility amounting to EUR227 million (HK$1,887 million) (2021: EUR227 million (HK$2,005 million)). As at 31 December 2022, the loan drawdown amounted to EUR227 million (HK$1,887 million) (2021: EUR227 million (HK$2,005 million)). As at 31 December 2022, the net carrying amount of the pledged asset amounted to EUR495 million (HK$4,114 million) (2021: EUR514 million (HK$4,539 million)).

(d) BHP has pledged its hotel property to an independent financial institution as security for BHP's loan facility, amounting to US$114 million (HK$889 million) (2021: US$145 million (HK$1,131 million)). As at 31 December 2022, the loan drawdown amounted to US$114 million (HK$889 million) (2021: US$125 million (HK$975 million)). The net carrying amount of the pledged asset amounted to US$33 million (HK$260 million) (2021: US$36 million (HK$284 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:

	2022	2021
EBITDA	**223**	264
Depreciation	**(198)**	(230)
Interest	**(83)**	(86)
Net loss from continuing operations	**(58)**	(52)
Other comprehensive income	**–**	–
Total comprehensive income	**(58)**	(52)
The Group's share of results of the associates	**(11)**	(11)

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

	2022	2021
Cost		
At 1 January	**694**	735
Additions	**12**	–
Exchange adjustments	**(30)**	(41)
At 31 December	**676**	694
Accumulated amortisation		
At 1 January	**(211)**	(203)
Exchange adjustments	**4**	6
Amortisation for the year	**(13)**	(14)
At 31 December	**(220)**	(211)
Net book value	**456**	483

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)

	2022 Assets	2022 Liabilities	2021 Assets	2021 Liabilities
Cash flow hedges:				
Interest rate swaps	**349**	**–**	53	(6)
Forward exchange contracts	**–**	**–**	–	(9)
	349	**–**	53	(15)
Less: Portion to be settled within one year				
Cash flow hedges:				
Interest rate swaps	**(15)**	**–**	–	–
Forward exchange contracts	**–**	**–**	–	(9)
	(15)	**–**	–	(9)
Amount to be settled after one year	**334**	**–**	53	(6)

13. Trade and other receivables (HK$m)

	2022	2021
Trade debtors	**345**	311
Rental deposits, payments in advance and other receivables	**469**	459
Tax recoverable	**12**	5
	826	775

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$177 million (2021: HK$185 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:

	2022	2021
Current	**298**	287
Less than one month past due	**22**	13
One to three months past due	**9**	5
More than three months but less than 12 months past due	**16**	6
Amounts past due	**47**	24
	345	311

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

	2022	2021
Interest-bearing bank deposits	**361**	182
Cash at banks and in hand	**224**	297
Total cash at banks and in hand	**585**	479
Less: Bank deposits with maturity of more than three months	**(15)**	(13)
Cash and cash equivalents in the consolidated statement of cash flows	**570**	466

Cash at banks and in hand at the end of the reporting period include amounts of HK$175 million (2021: HK$234 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 (note 16)	Lease liabilities (note 17)	Derivative financial instruments (note 12)	Interest payable (note 15)	Total
As at 1 January 2021	11,182	3,266	10	7	14,465
Changes from financing cashflows					
Drawdown of term loans	3,660	–	–	–	3,660
Repayment of term loans	(1,490)	–	–	–	(1,490)
Net increase in revolving loans	372	–	–	–	372
Interest paid and other financing charges	(13)	(100)	–	(146)	(259)
Capital element of lease rental paid	–	(41)	–	–	(41)
Changes in fair value					
Effective portion of changes in fair values	–	–	(48)	–	(48)
Other changes					
Exchange difference	(364)	(176)	–	–	(540)
Financing charges	32	100	–	25	157
Capitalised borrowing costs	–	49	–	125	174
Increase in lease liabilities from entering into new leases during the year	–	5	–	–	5
As at 31 December 2021 and 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)**	**(95)**	**–**	**(255)**	**(384)**
Capital element of lease rental paid	**–**	**(72)**	**–**	**–**	**(72)**
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	**15,192**	**2,792**	**(349)**	**23**	**17,658**

15. Trade and other payables (HK$m)

	2022	2021
Trade creditors	**137**	123
Interest payable	**23**	11
Accruals for properties, plant and equipment and properties under development for sale	**398**	359
Tenants' deposits	**279**	308
Guest deposits and gift vouchers	**181**	171
Other payables	**762**	677
Financial liabilities measured at amortised cost	**1,780**	1,649
Less: Non-current portion of trade and other payables	**(96)**	(120)
Current portion of trade and other payables	**1,684**	1,529

As at 31 December 2022, trade and other payables of the group expected to be settled or recognised as income after more than one year amounted to HK$175 million (2021: HK$257 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:

	2022	2021
Less than three months	**125**	117
Three to six months	**5**	5
More than six months	**7**	1
	137	123

16. Interest-bearing borrowings (HK$m)

	2022	2021
Total facilities available:		
Term loans and revolving credits	**18,659**	19,390
Uncommitted facilities, including bank overdrafts	**413**	390
	19,072	19,780
Utilised at 31 December:		
Term loans and revolving credits	**15,098**	13,270
Uncommitted facilities, including bank overdrafts	**142**	160
	15,240	13,430
Less: Unamortised financing charges	**(48)**	(51)
	15,192	13,379
Represented by:		
Long-term bank loans, repayable within one year	**4,544**	2,015
Short-term bank loans and overdrafts, repayable on demand	**–**	–
	4,544	2,015
Long-term bank loans, repayable:		
Between one and two years	**1,067**	8,818
Between two and five years	**9,629**	2,597
Over five years	**–**	–
	10,696	11,415
Less: Unamortised financing charges	**(48)**	(51)
Non-current portion of long-term bank loans	**10,648**	11,364
Total interest-bearing borrowings	**15,192**	13,379

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

As at 31 December 2022, the group's committed facilities included a green loan and sustainability linked loan facilities of HK$6,844 million (2021: nil) and HK$3,654 million (2021: HK$1,250 million) respectively. The discount of interest margin 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:

	2022	2021
Carrying value		
Current portion	**165**	163
Non-current portion	**2,627**	2,940
	2,792	3,103
Contractual undiscounted cash outflow		
Within one year	**165**	163
After one year but within two years	**149**	156
After two years but within five years	**289**	312
After five years	**11,715**	12,970
	12,318	13,601

18. Share capital

	2022		2021	
	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 2022 and 2021 not provided for in the financial statements were as follows:

	2022			2021		
	Contracted for	**Authorised but not contracted for**	**Total**	Contracted for	Authorised but not contracted for	Total
Capital commitments in respect of existing properties and new projects	**238**	**3,281**	**3,519**	1,471	1,639	3,110
The group's share of capital commitments of joint ventures and associates	**235**	**149**	**384**	362	218	580
	473	**3,430**	**3,903**	1,833	1,857	3,690

The group's capital commitments as at 31 December 2022 included the outstanding development costs for The Peninsula London and the outstanding capital expenditure in respect of the Peak Tram upgrade project of HK$2,040 million (2021: HK$1,943 million) and HK$60 million (2021: HK$198 million) respectively.

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

20. Contingent liabilities

The Directors consider that there being no material contingent liabilities for the group as at 31 December 2022 and 2021.

21. Changes in accounting policies

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

- Amendment to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendment to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

21. Changes in accounting policies *continued*

The group has a 50% interest in PIT İstanbul Otel İşletmeciliği Anonim Şirketi (PIT) which is incorporated in Türkiye. PIT's functional and reporting currency is Turkish Lira.

Türkiye has been considered a hyperinflationary economy. Accordingly, the group's interest in PIT is accounted for under HKAS 29, *Financial Reporting in Hyperinflationary Economies*, in the consolidated financial statements. Impacts on the adoption of HKAS 29 are discussed below:

Application of HKAS 29 – *Financial Reporting in Hyperinflationary Economies*

HKAS 29 requires the financial information of PIT for the year ended 31 December 2022 be stated in terms of the current purchasing power by reference to the general consumer price index of Türkiye as at 31 December 2022.

The group's comparative information with respect to the year ended 31 December 2022 has not been restated. The impact on the adoption of HKAS 29 to the consolidated financial statements is immaterial.

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. The culture and values of the company provide a strong foundation for its core governance structure and work in tandem to sustain the group over the long term through business challenges, changing regulatory and market environment. By putting in place the right governance framework and ensuring strong emphasis on culture in the recruitment and conduct of senior management, the Board of Directors has incorporated a culture of integrity, accountability and transparency that permeates throughout the group. This in turn fosters productivity, strong branding and reputation which ultimately generates positive long-term shareholder value.

The Governance section in the 2022 Annual Report reinforces the commitment of the Board of Directors and senior management to the high standards of the group's corporate governance, which supports the development of strong corporate culture throughout the group.

The Stock Exchange's Corporate Governance Code in Appendix 14 of the Listing Rules (CG Code) forms the basis of the HSH Corporate Governance Code (HSH Code). 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 2022 Annual Report. Throughout 2022, 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

Launched in 2021, the group's *Sustainable Luxury Vision 2030 (Vision 2030)* was developed based on the strong foundation and efforts of our previous sustainability strategy, and incorporates a deeper focus on business integration and using regenerative and proactive approaches. Our new strategy leverages the strengths of our business, focusing on issues requiring significant and urgent attention while bringing a positive impact to the environment and our communities. *Vision 2030* seeks to address these issues by focusing on our three stakeholder pillars of (i) enhancing our guest experience, (ii) empowering our people and (iii) enriching our communities, underpinned by our 10 key commitments. With the rising environmental and social risks coming to fore, *Vision 2030* is our blueprint to navigate the volatile environment of the coming decade. Details can be found in our online 2022 Corporate Responsibility and Sustainability Report (CRS Report).

The CRS Report has been prepared in accordance with the provisions as set out in Appendix 27 of the Stock Exchange's Environmental, Social and Governance Reporting Guide (ESG Guide) and in reference to the updated Global Reporting Initiative Sustainability Reporting Standards (GRI Standards). The CRS Report also references the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the Sustainability Accounting Standard Board (SASB). KPMG was commissioned to conduct limited assurance and to provide an independent opinion on the identified elements of the CRS Report in accordance with the ESG Guide. The CRS Report is available on the websites of the company and the Stock Exchange together with the 2022 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 2022.

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

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

The company has made specific enquiries with all the Directors regarding any non-compliance with the Model Code and the Securities Code during the year 2022. The Directors have confirmed their full compliance with the required standard set out in the Model Code and the Securities Code.

The company has further extended the Securities Code to specified employees including senior management who may from time to time come across inside information. All specified employees have also confirmed their full compliance with the required standards set out in the adopted Code for Dealing in the Company's Securities by Specified Employees throughout the year 2022.

Final Dividend

Given the underlying loss of the company, the Board of Directors has resolved not to declare a dividend for the year ended 31 December 2022 (2021: Nil).

Closure of Register of Members

The register of members of the company will be closed from Friday, 5 May 2023 to Wednesday, 10 May 2023, both days inclusive, during which period the registration of transfer of shares will be suspended. To be entitled to attend, speak and vote at the forthcoming Annual General Meeting (AGM), all transfer documents accompanied by the relevant share certificates must be lodged with the company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30pm on Thursday, 4 May 2023.

AGM and Annual Report

The AGM will be held at The Peninsula Hong Kong on Wednesday, 10 May 2023 at 12:00 noon. The 2022 Annual Report will be uploaded on the websites of the company and the Stock Exchange on or about 31 March 2023 as well as dispatched to the shareholders together with the Notice of AGM on or about 13 April 2023.

By Order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 15 March 2023

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

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Andrew Clifford Winawer Brandler

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

Chief Operating Officer
Peter Camille Borer

Chief Financial Officer
Christopher Shih Ming Ip

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

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